

WELLESLEY HOUSING AUTHORITY

Wellesley, Massachusetts

REPORT ON AGREED-UPON PROCEDURES

December 31, 2017

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**INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To The Board of Commissioners
Wellesley Housing Authority
Wellesley, Massachusetts

We have performed the procedures enumerated below, which were agreed to by the Board of Commissioners, the Department of Housing and Community Development (DHCD) and management of the Wellesley Housing Authority, solely to perform the agreed-upon procedures, as prescribed by the Massachusetts Department of Housing and Community Development for the year ended December 31, 2017. The Wellesley Housing Authority's management is responsible for management decisions and functions and maintaining internal controls, including monitoring ongoing activities. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are presented in the Schedule of Agreed-Upon Procedures included in this report.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the effectiveness of the Wellesley Housing Authority's internal controls or on compliance with certain provisions of laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Commissioners, DHCD and management of the Wellesley Housing Authority, and is not intended to be and should not be used by anyone other than these specified parties.



Braintree, Massachusetts
September 30, 2018

Housing Authority: Wellesley Housing Authority

Fiscal Year End (FYE): 12/31/2017
 Date AUP Conducted: 1-Jul-18
 Executive Director: Paul Dumouchel
 CPA: Guyder Hurley, P.C.
 CPA Phone: (617) 376-6226

A. Rent Collection / Tenant Accounts Receivable / Account Write-Offs
 Number of Category Exceptions: 0 Category Rating: No Findings

A. Rent Collection – Walk-through of sample (Small - 3, Med - 5, Large - 7, Very Large - 9) of individual rent receipts to ensure all the following steps are being executed.	No Exception Found
1. Log of rent collected is complete, accurate and includes all necessary information. 2. Post-dated checks for current amount due is not accepted payment by LHA. 3. Trace amounts from receipt log to deposit slip for bank. Cash is deposited daily per DHCD guidelines (per Accounting Manual Sec. 8, p. 3). Except IF: LHA has only one administrative employee who deposits cash at least weekly. 4. Reconcile tenant ledger with receipt log, bank deposit and General Ledger. 5. What is on General Ledger matches bank statement (bank reconciliation) and Operating Statement and Balance Sheet (51-1 and 51-2 respectively).	NE NE NE NE NE
B. Rent Collection – Segregation of Duties 1. Document and evaluate internal controls and segregation of duties for steps 1 to 5 above. For LHAs with only one administrative employee: if sufficient internal controls and segregation of duties are not in place, there are mitigating controls in place, such as reporting the frequency/amount of credit adjustments to the board or fee accountant.	No Exception Found NE
C. Rent Collection – Tenant Accounts Receivables (TAR) 1. Aging of Tenant Accounts Receivable is matched to the General Ledger and to the Balance Sheet TAR (51-2). 2. Draw a sample of uncollected TAR accounts (Small - 3, Med - 5, Large - 7, Very Large - 9). Rent Collection is in compliance with LHA rent collection policy (per Contract for Financial Assistance (CFA) and Management Plan IIIC). 3. Allowance for Doubtful Accounts is determined in accordance with GAAP and LHA has evaluated estimate on annual basis. Reasonable allowance based on historical data. Repayment Agreements reconcile to the Balance Sheet/Operating Statements and are in accordance with DHCD policy.	No Exception Found NE NE NE
D. Account Write-Offs – Walk-through uncollected rent that was written-off. If no write-offs can be found, please select N/A option from drop down for <u>both</u> steps 1 and 2. 1. Obtain detail of write-offs and verify that write-offs are in accordance with DHCD policy. 2. Documentation of Board approval to write-off account (board approval of write-off required per budget guidelines for Acct #4570 - Collection Loss).	No Exception Found NE NE

Exceptions Noted:

Internal Control Recommendation:

Authority's Response:

