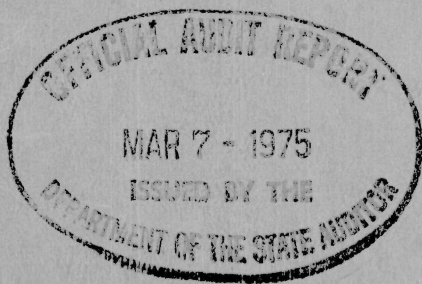
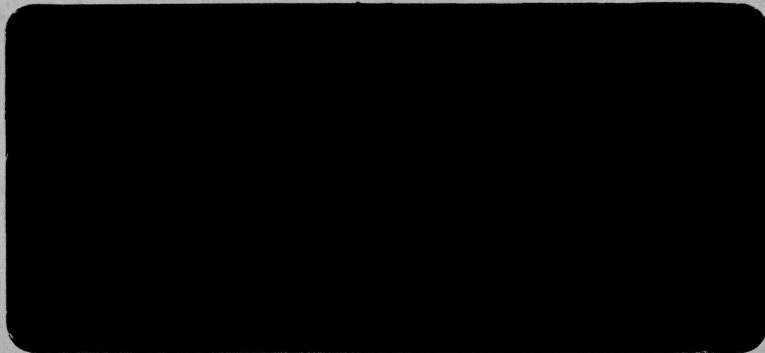




The Commonwealth of Massachusetts

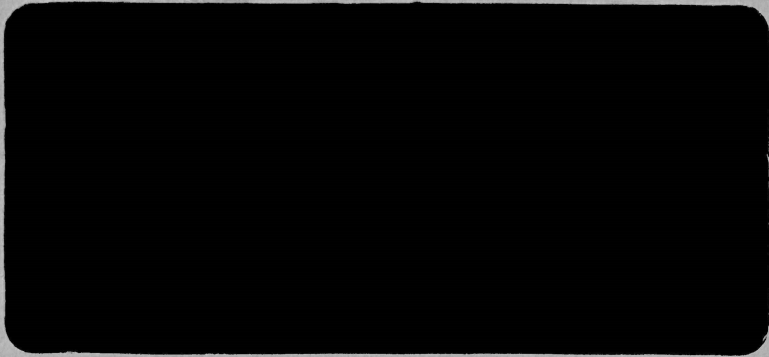


*From the Office of  
State Auditor Thaddeus Buczyko*

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OFFICE OF THE  
CITY MANAGER



NO. 75-8-A-626

REPORT ON THE EXAMINATION OF THE ACCOUNTS  
OF THE  
CAMBRIDGE HOUSING AUTHORITY  
FROM JULY 1, 1973 TO JUNE 30, 1974

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ORGANIZATION

June 30, 1974

The Cambridge Housing Authority is authorized by Section 3 of Chapter 121B, of the General Laws, as amended.

Members

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mary A. Castriotta 6 Jackson Gardens Cambridge	Chairwoman.	October 22, 1974*
Walter L. Reed 323 Broadway Cambridge	Vice-Chairman	October 8, 1975
Norman C. Watson 13 Hazel Street Cambridge	Member*	October 22, 1976
Gerard J. Clark 77 Orchard Street Cambridge	Member	November 22, 1977
James G. Stockard, Jr. 141 Oxford Street Cambridge	Member	November 25, 1978

\* Resigned effective August 26, 1974 and Norman C. Watson was elected Chairman on September 11, 1974.

Officer

<u>Name</u>	<u>Title</u>	<u>Annual Salary Share</u>		
		<u>State- Aided Projects</u>	<u>Federally- Aided Projects</u>	<u>Total</u>
Charles A. Ferraro	Executive Director	\$6,018 75	\$18,056 25	\$24,075 00
John E. Donovan	Assistant Executive Director	\$4,983 64	\$16,684 36	\$21,668 00

Positions Bonded

All positions are bonded in the amount of \$30,000.00 each under the blanket bond of the Division of Community Development in the Department of Community Affairs.

ORGANIZATION (CONTINUED - 2)

Additional coverage has also been obtained in the amount of \$30,000.00 each for the development period of Project 667-1 for the following positions:

Check signer  
Check countersigner  
Alternate check signer  
Alternate check countersigner

STATUTORY REFERENCES

1. Housing and Urban Renewal Law:  
Chapter 121B of the General Laws, as amended
2. Creation of Housing Authorities:  
Section 3 of Chapter 121B of the General Laws, as amended
3. Veterans and Relocation Housing:  
Sections 34-37 of Chapter 121B of the General Laws, as amended
4. Housing for the Elderly and the Handicapped:  
Sections 38-41 of Chapter 121B of the General Laws, as amended
5. Rental Assistance Program:  
Sections 42 to 44A of Chapter 121B of the General Laws, as amended
6. Modernization Assistance Program:  
Section 26(J) of Chapter 121B of the General Laws, as amended

