

Housing Authority: Westford

Fiscal Year End (FYE): 6/30/18  
 Date AUP Conducted: 12/10/18  
 Executive Director: Lisa Larrabee  
 CPA: Gary L. DePace, CPA PC  
 CPA Phone: (413) 267-5223

**A. Rent Collection / Tenant Accounts Receivable / Account Write-Offs**

Number of Category Exceptions: **1**      Category Rating: **Operational Guidance**

| 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.  | NE                 |
| 2. Post-dated checks for current amount due is not accepted payment by LHA.   | NE                 |
| 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.  | NE                 |
| 4. Reconcile tenant ledger with receipt log, bank deposit and General Ledger.   | NE                 |
| 5. What is on General Ledger matches bank statement (bank reconciliation) and Operating Statement and Balance Sheet (51-1 and 51-2 respectively).   | NE                 |
| B. Rent Collection – Segregation of Duties  | Exception Found    |
| 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. | E                  |
| C. Rent Collection – Tenant Accounts Receivables (TAR)  | No Exception Found |
| 1. Aging of Tenant Accounts Receivable is matched to the General Ledger and to the Balance Sheet TAR (51-2).  | NE                 |
| 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).  | NE                 |
| 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.  | NE                 |
| D. Account Write-Offs – Walk-through uncollected rent that was written-off.   | Not Applicable     |
| <b>If no write-offs can be found, please select N/A option from drop down for both steps 1 and 2.</b>   |                    |
| 1. Obtain detail of write-offs and verify that write-offs are in accordance with DHCD policy.   | N/A                |
| 2. Documentation of Board approval to write-off account (board approval of write-off required per budget guidelines for Acct #4570 - Collection Loss).  | N/A                |

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| <b>Exceptions Noted:</b>                | B.1.) The Firm notes that, at the date of the audit, the new Executive Director had just begun working at the Westford Housing Authority, and thus the internal controls over the rent collection process had not yet been established. |
| <b>Internal Control Recommendation:</b> | B.1.) The Firm recommends that the new Director take over some of the steps of the rent collection process that are currently being done by the Administrative Assistant.   |
| <b>Authority's Response:</b>            | B.1.) The Executive Director has started to balance the bank accounts for the Authority as suggested by the auditors.   |

B. Payroll/Fringe Benefits

Number of Category Exceptions: 2 Category Rating: Operational Guidance

| A. Wage Reconciliation   |  | Exception Found    |
|--|--|--------------------|
| 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).  |  | E                  |
| 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/).  |  | NE                 |
| 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.  |  | NE                 |
| B. Select a Single Pay Period:   |  | No Exception Found |
| 1. Trace timesheets/timecards to the payroll register.   |  | NE                 |
| 2. Test for completeness and accuracy.   |  | NE                 |
| 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.  |  | NE                 |
| C. Obtain a compensated absences liability schedule:   |  | Exception Found    |
| 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. |  | NE                 |
| 2. Proper controls and approvals are in place, i.e. Executive Director approves employee compensated absences.   |  | NE                 |
| 3. Compensated absences should be tracked apart from the timesheets, and verification with timesheets should be performed.   |  | NE                 |
| 4. Accrued and Accumulated leave time matches. Time is accruing as it should.  |  | E                  |
| <b>Exceptions Noted:</b>   | A.1.) The Firm notes that \$998 paid to the former Executive Director for oversight on a modernization project was not reported on the quarterly tax forms. The amount was recorded in account 4590 (other general expenses), rather than being put through payroll. C.4.) The Firm notes that the Administrative Assistant's compensated absences are not accruing correctly. Vacation is accruing at 3 hours per pay period (2 weeks), rather than 3 hours per month. The Assistant is also not accruing any sick time at the moment.  |                    |
| <b>Internal Control Recommendation:</b>  | A.1.) The Firm recommends that the Authority ensure that all compensation given to employees, other than direct reimbursements, be recorded in payroll. C.4.) The Firm recommends the Authority recalculate the Assistant's vacation accrual and begin accruing sick time in accordance with the personnel policy.   |                    |
| <b>Authority's Response:</b>   | A.1.) The Authority did not renew the former Executive Director's contract. The former Executive Director was working out his last few days at the Authority during the time the check was cut to him. The Administrative Assistant asked questions of the former Executive Director about the check not being paid out of the payroll account and was told by the former Executive Director that if she questioned his request further that she would be fired. The Administrative Assistant did contact the Board Chairman to explain the situation about the check. The current Executive Director has since then sent a 1099 to the former Executive Director for that check. C.4.) The new Executive Director has created a spread sheet that calculates the correct accrual rates for vacation and sick time per WHA policy. |                    |