Housing Authority: Wellesley Housing Authority	
B. Payroll/Fringe Benefits	
Number of Category Exceptions: 1	Category Rating: Operational Guidance
A. Wage Reconciliation 1. Verify analytically (not to exact amount) that FYE-end wages gross payroll reported on the LHA's General Ledger for all programs and all employees matches actual wage amounts reported on Forms 941 and WR-1 (state and federal filings). 2. Look at DHCD-approved budget <i>Schedule of All Salaries and Positions "Report"</i> in HAFIS and identify five highest paid salaries from all funding sources. Verify analytically (within % ANUEL increase for that year - exclude overtime in calculation for maintenance employees) that it matches the amount reported at FYE on the LHA's Top 5 Compensation Form (LHA should have a copy on file). Verify the amount reported on the Top 5 Compensation Form matches <u>exactly</u> the amount reported on reconciled Form 941 and the corresponding state online submission (mass.gov/lwd/unemployment-insur/employers/). 3. LHA is in possession of DHCD-approved executive contract signed by the LHA, Executive Director and DHCD. If LHA can show that currently being processed by DHCD and was not returned to the LHA for failing to meet DCHD's requirements, LHA can produce the last DHCD-approved executive contract signed by the LHA, Executive Director and DHCD.	Exception Found NE NE E
B. Select a Single Pay Period: 1. Trace timesheets/timerecards to the payroll register. 2. Test for completeness and accuracy. 3. Proper controls and approvals are in place, i.e. employees sign timesheets, the Executive Director signs off on employee timesheets, and the Executive Director maintains a timesheet.	No Exception Found NE NE NE
C. Obtain a compensated absences liability schedule: 1. Test for consistency with personnel policy (personnel policy required per Contract for Financial Assistance (CFA) and Management Plan IIa2) and reconcile to Balance Sheet (51-2) and General Ledger. If AUP conducted after 9/30/17, personnel policy includes (1) the limits on the amount of vacation and sick leave that will be accrued each year, and when and how such leave will be accrued; (2) a limit on the amount of accrued vacation that may be carried over from year to year, and; (3) a cap on the payout for accrued and unused sick leave at the end of employment per PHN 2017-14. Verify analytically future liabilities for employee benefits (particularly GASB 45 and GASB 68) are properly reflected on Operating Statement (51-1) and Balance Sheet (51-2). If GASB 68 actuarial reports were not received by the LHA in time for year-end financial statements, it is OK for LHA to report last year's GASB 68 numbers. 2. Proper controls and approvals are in place, i.e. Executive Director approves employee compensated absences. 3. Compensated absences should be tracked apart from the timesheets, and verification with timesheets should be performed. 4. Accrued and Accumulated leave time matches. Time is accruing as it should.	No Exception Found NE NE NE NE
Exceptions Noted:	1.) We identified that the Authority is not in possession of a DHCD-approved executive contract signed by the Authority, the Executive Director and DHCD. As of the date of the date of this report, the Authority has submitted a copy to DHCD, but a DHCD-approved contract has not been returned for the Authority's records.
Internal Control Recommendation:	1.) We recommend that the Authority address this matter with DHCD.
Authority's Response:	

Housing Authority: Wellesley Housing Authority	
C. Accounts Payable/Disbursements	
Number of Category Exceptions: 0 Category Rating: No Findings	
A. Select a sample (Small - 3, Med - 5, Large - 7, Very Large - 9) of operating and capital expenditures (at least 1 of each type if have). 1. Approval and Segregation of Duties 2. Accuracy 3. Supporting Documentation 4. Allowability 5. Allocation 6. Classification	No Exception Found NE NE NE NE NE NE
C. Select a sample (Small - 6, Med - 10, Large - 14, Very Large - 18) of credit card/debit card statements. If no credit/debit expenditures can be found, please select N/A option from drop down for <u>all</u> steps 1 to 8. 1. Approval and Segregation of Duties 2. Accuracy 3. Supporting Documentation (CPAs: include date, description of charge and amount of transaction for each purchase missing documentation below) 4. Allowability 5. Allocation 6. Classification 7. No Sales Tax Paid 8. Card is in Housing Authority name; not Executive Director (or any other staff member) name.	No Exception Found NE NE NE NE NE NE NE NE
D. Select a sample (Small - 3, Med - 5, Large - 7, Very Large - 9) of employee reimbursements (include at least one travel reimbursement). 1. Approval and Segregation of Duties 2. Accuracy 3. Supporting Documentation 4. Allowability 5. Allocation 6. Classification	No Exception Found NE NE NE NE NE NE
Exceptions Noted:	
Internal Control Recommendation:	
Authority's Response:	