STATISTICAL DATAPROJECT 200-C

	<u>SECTION 200-1</u>	<u>SECTION 200-2</u>
LOCATION	<u>WOODROW WILSON COURT</u> MAGAZINE STREET	<u>JEFFERSON PARK</u> RINDGE AVENUE
GENERAL CONTRACTOR	R.L. RUGO & SONS INC. ARLINGTON	M.S. KELLIHER CO., BOSTON
ARCHITECT	AUGUST J. SCHUMACHER CAMBRIDGE	EDWARD P.T. GRAHAM BOSTON
NUMBER OF UNITS	69	109
NUMBER OF UNITS OCCUPIED	67	104
BONDS OUTSTANDING	\$504,000 00	\$668,000 00
DUE DATES - SERIALY UNTIL	JULY 1, 1991	APRIL 1, 1991
NOTES OUTSTANDING	-	-
DATE OF NOTES	-	-
DUE DATE OF NOTES	-	-
ORIGINAL BOND PREMIUM	\$10,102 99	\$15,719 76
UNAMORTIZED BOND PREMIUM	\$4,729 90	\$6,853 06
INTEREST RATE	2 1/8%	1 7/8%
MAXIMUM ANNUAL SUBSIDY	\$72,880 00	\$103,360 00
FINAL SUBSIDY PAYMENT: FOR YEAR ENDING	JUNE 30, 1991	MARCH 31, 1991
AVERAGE RENT - JUNE 1974 - INCLUDES HEAT AND HOT WATER FOR SECTION 200-C-1 AND INCLUDES HEAT, HOT WATER AND GAS FOR OTHER SECTIONS	\$60 18	\$44 64
CONTRACT FOR FINANCIAL ASSISTANCE, CONSOLIDATED PROJECT 200-C, DATED DECEMBER 6, 1957:		

<u>SECTION 200-3</u>	<u>SECTION 200-4</u>	<u>SECTION 200-5</u>	<u>SECTION 200-6</u>
<u>LINCOLN WAY</u>	<u>ROOSEVELT TOWERS</u>	<u>JACKSON GARDENS</u>	<u>JEFFERSON PARK EXTENSION</u>
WALDEN STREET	CAMBRIDGE STREET	HARVARD STREET	RINDGE STREET
R.L. RUGO & SONS INC. ARLINGTON	C.J. MANEY CO. LEXINGTON	M. SPINELLI & SONS INC. CAMERIDGE	M. SPINELLI & SONS INC. CAMBRIDGE
WILLIAM L. GALVIN CAMBRIDGE	DESMOND & LORD BOSTON	HOLMES AND EDWARDS BOSTON	EDWARD SEARS READ AND ASSOCIATES BOSTON
60	228	46	200
60	143	46	154
\$500,000 00	\$1,632,000 00	\$416,000 00	-
JULY 1, 1992	APRIL 1, 1992	JULY 1, 1992	-
-	-	-	\$2,095,000 00
-	-	-	JUNE 13, 1974
-	-	-	JUNE 12, 1975
\$16,519 94	\$9,276 75	\$13,740 89	\$21 00
\$7,877 77	\$4,018 05	\$6,655 98	-
2 1/4%	2 1/8%	2 1/4%	6.39%
\$63,480 00	\$235,600 00	\$56,960 00	\$261,520 00
JUNE 30, 1992	MARCH 31, 1992	JUNE 30, 1992	JUNE 30, 1995
\$84 59	\$51 58	\$76 80	\$47 80

STATISTICAL DATA (CONTINUED - 2)Project 200-C (Cont.)

	<u>Number of Units</u>	<u>Development Cost</u>		<u>Number of Buildings</u>
		<u>Total</u>	<u>Per Unit</u>	
Section 200-1	69	\$ 911,000 00	\$13,202 90	3
Section 200-2	109	1,292,000 00	11,853 21	4
Section 200-3	60	856,000 00	14,266 67	7
Section 200-4	228	2,945,000 00	12,916 67	7
Section 200-5	46	712,000 00	15,478 26	2
Section 200-6	200	3,269,000 00	16,345 00	8
	<u>712</u>	<u>\$9,985,000 00</u>	14,023 88	<u>31</u>

## Description:

Section 200-1	3 Buildings - 4 story, apartment type, masonry brick
Section 200-2	4 Buildings - 3 story, apartment type, masonry brick
Section 200-3	7 Buildings - 2 story, row, wood-frame, brick veneer
Section 200-4	7 Buildings - 3 and 8 story, apartment type, masonry brick
Section 200-5	2 Buildings - 3 story, apartment type, masonry brick
Section 200-6	8 Buildings - 3 and 6 story, apartment type, masonry brick

## Rents:

	<u>Admission Income Limit</u>	<u>Continued Occupancy Limit</u>
One Person	\$6,000 00	\$ 7,800 00
Two Persons	6,300 00	8,190 00
Three Persons	6,800 00	8,840 00
Four Persons	7,300 00	9,490 00
Five Persons	7,700 00	10,010 00
Six Persons	8,100 00	10,530 00
Seven Persons	8,400 00	10,930 00
Eight Persons	8,700 00	11,310 00

For each person over eight \$200.00 shall be added to the net income for admission. Continued occupancy limits shall be 130% of the net income for admission.