C. Accounts Payable/Disbursements

Number of Category Exceptions: 1 Category Rating: Operational Guidance

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| <p><b>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).</b></p> <ol style="list-style-type: none"> <li>1. Approval and Segregation of Duties</li> <li>2. Accuracy</li> <li>3. Supporting Documentation</li> <li>4. Allowability</li> <li>5. Allocation</li> <li>6. Classification</li> </ol>   | <p><b>No Exception Found</b></p> <p>NE<br/>NE<br/>NE<br/>NE<br/>NE<br/>NE</p>   |
| <p><b>C. Select a sample (Small - 6, Med - 10, Large - 14, Very Large - 18) of credit card/debit card statements.</b><br/>If no credit/debit expenditures can be found, please select N/A option from drop down for all steps 1 to 8.</p> <ol style="list-style-type: none"> <li>1. Approval and Segregation of Duties</li> <li>2. Accuracy</li> <li>3. Supporting Documentation (CPAs: include date, description of charge and amount of transaction for each purchase missing documentation below)</li> <li>4. Allowability</li> <li>5. Allocation</li> <li>6. Classification</li> <li>7. No Sales Tax Paid</li> <li>8. Card is in Housing Authority name; not Executive Director (or any other staff member) name.</li> </ol> | <p><b>Exception Found</b></p> <p>E<br/>NE<br/>NE<br/>NE<br/>NE<br/>NE<br/>NE</p>  |
| <p><b>D. Select a sample (Small - 3, Med - 5, Large - 7, Very Large - 9) of employee reimbursements (include at least one travel reimbursement).</b></p> <ol style="list-style-type: none"> <li>1. Approval and Segregation of Duties</li> <li>2. Accuracy</li> <li>3. Supporting Documentation</li> <li>4. Allowability</li> <li>5. Allocation</li> <li>6. Classification</li> </ol>  | <p><b>No Exception Found</b></p> <p>NE<br/>NE<br/>NE<br/>NE<br/>NE</p>  |
| <p><b>Exceptions Noted:</b></p>  | <p>C.1.) The Firm notes that the Authority did not have a sufficient approval process for purchases made on the Authority's debit card.</p>   |
| <p><b>Internal Control Recommendation:</b></p>   | <p>C.1.) The Firm notes that the Authority is planning to cancel the debit card, but recommends that if the Authority keeps the debit card, an approval process be put in place to ensure proper oversight of the card's use.</p> |
| <p><b>Authority's Response:</b></p>  | <p>C.1.) The new Executive Director has instructed the Administrative Assistant to make copies of any debit card receipts and attach them to the check register that the Board approves each month.</p>                           |

**D. Inventory (Fixed Assets)**

Number of Category Exceptions: **1**      Category Rating:      Operational Guidance

| A. Obtain a copy of the depreciation schedules/fixed asset listing:   | 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.  | E                         |
| 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>B. Capitalization Policy</b>   | <b>No Exception Found</b> |
| 1. Verify capitalization policy is within state established limits (per Accounting Manual, Sec. 16, p.3).   | NE                        |
| <b>C. Vehicles</b>  | <b>No Exception Found</b> |
| 1. Confirm vehicles are listed on fixed asset listing, and trace vehicles listing to insurance policies.  | NE                        |

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| <b>Exceptions Noted:</b>                | A.5.) The Firm notes that the Authority's depreciation schedule still lists the 2008 Ford F250, which was traded in for the new 2018 Ford F250 during the year and is no longer in the Authority's possession. |
| <b>Internal Control Recommendation:</b> | A.5.) The Firm recommends that the Authority update its depreciation schedule to remove the traded-in vehicle.   |
| <b>Authority's Response:</b>            | A.5.) The Authority has asked its fee accountant to remove the 2008 Ford truck from its depreciation schedule.   |

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| E. Procurement/Public Bidding for Goods and Services   |   |
| Number of Category Exceptions: 1   | Category Rating: Operational Guidance   |
| <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> |   |
| <b>A. Competitive Procurement When Required</b>  | <b>No Exception Found</b>   |
| 1. Verify that sampled purchases for goods and services that should have been competitively procured as defined per MGL c. 30B were competitively procured.  | NE  |
| <b>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.</b>  | <b>No Exception Found</b>   |
| 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 written quotes from at least three persons.  | NE  |
| 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  |
| <b>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.</b>  | <b>Not Applicable</b>   |
| 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.)  | N/A   |
| 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.   | N/A   |
| 3. If contract was for over \$100K, it was advertised in the Goods & Services Bulletin.  | N/A   |
| 4. If IFB, contract award went to lowest bidder. If RFP, contract went to lowest bidder or letter explaining why went with another bidder.   | N/A   |
| 5. Contract is DHCD-approved template or developed by LHA (not a vendor contract).   | N/A   |
| 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.  | N/A   |
| 7. Contract did not go through automatic renewals unless renewals were part of the original procurement.   | N/A   |
| 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.   | N/A   |
| <b>D. Obtain a copy of the contract register and verify:</b>   | <b>Exception Found</b>  |
| 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.  | NE  |
| 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.  | NE  |
| <b>Exceptions Noted:</b>   | D.2.) The Firm notes that the Authority has started maintaining a contract register, however, it does not yet include all necessary information for each contract.  |
| <b>Internal Control Recommendation:</b>  | D.2.) The Firm recommends that the Authority ensure that each item on the contract register lists the contractor's name, description of work contracted, active/inactive status, start date of contract, end date of contract, extensions available, contract amount, change orders amount, contract expenditures to date, and remaining value. |
| <b>Authority's Response:</b>   | D.2.) The new Executive Director is now using a contract register as provided by the auditors.  |