D. Inventory (Fixed Assets)	
Number of Category Exceptions: 0	Category Rating: No Findings
A. Obtain a copy of the depreciation schedules/ fixed asset listing:	No Exception Found
1. Inventory listing includes both capitalized and non-capitalized items (such as refrigerators, stoves, community room equipment, office equipment, etc.) of \$1,000 or more. It also includes all necessary information, including a tag with an LHA-assigned number for all assets of \$1,000 or more (and all refrigerators and stoves of any value).	NE
2. Depreciation schedule/ fixed asset listing includes all relevant assets of \$5,000 or more. It also includes all necessary information to sufficiently identify an asset. For vehicles, that includes the make/model/year and for modernization jobs the Fish number.	NE
3. Items on depreciation schedule/ fixed asset listing are being accurately depreciated.	NE
4. Reconcile depreciation schedule/ fixed asset listing to Form 51-1 (Operating Statement) and General Ledger and evaluate for completeness and sufficiency of detail.	NE
5. Verify analytically that items listed still exist and are in possession of LHA.	NE
6. Assets are appropriately allocated between Federal and State on General Ledger, Operating Statement (51-1), and depreciated according to which funds were used for purchase.	NE
B. Capitalization Policy	No Exception Found
1. Verify capitalization policy is within state established limits (per Accounting Manual, Sec. 16, p.3).	NE
C. Vehicles	No Exception Found
1. Confirm vehicles are listed on fixed asset listing, and trace vehicles listing to insurance policies.	NE
<i>Exceptions Noted:</i>	
<i>Internal Control Recommendation:</i>	
<i>Authority's Response:</i>	