Project 667-1Development Status

## Location

Green, Franklin and Pearl  
Streets

## Architects:

Library and Parking Garage

T.A. Monacelli, A.I.A., Cambridge

Housing Tower

Robert Charles Associates

STATISTICAL DATA (CONTINUED - 3)Project 667-1 (Cont.)Development Status

General contractor	Northgate Construction Co., Inc. Waltham
Number of units	199
Notes outstanding - Fourth Series	\$5,200,000 00
Interest rate	6.39%
Premium received	\$52 00
Date of notes	June 11, 1974
Due date of notes	June 12, 1975
Contract for Financial Assistance, dated March 27, 1972, as amended July 31, 1973:	

<u>Number of Units</u>	<u>Development Cost</u>		<u>Number of Buildings</u>	<u>Description</u>
	<u>Total</u>	<u>Per Unit</u>		
<u>199</u>	<u>\$5,200,000 00</u>	<u>\$26,130 65</u>	<u>1</u>	19 story tower, pre- cast concrete

Rental Assistance Program

Units authorized	79
Units under lease	67

Federally-aided Housing Projects

The Authority also has under its control the following Federally-aided housing projects:

	<u>Number of Units</u>
Low Rent Housing:	
Project Mass. 3-1	324
Project Mass. 3-2	152
Project Mass. 3-3	123
Project Mass. 3-5	<u>294</u>
	893
Housing for the Elderly:	
Project Mass. 3-4	88
Project Mass. 3-6	<u>67</u>
	155

STATISTICAL DATA (CONTINUED - 4)Federally-aided Housing Projects

	<u>Number of Units (Cont.)</u>	
Leased Housing:		
Project Mass. 3- 8	400*	
Project Mass. 3- 9	93*	
Project Mass. 3-13	<u>100*</u>	593
Turnkey Projects:		
Project Mass. 3- 7	200	
Project Mass. 3-10	304	
Project Mass. 3-11	180	
Project Mass. 3-12	<u>20</u>	<u>704</u>
		<u><u>2,345</u></u>

\* As of the date of audit, June 30, 1974, 554 units were under lease.

In conformance with Section 29 of Chapter 121B of the General Laws, as amended, an examination was made of the accounts of the Cambridge Housing Authority covering the period from July 1, 1973 to June 30, 1974. This audit was initiated on August 13, 1974.

The Authority maintains a complete set of books for the State-aided projects and for the Revolving Funds, which were established for the payment of the joint general and payroll expenses of the State and Federal projects and activities.

The financial records of the Authority subject to audit by this Department follow:

Project 200-C  
Project 667-1 - Development  
Revolving Fund - General Account  
Revolving Fund - Payroll Account  
Rental Assistance Program  
Modernization Program

SCOPE OF AUDIT

General: Trial balances of the general ledgers were taken as of June 30, 1974. The insurance coverage was analyzed.

Cash: Bank statements were reconciled with the general ledger accounts as of June 30, 1974 and July 31, 1974. Cash accounts were confirmed with depositories as of June 30, 1974.

Income: Trial balances were taken of the tenants' accounts as of August 13, 1974. A test check of the balances outstanding were verified by correspondence. The recorded rental income was test checked by setting up the potential rental income from the number of units available for rent.

Investments: Investments were verified by correspondence with the depositories, and all purchases and maturities of investments made during the audit period were substantiated. The funds in the custody of the fiscal agent were verified. Potential income was reconciled to actual returns from investments.

Notes and Contracts: The temporary note issue and contract awards

during the audit period were checked for the propriety of the awards, and payments made on contracts were substantiated.

Expenditures: Expenditures were test checked to the cancelled checks and paid invoices. Authorizations for the employment of personnel and their rates of pay were checked to the minutes of meetings.

State Financial Assistance: The contracts between the Commonwealth of Massachusetts and the Authority relevant to the guaranty of notes and bonds issued to finance the cost of the projects, together with the annual Commonwealth contributions, were reviewed.

Revolving Funds: Two Revolving Funds are maintained by the Authority. One is for general expenditures and the other for payroll. The proportionate share of the joint expenses paid from these funds and charged to the State-aided project was test checked.

Payroll: The payroll was analyzed for the week ended July 3, 1974, and all other payrolls were checked to the Revolving Fund payroll disbursements book. A reconciliation of the payroll checking account was made as of June 30, 1974 and July 31, 1974.

Development Costs: The development costs of Project 667-1 to the date of audit were examined and analyzed.

NOTES AND COMMENTS

Audit Review: At the conclusion of this audit a draft of this report was reviewed with the Authority's Executive Director and the Comptroller.

General:

1. Executive Director: The present Executive Director, Charles A. Ferraro, informed the Authority members that he will retire on January 3, 1975.

As of the end of this audit, the members had not yet chosen Mr. Ferraro's successor.

2. Chairwoman: On August 26, 1974, Chairwoman Mary A. Castriotta submitted her resignation effective August 26, 1974. Mrs. Castriotta's term was to expire on October 22, 1974. The reason given for her resignation was the condition of Mrs. Castriotta's health.

Mr. Norman C. Watson was elected the Authority's Chairman at the regular meeting on September 11, 1974.

As of the date of this report, there has been no new member appointed to fill the vacant position left by Mrs. Castriotta. Mr. Ferraro, the Authority's Executive Director, stated that the member who takes Mrs. Castriotta's place will most likely be a tenant from one of the Authority's projects.

3. Membership: The occupations of the members of the Authority as of the date of this audit follow:

<u>Title</u>	<u>Term Expires</u>	<u>Occupation</u>
Chairwoman	1974	Housewife
Vice-Chairman	1975	Funeral Director
Member	1976	Postal Worker
Member	1977	Consultant
Member	1978	City Planning

Section 5 of Chapter 121B of the General Laws, as amended, reads in part, as follows:

*"In a city, one of the four members of a housing authority appointed by the mayor shall be a resident of that city and shall be a representative of organized labor who shall be appointed by the mayor from a list of names submitted by labor unions in the city; each of these unions may submit a list which contains not less than two nor more than five names to the mayor who shall make his selection from the lists of names submitted by the respective unions."*

The present membership of the Authority does not include the union representation required by law.