F. Cash Management and Investment Practices

Number of Category Exceptions: 0 Category Rating: No Findings

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|---|------|---------------------------|
| <b>A. Pull a mid-year and year-end bank statements:</b>   |      | <b>No Exception Found</b> |
| 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>B. Bank and Investment Accounts</b>  |      | <b>No Exception Found</b> |
| 1. Verify that banking and investment accounts are properly insured or collateralized (per Accounting Manual Sec. 16, p.7)  |      | NE                        |
| <b>Exceptions Noted:</b>  | None |                           |
| <b>Internal Control Recommendation:</b>   | None |                           |
| <b>Authority's Response:</b>  | N/A  |                           |

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G. Operating Subsidy

Number of Category Exceptions: 0

Category Rating: No Findings

|   |             |                                  |
|---|-------------|----------------------------------|
| <p><b>A. Obtain copy of DHCD-approved budget exemptions.</b><br/>                 If no DHCD-approved exemptions, please select N/A option from drop down for step 1 below.</p>   |             | <p><b>No Exception Found</b></p> |
| <p>1. Compare DHCD-approved budget exemptions for direct reimbursement (as found in the ANUEL &amp; Subsidy Worksheet - Section 8) to LHA record of actual expenses to the General Ledger.</p>  |             | <p>NE</p>                        |
| <p><b>B. Revenue Reconciliation</b></p>   |             | <p><b>No Exception Found</b></p> |
| <p>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 &amp; Subsidy Worksheet.</p> |             | <p>NE</p>                        |
| <p><b>C. Utility Reconciliation</b></p>   |             | <p><b>No Exception Found</b></p> |
| <p>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 &amp; Subsidy Worksheet.</p>                      |             | <p>NE</p>                        |
| <p><b>Exceptions Noted:</b></p>   | <p>None</p> |                                  |
| <p><b>Internal Control Recommendation:</b></p>  | <p>None</p> |                                  |
| <p><b>Authority's Response:</b></p>   | <p>N/A</p>  |                                  |

H. Annual Rent Calculation and Compliance

Number of Category Exceptions: 3 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:  | No Exception Found       |
|--|--------------------------|
| 1. Verify analytically the completeness of the resident population. (Rent roll and HAP roll support what is reported on Operating Statement Form 51-1).  | NE                       |
| B. Timeliness of Annual Rent Calculation   | Exception Found          |
| 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).  | E                        |
| C. Accuracy of Rent Calculation  | Exception Found          |
| 1. Test rent calculation for proper verification of income, expenses and deductions.<br>2. Verify family composition for allowance purposes.<br>3. Documentation of income, exclusions from income, and deductions.  | E<br>NE<br>NE            |
| D. Timeliness of Notifications Regarding Rent Changes  | Exception Found          |
| 1. Verify notification of rent redetermination sent at least 60 days prior to effective date (see 760 CMR 6.04 (4)(b)).<br>2. Verify Notice of Rent Change sent no less than 14 days prior to effective date (see 760 CMR 6.04 (4)(e)).<br>3. Verify timeliness and proper execution of Lease Addendum (see 760 CMR 6.06 (5)(q)).  | E<br>NE<br>E             |
| E. MRVP Documentation (starting with AUPs conducted after 7/31/17)   | Not Applicable           |
| 1. MRVP file has Certificate of Fitness (COF).<br>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.<br>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.<br>4. MRVP file has W9. | N/A<br>N/A<br>N/A<br>N/A |

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| <b>Exceptions Noted:</b>                | B.) The Firm notes that not all annual rent redeterminations were timely. C.1.) The Firm notes that not all tenant files included a signed General Authorization for Release of Information form. D.1.) The Firm notes that the notification of rent redetermination in one of the sampled tenant files was not sent out at least 60 days in advance of the effect date of the lease. D.3.) The Firm notes that one sampled tenant file did not include a current signed lease.  |
| <b>Internal Control Recommendation:</b> | B.) The Firm recommends that the Authority begin the rent redetermination process early enough to allot time for the effective date of the latest lease to be no more than 12 months after the effective date of the prior lease. C.1.) The Firm recommends that the Authority acquire a signed General Authorization form from each adult tenant within each household. D.1.) The Firm recommends that the Authority send out notifications of rent redeterminations at least 60 days before the effective date of each new lease. The effective date of new leases should be no more than 12 months after the effective date of the prior lease. D.3.) The Firm recommends that the Authority ensure that every lease is signed by the tenants within a timely manner. |
| <b>Authority's Response:</b>            | B.) The new Executive Director is going through tenant files to see when the last annual rent calculation was done for each tenant. She is making a list of tenant's lease dates to better keep track of when a tenants annual rent calculation is needed to be done.<br>C.1.) The Executive Director is looking through tenant files to make sure a signed General Authorization for Release of Information is signed and in each file.<br>D.1.) See answer "B" for this category. Executive Director will make sure to send out annual recertification paperwork at least 60 days prior to the effective date of the new lease.<br>D.3.) The Executive Director is checking each tenant file to make sure that every lease is signed by the tenants.                   |