Housing Authority: Wellesley Housing Authority	
E. Procurement/Public Bidding for Goods and Services	
Number of Category Exceptions: 3	Category Rating: Corrective Action
<p>For A to C below, examine the cash disbursements journal (or check register) as well as the contract register and identify purchases of goods and services during the year that should have been competitively procured. From these purchases that should have been competitively procured, select a sample (Small - 3, Med - 5, Large - 7, Very Large - 9) of known or possible procurements valuing \$10,000 or more; if possible when selecting the sample, include at least one procurement valuing \$10,000 to \$35,000 and one procurement valuing \$35,000 or more (for goods and services for MGL c. 30B only). If any in the sample were not competitively procured, enter as an exception in A. For sampled purchases that went through procurement, follow procedures under B or C below depending on the size of the procurement.</p>	
A. Competitive Procurement When Required	Exception Found
1. Verify that sampled purchases for goods and services that should have been competitively procured as defined per MGL c. 30B were competitively procured.	E
B. Known procurements valuing (pre 11/7/16 - \$10,000 up to \$35,000 OR post 11/7/16 \$10,000 up to and including \$50,000) (for goods and services for MGL c. 30B only). If no procurement can be found valuing \$10,000 up to \$35,000, please select N/A option from drop down for each step 1 - 7 below.	Exception Found
1. (pre 11/7/16) Proper selection based on MGL c.30B s.5 IFB requirements/(post 11/7/16) Proper selection based on MGL c.30B s.5 solicitation of quotes requirements.	NE
2. (pre 11/7/16) Documentation of solicitation of at least three oral or written quotes/(post 11/7/16) Documentation of a written purchase description with solicitation of <u>written</u> quotes from at least three persons.	E
3. Contract is DHCD-approved template or developed by LHA (not a vendor contract).	NE
4. Contract was for not more than 3 years unless majority board vote allowed it to be longer.	NE
5. Board vote is documented approving individual contract, or a board vote to delegate authority over certain contracts (by dollar threshold or other criteria) to an LHA staff member, usually Executive Director.	NE
6. Contract did not go through automatic renewals unless renewals were part of the original procurement.	NE
7. LHA Procurement Policy exists (per Accounting Manual Sec. 16, p.2) and is compliant with MGL c. 30B elements mentioned in 1 to 6 above.	NE
C. Known procurements valuing (pre 11/7/16 - \$35,000 or more OR post 11/7/16 more than \$50,000) (for goods and services for MGL c. 30B only). If no procurement can be found in this value range, please select N/A option from drop down for each step 1 - 8 below.	No Exception Found
1. Proper selection based on MGL c.30B s.5 IFB requirements or MGL c.30B s.6 RFP requirements. (post 11/7/16 only: If using MGL C.30B s.6 RFP requirements, LHA must have a Chief Procurement Officer (CPO) conduct the procurement under c.30B s.6.)	NE
2. (pre 11/7/16) Documentation of Newspaper advertisement two week prior to bidding process/(post 11/7/16) Documentation of Newspaper advertisement, LHA's Office and COMMBUYS two weeks prior to bidding process.	NE
3. If contract was for over \$100K, it was advertised in the Goods & Services Bulletin.	NE
4. If IFB, contract award went to lowest bidder. If RFP, contract went to lowest bidder or letter explaining why went with another bidder.	NE
5. Contract is DHCD-approved template or developed by LHA (not a vendor contract).	NE
6. Board vote is documented approving individual contract, or a board vote to delegate authority over certain contracts (by dollar threshold or other criteria) to an LHA staff member, usually Executive Director.	NE
7. Contract did not go through automatic renewals unless renewals were part of the original procurement.	NE
8. LHA Procurement Policy exists (Accounting Manual Sec. 16, p.2) and is compliant with MGL c. 30B elements mentioned in 1 to 7 above.	NE
D. Obtain a copy of the contract register and verify:	Exception Found
1. Contract register exists and includes all modernization as well as goods and services contracts (per Accounting Manual, Sec. 6, p.12)/PHN 2017-14.	E
2. For each contract, it includes the following information: contractor, description, active/inactive, start date, end date, extensions available, contract award amount, change orders amount, contract expenditures to date and remaining value.	E
3. Evaluate for completeness by analyzing the cash disbursements journal against the contract register.	E
Exceptions Noted:	1.) The Wellesley Housing Authority did not properly administer the procurement of \$20,470 services for carpet installation in FY17. 2.) We noted that the Authority was unable to provide documentation of solicitation of quotes in at least one (1) instance in which competitive procurement was required. 3.) The Authority was unable to provide a contract register.
Internal Control Recommendation:	1.) We recommend that the Authority follow its updated procurement policy and ensure that all goods and services are competitively procured as required. 2.) We recommend that the Authority ensure documentation of procurement is complete and that solicitation and quotes received are retained to support rationale and selection. 3.) The Authority should utilize contract register to maintain a detailed log of all active service contracts. A contract register is an important tool used by management in order to track the status of service contracts and to improve internal controls over compliance with procurement.
Authority's Response:	

Housing Authority: Wellesley Housing Authority

F. Cash Management and Investment Practices

Number of Category Exceptions: 0 Category Rating: No Findings

A. Pull a mid-year and year-end bank statements:		No Exception Found
1. Test the monthly bank reconciliation to ensure that the following two match: General Ledger and bank statements (exclude deposits of rent collected as this was covered earlier).		NE
2. Checks that have been issued and marked on General Ledger but have not been cashed (not on bank statement), known as checks in transit are identified as a part of the reconciliation process.		NE
B. Bank and Investment Accounts		No Exception Found
1. Verify that banking and investment accounts are properly insured or collateralized (per Accounting Manual Sec. 16, p.7)		NE
<i>Exceptions Noted:</i>		
<i>Internal Control Recommendation:</i>		
<i>Authority's Response:</i>		