Teamsters Local Union No. 122 instituted a civil suit against the City of Cambridge, the City Councillors, the City Manager, the Board Members of the Authority and Gerald J. Clark, a member of the Authority, to enjoin Gerald Clark from sitting on the Board of the Cambridge Housing Authority. To date, this matter has not been resolved.

4. Tenants' Senate: The tenants of the Authority are represented by the Cambridge Public Housing Tenants' Senate, Inc., which is located in a Federal project at Woodrow Wilson Court, Cambridge.

The Tenants' Senate is organized as follows:

Officers:  
 Chairman  
 Vice-Chairman  
 Treasurer  
 Secretary  
 Board Members (3)

The tenants of the Authority elect a representative for every forty tenants living in each State-aided project.

5. Tenants' Model Lease: In the previous audit report, it was stated that the Authority had submitted a "Tenants' Model Lease" to the Department of Community Affairs for approval and that it was rejected on December 18, 1973. The Authority has since adopted the lease designed by the Department of Community Affairs.

6. Tenant Selection: The Authority has put into effect a revised plan for classifying and selecting applicants, with the intention of creating uniform

admission procedures for both State and Federal low-rent housing, as follows:

- A. Emergency or Nonemergency: Emergency is defined as an applicant without housing due to fire or other natural disaster, or due to an immediate court ordered eviction. Written documentation of emergency conditions is required before an applicant can be assigned a housing unit.
- B. Preference Categories:
1. Veteran - service-connected disability
  2. Veteran - non-service connected disability
  3. Other veterans
  4. Families displaced by public action
  5. Nonveterans

Once an applicant's preference category and emergency status has been determined, the applicant will be notified of his waiting list identification number.

7. Waiting Lists: As of June 30, 1974, there was a waiting list of 1,711 eligible applicants, as follows:

General Applications:

<u>Three Rooms</u>	Disabled Veterans	7	
	Veterans	31	
	Nonveterans	<u>99</u>	137
<u>Four Rooms</u>	Emergency	7	
	Disabled Veterans	6	
	Veterans	63	
	Nonveterans	<u>399</u>	475
<u>Five Rooms</u>	Disabled Veterans	5	
	Veterans	35	
	Nonveterans	<u>252</u>	292
<u>Six Rooms</u>	Disabled Veterans	4	
	Veterans	14	
	Nonveterans	<u>91</u>	109    1,013

Elderly Applications:

Elderly Singles	483	
Elderly Couples	215	698
Total		<u>1,711</u>

It is quite apparent that there is a need for all types of Housing.

8. Excess Checking Account Cash Not Fully Invested: As of the audit date, it was noted that the checking account balances for the State-aided programs

administered by the Authority totaled \$256,275.59.

In this regard, especially in view of Authority's declining revenues, it is strongly recommended that all cash in excess of what is necessary to cover short term needs be invested for the greatest benefit of the Authority.

General Revolving Fund:

1. Travel Advances: During the period July 1, 1973 to June 30, 1974, the Authority members received travel advances totaling \$6,246.62. Of this amount \$5,839.43 was expended and \$407.19 was refunded to the Authority.

During May 1974, three Authority members attended the National Association of Housing and Redevelopment Officers Conference in Bermuda. The total cost of this trip was \$1,915.00.

At a meeting on May 22, 1974, one member expressed the opinion that the Authority should not authorize payment for this trip because of increasing payroll costs. One other member declined to attend for the same reason.

It is our opinion that whatever benefits, if any, were derived by the tenants of the Authority from this "Bermuda Cruise" the benefits could have been achieved through another less expensive business environment. It is also felt that travel of this type should be avoided in the future.

Revolving Fund - Payroll Account:

1. Interproject Transactions: A check in the amount of \$5,000.00 drawn on Project 200-C on June 26, 1974 was not signed by a Board member, and it was not deposited in the Revolving Fund - Payroll Account until July 2, 1974. It is suggested that the Authority promptly record interproject transactions on the books of each project involved.

The financial statements have been adjusted to accurately reflect this transaction.

2. Overtime: The overtime paid by the Authority and charged to the State-aided projects and to the Central Office totaled \$36,916.47 for the

1973 calendar year. The major portion of this overtime was charged to the State-aided projects, and it consisted of \$36,030.31 as follows:

<u>Employee</u>	<u>Position</u>	<u>Total Wages Earned in 1973</u>	<u>Overtime Pay in 1973</u>
A	Laborer	\$ 6,391 80	\$ 1,607 32
B	Project Manager	12,069 34	211 88
C	Janitor	12,473 40	1,753 32
D	Fireman	19,847 59	8,360 21
E	Social Service Worker	9,552 14	97 18
F	Painter	12,737 50	76 62
G	Painter	11,391 46	226 98
H	Laborer	9,977 12	788 64
I	Mechanic	17,201 09	2,606 77
J	Project Manager	15,584 57	358 95
K	Plumber	22,693 12	7,121 16
L	Maintenance Foreman	15,694 97	860 89
M	Laborer	10,827 84	175 68
N	Laborer	11,093 04	444 72
O	Laborer	11,202 16	1,121 76
P	Project Manager	15,909 43	763 43
Q	Mechanic	15,104 38	504 99
R	Laborer	11,906 94	1,217 10
S	Laborer	11,769 28	1,353 60
T	Laborer	11,206 20	535 32
U	Project Manager	15,702 25	465 99
V	Fireman	16,542 28	5,377 80
		<u>\$296,877 90</u>	<u>\$36,030 31</u>

Prior audit reports have suggested that overtime charges should be kept at minimum because of the poor financial condition that exists in the State-aided programs of the Authority.

During a recent meeting, the Authority members instructed the Executive Director to restrict overtime to three situations, and that overtime would only be approved for 1) tenant lock-outs, or 2) toilet blockups, or 3) complete electrical failure.

Payroll Revolving Fund:

3. Project Advances: As of June 30, 1974, the Authority maintained the following net project advances:

	<u>Programs</u>	
	<u>State</u>	<u>Federal</u>
Project Advances	\$23,766 82	\$33,000 00
Less:		
Consolidated Receivables	<u>15,619 84</u>	<u>47,205 50</u>
Net Project Advances	<u>\$8,146 98</u>	<u>(\$14,205 50)</u>

An analysis of the general ledger revealed that this was the second consecutive month in which the Federal share was inadequate. It is also noteworthy to mention that the Payroll Revolving Fund bank account was overdrawn by \$133.63.

It is therefore recommended that the Authority draw additional monthly advances from the Federal Programs.

Project 200-C:

1. Cost of Operations: For the last two fiscal years there have been deficits reported, as follows:

Deficits

1973 - \$305,115 23  
1974 - \$606,301 69

In the fiscal year 1973, the operating expenses of the project were \$785,331.38, and they have increased to \$1,012,644.94 for the 1974 fiscal year.

The following items were the greatest contributing factor to this almost doubling in the deficit:

Decrease in project income	\$ 52,891 79
Increase in fuel, heating supply costs and electricity	85,390 27
Increase in the costs of personal services for repairs, maintenance and replacements	20,188 41
Increase in contractual services and replacement	109,803 78
Increase in administrative salaries and services and other administrative expenses including travel	23,034 00
Increase in the provision for the operating reserve	<u>27,037 34</u>
	<u>\$318,345 59</u>

It is these soaring costs among other things which has recently raised the concern of the Department of Community Affairs over the operation of the Cambridge Housing Authority.

In this regard, it is understood that the DCA is planning to take a more active part in monitoring the Authority's budget.

2. Compensation to Board Members: For the fiscal year ended June 30, 1974, the Authority members were compensated a total of \$9,038.55.

3. Modernization Program: Section 26 of Chapter 121B of the General Laws, as amended, authorized local housing authorities "to undertake as a separate project for the renovation, remodeling, reconstruction, repair, landscaping and improvement of any existing" state-assisted projects or part thereof. Projects authorized under this section shall be called "Modernization Projects".

The Department of Community Affairs is authorized to contract with local housing authorities for State financial assistance in the form of grants to such authorities for the purpose of undertaking such Modernization Projects. The Department is authorized to expend a total of twenty five million dollars for this purpose, but such expenditures may not exceed \$6,250,000.00 in any one fiscal year.

The plan for Modernization Projects shall be approved by the Department, and each project shall be undertaken in accordance with rules and regulations promulgated by the Department.

A State-aided modernization contract between the Commonwealth of Massachusetts and the Cambridge Housing Authority in the amount of \$502,774.00 was executed on January 2, 1973, and it was increased to \$511,774.00 in March 1974.

The approved amounts by Section follow:

<u>Section</u>	<u>Amount</u>
200-1	\$ 48,990 00
200-2 and 200-6	219,290 00
200-3	42,600 00
200-4	161,880 00
200-5	30,014 00
Administrative	9,000 00
	<u>\$511,774 00</u>

As of the audit date, twelve contracts had been awarded for such items as lighting, roof repairs, peepholes, security viewers, gutters, downspouts, screens, combination doors, etc. They were all approved by the Department of Community Affairs for an amount of \$171,239.74.

4. Project 200-C - Vacancy Losses: As of the audit date, there were 138 vacant apartments. Using the average monthly rent for June 1974, the loss for that month alone would be \$6,926.07. Inquiries made revealed that the vacancies were the result of disturbances and vandalism.

It is suggested that the Authority make every effort to make its vacated units safe and livable.

5. Tenants' Accounts Receivable: The following is an aging of unpaid rents as of June 30, 1974:

One Month	\$13,001 90
Two Months	6,334 31
Three Months or Over	14,275 68
Vacated	24,583 52
	<u>\$58,195 41</u>

The above analysis indicates that a collection problem exists, since 66.8% of the rents in arrears are three months or over, or vacated.

6. Commonwealth Contributions: Chapter 200 of the Acts of 1948 was enacted by the General Court to provide housing principally for veterans of low

income. Since rental charges are set at a comparatively low level, an annual deficit from operations has resulted for the past five fiscal periods, despite additional subsidies paid by the Commonwealth.

The current maximum Commonwealth contribution, as authorized by Paragraph (b) of Section 34 of Chapter 121B of the General Laws, as amended, is \$798,800.00, which is 8% of the development cost of the project.