Housing Authority: Wellesley Housing Authority	
G. Operating Subsidy	
Number of Category Exceptions: 0	Category Rating: No Findings
A. Obtain copy of DHCD-approved budget exemptions. If no DHCD-approved exemptions, please select N/A option from drop down for step 1 below.	No Exception Found
1. Compare DHCD-approved budget exemptions for direct reimbursement (as found in the ANUEL & Subsidy Worksheet - Section 8) to LHA record of actual expenses to the General Ledger.	NE
B. Revenue Reconciliation	No Exception Found
1. Reconcile revenue to the General Ledger. Compare revenue reported in Accounts #3110, #3190, #3610 and #3690 in the Operating Statement (51-1) to the General Ledger to the amounts reported in the ANUEL & Subsidy Worksheet.	NE
C. Utility Reconciliation	No Exception Found
1. Reconcile utilities to the General Ledger. Compare utilities reported in Account #4300 on the Operating Statement (51-1) to the General Ledger to the amounts reported in the ANUEL & Subsidy Worksheet.	NE
Exceptions Noted:	
Internal Control Recommendation:	
Authority's Response:	

Housing Authority: Wellesley Housing Authority	
H. Annual Rent Calculation and Compliance	
Number of Category Exceptions:	Category Rating: Corrective Action
To conduct A through D below, select a sample (Small LHA - 5, Medium LHA - 10, Large or Very Large LHA - 15) of tenant files (from programs 200, 667, 705); if the LHA has multiple property managers, at least one file should be selected per manager. Conduct A to C and E, if have MRVP, sample 10% (min:1 max:15) of leased MRVP units.	
A. Obtain the rent roll and HAP roll: 1. Verify analytically the completeness of the resident population. (Rent roll and HAP roll support what is reported on Operating Statement Form 51-1).	No Exception Found NE
B. Timeliness of Annual Rent Calculation 1. Verify timeliness of annual rent redetermination (occurs one year from move-in date or last annual recertification). Except IF: LHA can produce DHCD waiver for Chapter 667 annual rent redetermination requirement and has done rent redetermination once within 2 years of move-in date or last annual recertification).	Exception Found E
C. Accuracy of Rent Calculation 1. Test rent calculation for proper verification of income, expenses and deductions. 2. Verify family composition for allowance purposes. 3. Documentation of income, exclusions from income, and deductions.	Exception Found E E E
D. Timeliness of Notifications Regarding Rent Changes 1. Verify notification of rent redetermination sent at least 60 days prior to effective date (see 760 CMR 6.04 (4)(b)). 2. Verify Notice of Rent Change sent no less than 14 days prior to effective date (see 760 CMR 6.04 (4)(e)). 3. Verify timeliness and proper execution of Lease Addendum (see 760 CMR 6.06 (5)(g)).	Exception Found E E E
E. MRVP Documentation (starting with AUPs conducted after 7/31/17) 1. MRVP file has Certificate of Fitness (COF). 2. MRVP file has Letter of Compliance for Lead Paint if child <6 years old and building built prior to 1978 with no new construction permit. 3. MRVP file has Proof of Ownership which is either 1. Deed/Online Printout from Registry of Deeds or 2. Proof of Insurance or 3. Tax Documents. 4. MRVP file has W9.	Exception Found E NE E E
Exceptions Noted:	<i>See Attachment I.</i>
Internal Control Recommendation:	<i>See Attachment II.</i>
Authority's Response:	

Attachment I: Exceptions Noted:

- 1.) We identified six (6) instances, including one (1) instance for an MRVP tenant, of the rent re-determination not occurring one year from move-in date or last annual recertification.
- 2.) We identified the following:
 - Three (3) instances of incorrect rent calculation related to household member deductions
 - Two (2) instances of incorrect rent calculation related to Social Security income
 - Two (2) instances of incorrect rent calculation related to value of assets and income derived from assets
 - One (1) instance of undercharging monthly tenant rent due to incorrectly calculating and reporting tenant income from wages based on the tenant provided verification documentation.
 - One (1) instance of incorrectly calculating and reporting tenant unreimbursed medical expenses based on the tenant provided verification documentation
- 3.) We identified two (2) instances in which the tenant file did not include the Continued Occupancy form.
- 4.) We identified the following:
 - Three (3) instances of the tenant file not including copies of the prior year's tax-reporting forms for reported wage income from employment
 - Two (2) instances of the tenant file not including reasonable verification of payments for necessary medical expenses
 - One (1) instance of the tenant file not including copies of the prior year's tax-reporting forms for reported dividends
 - One (1) instance of the tenant file not including reasonable verification of income from SSI and SSP
 - One (1) instance of the tenant file not including reasonable verification of income from EAEDC
- 5.) We identified six (6) instances of the tenant file not including the Notice of Re-determination; therefore, we were unable to determine if the notice was provided to the tenant by the LHA at least 60 days prior to the re-determination date.
- 6.) We identified one (1) instance of the tenant file not including the Notice of the Re-determined Rent; therefore, the Firm is unable to determine if the notice was provided to the tenant by the LHA no less than 14 days prior to the re-determination date.
- 7.) We identified five (5) instances of the tenant file including the Lease Addendum but the Lease Addendum was not executed by the tenant.
- 8.) We identified in the one (1) MRVP tenant file tested the Certificate of Fitness (COF) missing from the tenant file.
- 9.) We identified in the one (1) MRVP tenant file tested the Proof of Ownership missing from the tenant file.
- 10.) We identified in the one (1) MRVP tenant file tested the W9 missing from the tenant file.

Attachment II: Internal Control Recommendations

- 1.) We recommend that the LHA re-determine each tenant's monthly rent one year from move-in date or last annual re-determination, pursuant to 760 CMR 6.04(4)(a) and 760 CMR 49.05(7)(a).
- 2.) The Firm recommends that the LHA determine rent pursuant to 760 CMR 6.04(1).
- 3.) We recommend, in accordance with 760 CMR 6.04(4)(b), that the LHA request and obtain pertinent information as to the household's continued eligibility and composition at each annual redetermination for all persons residing in state-aided public housing. The Firm further recommends, in accordance with 760 CMR 49.05(8)(a), that the LHA ensures all persons participating in MRVP complete and file with the LHA and occupancy form providing complete and accurate information about income and composition of the household.
- 4.) We recommend the LHA obtains all necessary verification documentation outlined in 760 CMR 6.04(6) for all persons residing in state-aided public housing and required by 760 CMR 49.05(8)(a) for all persons participating in the Massachusetts Rental Voucher Program (MRVP).
- 5.) We recommend, in accordance with 760 CMR 6.04(4)(b), that the LHA send the tenant written notice that rent shall be re-determined effective on the re-determination date. The Firm further recommends that the LHA retain a copy of the Notice of Re-determination containing the date the written notice was sent to the tenant.
- 6.) Pursuant to 760 CMR 6.04(4)(e), the LHA must give the tenant no less than 14 days prior written notice of the amount of the rent to be effective on the re-determination date. We recommend that the LHA maintain a copy of the written notice with the date it was sent to each tenant and provide a copy to the Firm during AUP procedures or maintain a copy in each tenant file.
- 7.) Pursuant to 760 CMR 6.06(5)(q), the tenant is obligated under the lease to sign a new lease or lease addendum whenever necessary to reflect a re-determined rent, a change in household size, or change(s) in terms and conditions of tenancy. We recommend that the LHA ensures that tenants sign a new lease or lease addendum at each annual re-determination of tenant monthly rent.
- 8.) In accordance with 760 CMR 49.06(2) and 49.08(2), within 120 days of issuance/reissuance of a Voucher, the Voucher Holder or the Owner or Owner's Agent must supply the LHA with a certification from the local Board of Health or other local code enforcement entity that the unit is in compliance with Article II of the State Sanitary Code. Furthermore, in accordance with Public Housing Notice 2017-14 the MRVP must contain the Certificate of Fitness (COF). The Firm recommends that the LHA maintain a copy of the COF in each MRVP tenant file.
- 9.) Pursuant to Public Housing Notice 2017-14, the MRVP must contain the Proof of Ownership, which can be either the deed/online printout from Registry of Deeds, proof of insurance, or tax documents. The Firm recommends that the LHA maintain a copy of the Proof of Ownership in each MRVP tenant file.
- 10.) Pursuant to Public Housing Notice 2017-14, the MRVP must contain the W9. The Firm recommends that the LHA maintain a copy of the owner's W9 in each MRVP tenant file.