The annual Commonwealth contributions to date are listed below:

1952 through 1972	\$5,048,322 79
1973	399,495 26
1974	396,867 03
	<u>\$5,844,685 08</u>

7. Evictions: During the audit period the Authority initiated court proceedings to evict 42 tenants in the State-aided projects. No evictions resulted from the cases brought to court, but the Authority expended \$2,350.00 for legal fees.

8. Operating Reserve Project 200-C: The maximum allowable balance of this account is \$284,800.00. As of the audit date the balance was \$392,826.00, which is \$108,026.00 in excess. When the \$606,301.69 deficit for the 1974 fiscal year is transferred to the Operating Reserve, a deficit balance will result. The expenditures from this account during the audit period were as follows:

Air Conditioner - Project Office	\$ 485 00
2 Adding Machines - Project Office	277 10
Just-A-Start (Cleaning and Upgrading)	2,684 00
Temperature Control Maintenance	5,700 00
Emergency Repairs to Elevators	9,832 57
Conference - Five Employees	225 00
Deficit Write-Off 1973	305,115 23
Percentage Applicable to 200 Project	
Severance Pay	3,300 00
Ranges and Refrigerators	11,265 05
Total	<u>\$338,883 95</u>

9. Fire Loss: Project 200-6 had a fire in an apartment in the Jefferson Park Extension on February 21, 1974. The Authority sent out ten invitations and specifications to bid, but only one bid in the amount of \$1,935.00 was received. The Authority voted to accept this bid subject to the approval of the insurance

company on June 12, 1974. The insurance company agreed to this bid, and on August 16, 1974 it paid the Authority \$1,741.50 which was the full estimate less ten percent for depreciation.

10. Contractual Services: During the period under audit Project 200-C spent \$156,346.11 for contractual services. The amount provided in the budget for the period ending June 30, 1974 was \$133,146.00. This represents a budget overrun amounting to \$23,200.11. Included in the expenditures for the period under audit are two contracts, each over \$2,000.00 which were not put out for public bid.

Otis Elevator	\$ 4,100 72
Payne Elevator	8,622 99
	<u>\$12,723 71</u>

These two contracts were signed in order to provide for service for the Otis and Payne elevators located in Authority projects. Authority executives felt that each elevator company could provide the best service for its own brand elevators.

Also included in the expenditures for the period under audit were payments totaling \$35,300.00 to Royal Detective Agency for security provided at Section 200-6. The Authority had never signed a contract with this agency nor was this job put out for public bid.

It is the policy of the Department of Community Affairs that all contracts over \$2,000.00 must be put out for public bidding. It is the responsibility of Authority executives to enforce this policy.

Project 667-1:

1. Status of Project: On March 27, 1972, the Department of Community Affairs and the Authority executed a contract for financial assistance in the amount of \$4,080,000.00 authorizing the Authority to construct approximately 204 units of housing for the elderly. The contract was amended on July 31, 1973 to \$5,200,000.00, and it decreased the units of housing to 199 units.

The Authority then entered into an agreement with the City of Cambridge to build a multi-use project, consisting of approximately 199 units of housing for

the elderly, a municipal garage and a branch library in Central Square, bounded by Green, Franklin and Pearl Streets.

The City of Cambridge contracted to provide funds for the municipal garage and the branch library. The terms of the contract provide the Authority with City-owned land, with a ninety-nine year lease, for the housing for the elderly.

A construction contract for the complex was awarded to the Northgate Construction Company, the low bidder, on July 31, 1973 in the amount of \$6,937,466.00, to be shared as follows:

Housing Authority	\$4,809,745 00
City of Cambridge	<u>2,127,721 00</u>
	<u>\$6,937,466 00</u>

The Cambridge City Council voted on July 2, 1973 to loan the Authority \$300,000.00 for construction contingencies.

Construction was started in 1973. As of the audit date, the total amount billed by Northgate Construction Company was \$1,236,491.00. This project is scheduled to be completed by August 11, 1975.

2. Temporary Financing: The Fourth Series Notes in the amount of \$5,200,000.00 were purchased by the Bankers Trust Company, with a low bid of 6.39% interest and a premium of \$52.00. These notes are dated June 11, 1974 and are payable on June 13, 1975.

The Second and Third Series Notes, which matured on June 13, 1974, were retired as follows:

Funds Provided:	
Sale of Fourth Series Notes	\$5,200,000 00
Authority Funds	202,652 14
Premium on sale of Notes	52 00
	<u>\$5,402,704 14</u>

Funds Applied:	
Payment of Second and Third Series Notes:	
Principal	\$5,200,000 00
Interest	202,704 14
	<u>\$5,402,704 14</u>

3. Interproject Advances: During the current audit period, Project 667-1 made the advances to other projects administered by the Authority, as follows:

Project 3-1	\$300,000 00
Project 200-C	125,000 00

As of the audit date, Project 667-1 is still owed \$75,000.00 by Project 200-C.

As a result of these loans Project 667-1 lost interest income on these funds, and it will probably have to issue additional debt to finance the ever-increasing development costs.

Rental Assistance Program:

1. Status of Program: The State-aided rental assistance program, authorized under Sections 42 to 44A of Chapter 121B of the General Laws, as amended, provides for rent subsidies for low income families and elderly persons. It allows local housing authorities to rent or lease private units and to pay a State-funded rent supplement to make up the difference in the agreed total monthly rent for the apartment.

During the audit period the Authority received funds in the amount of \$73,570.00 from the Division of Community Development to pay for rent subsidies.

As of the date of audit, June 30, 1974, there were 67 units under lease, the monthly rent of which was shared as follows:

State share	\$6,334 50
Tenants' share	<u>3,660 00</u>
	<u>\$9,994 50</u>

2. Cash Disbursements During the course of the audit, it was found that the Rental Assistance Program had paid \$839.71 for furniture and office supplies on behalf of Roosevelt Towers, Section 200-4. These supplies were used for setting up a mini-employment center in the Roosevelt Towers Project.

This situation occurred because Section 200-4 did not have sufficient funds in its budget to cover the above expenditure.

It is recommended that bills be paid out of the funds of the project which benefits from the expenditure.

FINANCIAL STATEMENTS

The financial statements listed in the "Table of Contents" follow:

Schedule No. IRevolving Fund - General AccountBalance Sheet

June 30, 1974

Assets

## Accounts Receivable:

Federal Programs	\$28,752 45	
State 200-C Programs	43,127 82	
State Project 667-1	155 25	
Other - Travel Advances	4,808 16	\$ 76,843 68

## Inventory:

Materials and Supplies	\$32,713 03	
Ranges	2,060 00	
Refrigerators	1,530 00	36,303 03
		<u>\$113,146 71</u>

Liabilities

Bank Overdraft		\$ 2,456 71
Accounts Payable and Project Advances:		
Vendors and Contractors	\$ 3,090 00	
Federal Programs	77,600 00	
State 200-C Programs	30,000 00	110,690 00
		<u>\$113,146 71</u>

Schedule No. IIRevolving Fund - Payroll AccountBalance Sheet

June 30, 1974

Assets

## Accounts Receivable:

Federal Programs  
State Programs

\$47,205 50
<u>15,619 84</u>
<u>\$62,825 34</u>

Liabilities

## Accounts Payable:

Bank Overdraft  
Sundry

\$ 133 63
577 75

## Withholdings Not Transmitted:

Federal Income Taxes  
State Income Taxes  
Group Insurance

\$ 100 00	
5,125 36	
<u>121 78</u>	5,347 14

## Project Advances:

Federal Programs  
State Programs

\$33,000 00	
<u>23,766 82</u>	<u>56,766 82</u>
	<u>\$62,825 34</u>

Schedule No. IIIProject 200-CBalance Sheet

June 30, 1974

Assets

Cash:			
Administration		\$85,270 92	
Change Fund		<u>160 00</u>	\$ 85,430 92
Accounts Receivable:			
Tenants'		\$58,195 41*	
State-Aid		37,897 55	
Advances to Revolving Fund:			
General Account	\$30,000 00		
Payroll Account	<u>23,000 00</u>	53,000 00	
Sundry		<u>5,973 80</u>	155,066 76
Investments:			
U.S. Treasury Bonds 4% due			
February 15, 1980		\$130,000 00	
Trust Savings and Cooperative			
Bank Accounts		<u>144,402 37</u>	274,402 37
Fiscal Agent:			
Debt Service Fund Cash		\$78,832 20	
Debt Service Trust Fund Cash		5,069 76	
Debt Service Trust Fund Investments:			
U.S. Treasury Notes, 5 7/8%, Due			
May 15, 1975		<u>25,065 00</u>	108,966 96
Deferred Charges:			
Prepaid Insurance:			
Workmen's Compensation Deposit		\$3,407 79	
Public Liability		2,916 65	
Fire - Buildings		<u>343 20</u>	6,667 64
Other Assets:			
Inventory - Fuel			19,661 52
Development Cost		\$9,985,000 00	
Less:			
Development Cost Liquidation		<u>4,170,000 00</u>	<u>5,815,000 00</u>
			<u>\$6,465,196 17</u>

Schedule No. III (Continued - 2)Project 200-CBalance Sheet

June 30, 1974

Liabilities and Deficit

Accounts Payable:			
Revolving Fund:			
General Account		\$ 43,127 82	
Payroll Account		14,088 76	
Sundry		139,933 37	
Vendors and Contractors		15,424 00	
Tenants' Rent Rebates		11,098 56	
Prepaid Tenants Rent		<u>938 38</u>	\$ 224,610 89
Accrued Liabilities:			
Insurance:			
Liability	\$ 362 71		
Group	14,845 72		
General	<u>4,790 08</u>	\$ 19,998 51	
Utilities		65,661 16	
Salaries and Wages		16,239 20	
Payment in Lieu of Taxes		38,448 00	
Matured Interest and Principal		<u>116,810 65</u>	257,157 52
Other Liabilities:			
Unamortized Bond Premium			30,134 76
Bonds Authorized and Issued		\$6,716,000 00	
Less:			
Bonds Retired		<u>2,996,000 00</u>	3,720,000 00
Notes Authorized and Issued		\$3,269,000 00	
Less:			
Notes Retired		<u>1,174,000 00</u>	2,095,000 00
Reserves:			
Debt Service		\$351,768 09	
Operating		<u>392,826 60</u>	744,594 69
Deficit			<u>(606,301 69)</u>
			<u>\$6,465,196 17</u>

\*Age Analysis

One Month	\$13,001 90
Two Months	6,334 31
Three Months	
and Over	14,275 68
Vacated	<u>24,583 52</u>
	<u>\$58,195 41</u>

Schedule No. IVProject 200-CComparative Operating Statement

Two Fiscal Years Ended June 30, 1974

	<u>1973</u>	<u>1974</u>
Project Income:		
Dwelling Rent	\$456,154 84	\$420,133 66
Utilities	19,062 76	6,062 18
Miscellaneous Income	18,083 56	14,913 53
Total Project Income	<u>\$494,001 16</u>	<u>\$441,109 37</u>
Operating Expenses:		
Management	\$165,194 26	\$ 171,393 73
Utilities	234,948 47	316,808 38
Repairs, Maintenance and Replacements	293,419 91	427,794 19
Insurance	28,510 40	32,422 71
Contribution to Pension Fund	37,805 64	38,608 93
Collection Losses	(179 30)	(15 00)
Payment in Lieu of Taxes	25,632 00	25,632 00
Total Operating Expenses	<u>\$785,331 38</u>	<u>\$1,012,644 94</u>
Operating Loss	<u>\$291,330 22</u>	<u>\$571,535 57</u>
Other Charges:		
Provision for Operating Reserve	\$ 14,000 00	\$ 34,176 00
Debt Service Expense	399,280 27	397,457 15
Total Other Charges	<u>\$413,280 27</u>	<u>\$431,633 15</u>
Loss before Commonwealth Contribution	<u>\$704,610 49</u>	<u>\$1,003,168 72</u>
Commonwealth Contribution	399,495 26	396,867 03
Deficit*	<u>\$305,115 23</u>	<u>\$606,301 69</u>
* Distribution:		
To Operating Reserve	<u>\$305,115 23</u>	
Undistributed		<u>\$606,301 69</u>

Schedule No. VModernization Grant ProgramBalance Sheet

June 30, 1974

Assets

Cash			\$ 75,908 75
Investment - Certificate of Deposit			50,000 00
Modernization Cost:			
Repairs and Improvements	\$53,670 92		
Administrative	<u>8,368 53</u>	\$62,039 45	
Less:			
Interest Income		<u>1,145 84</u>	60,893 61
Incomplete Contracts			<u>117,568 82</u>
			<u>\$304,371 18</u>

Liabilities and Grant

Accounts Payable:			
Revolving Fund Payroll		\$ 638 46	
Contract Retentions		<u>5,204 88</u>	\$ 5,843 34
Contract Awards			117,568 82
Commonwealth Grant			<u>180,959 02</u>
			<u>\$304,371 18</u>

Schedule No. VIProject 667-1Balance Sheet

June 30, 1974

Assets

Development Fund Cash		\$	81,424 94
Accounts Receivable - Project 200-C			75,000 00
Investments:			
Cambridge Savings Bank, Cambridge:			
Savings Account	\$	33,445 31	
State Street Bank and Trust Company, Boston:			
Certificates of Deposit		<u>3,868,120 09</u>	3,901,565 40
Development Cost			1,222,164 92
Incomplete Contracts			<u>3,477,738 03</u>
			<u>\$8,757,893 29</u>

Liabilities and Capital

Accounts Payable:			
Revolving Fund - General Account	\$155 25		
Revolving Fund - Payroll Account	<u>638 46</u>	\$	793 71
Contract Retentions Development			61,824 55
Notes Authorized and Issued			5,200,000 00
Accrued Interest on Notes			17,537 00
Contract			<u>3,477,738 03</u>
			<u>\$8,757,893 29</u>

Schedule No. VIIProject 667-1Analysis of Development Costs

June 30, 1974

## Administration:

Administrative and Accounting	\$7,118 85	
Legal Service and Expense	7,072 61	
Travel Expense	53 70	
Supplies Office Sundry	5,778 49	
Photography	130 46	
Fidelity Bond and Insurance Premium	128 00	
Fiscal and Other Fees	1,419 00	
Opinion of Bond Counsel	<u>3,159 35</u>	\$ 24,860 46

## Architect and Engineering:

Fees - Under Contract	\$120,102 50	
Boring and Test Pits	3,948 84	
Inspection - Clerk of the Works	<u>12,710 50</u>	136,761 84

## Structure and Equipment:

Construction Contract		<u>1,236,491 00</u>
		\$1,398,113 30

## Less:

Excess of Interest Earned Over Interest Charges		<u>175,948 38</u>
Total Development Costs to Date		<u><u>\$1,222,164 92</u></u>

Schedule No. VIIIRental Assistance ProgramBalance Sheet

June 30, 1974

Assets

Cash

\$13,670 98Liabilities and Income

Accounts Payable:

Payroll

\$254 16

Tenants'

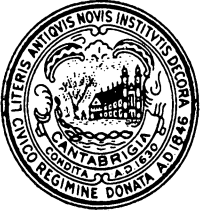
286 00 \$ 540 16

Prepaid Commonwealth Assistance

3,854 55

Net Operating Profit

9,276 27\$13,670 98



# CITY OF CAMBRIDGE

CAMBRIDGE, MASSACHUSETTS 02139  
Tel. 876-6800

EXECUTIVE DEPARTMENT  
JAMES L. SULLIVAN  
City Manager

March 24, 1975

To the Honorable, the City Council:

I transmit herewith for your information the report on the examination of the accounts of the Cambridge Housing Authority from July 1, 1973 to June 30, 1974. Inasmuch as this is the only copy received, it will be on file in the City Clerk's office.

Very truly yours,

James L. Sullivan  
City Manager

JLS/b

Agenda # 11 122

Report from the Cambridge Housing  
Authority.

In City Council,

March 24, 1975

*Placed on file*