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**INDEPENDENT STATE AUDITOR'S REPORT
ON THE PHYSICAL CONDITION
OF STATE-AIDED PUBLIC HOUSING UNITS
AND RESOURCES ALLOCATED FOR THE
OPERATION AND UPKEEP OF THE
SALEM HOUSING AUTHORITY
JULY 1, 2003 TO JUNE 30, 2005**

**OFFICIAL AUDIT
REPORT
OCTOBER 15, 2007**

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In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted a statewide comprehensive audit of the physical conditions and the resources available to provide for the operation and upkeep of the state-aided public housing authorities of the Commonwealth. To accomplish our audit, we performed work at the Department of Housing and Community Development (DHCD) and obtained data from surveys and site visits to a selected, representative cross-section of 66 Local Housing Authorities (LHAs) throughout the state. The Salem Housing Authority was one of the LHAs selected to be reviewed for the period July 1, 2003 to June 30, 2005. A complete list of the LHAs visited and surveyed is provided in our statewide report No. 2005-5119-3A. Our on-site visits were conducted to follow up on survey data we obtained in order to: observe and evaluate the physical condition of the state-regulated LHAs, review policies and procedures over unit site inspections, determine whether LHA-managed properties were maintained in accordance with public health and safety standards, and review the state modernization funds awarded to determine whether such funds have been received and expended for their intended purpose. In addition, we reviewed the adequacy of the level of funding provided to each LHA for annual operating costs to maintain the exterior and interior of the buildings and housing units, as well as capital renovation infrastructure costs to maximize the public housing stock across the state, and determined whether land already owned by the LHAs could be utilized to build additional affordable housing units. We also determined the number of vacant units, vacancy turnaround time, and whether any units have been taken off line and are no longer available for occupancy by qualifying families or individuals in need of housing. In response to our audit report, the Authority stated that it has applied for the maximum amount of Condition Assessment Reports (CARs) from DHCD and has been awarded said funds. In addition, the Authority stated that as the opportunity becomes available, it will again apply for additional CARs.

AUDIT RESULTS

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1. RESULTS OF INSPECTIONS – NONCOMPLIANCE WITH STATE SANITARY CODE

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DHCD's Property Maintenance Guide, Chapter 3(F), requires that inspections of dwelling units be conducted annually and upon each vacancy to ensure that every dwelling unit conforms to minimum standards for safe, decent, and sanitary housing as set forth in Chapter II of the State Sanitary Code. Between April 11, 2006 and April 13, 2006, we inspected 35 of the 676 state-aided housing units managed by the Authority and noted 18 instances of noncompliance with Chapter II of the State Sanitary Code, including water leaks from roofs, walls and windows stained with mildew and mold, damaged countertops, and deteriorating cement stairs.

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<p>In response to our questionnaires, the Authority indicated that it had many aging state-aided developments that require constant maintenance and mold has developed in the older kitchens and bathrooms, which need to be upgraded. In order to address these serious concerns, the Authority must receive operating subsidy from DHCD in a timely manner. Deferring or denying the Authority's modernization needs may result in further deteriorating conditions that could render the units and buildings uninhabitable.</p>	
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INTRODUCTION

Background

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted a statewide comprehensive audit of the physical conditions and the resources available to provide for the operation and upkeep of the state-aided public housing authorities of the Commonwealth. To accomplish our audit, we performed work at the Department of Housing and Community Development (DHCD) and obtained data from surveys and site visits to a selected, representative cross-section of 66 Local Housing Authorities (LHAs) throughout the state. The Salem Housing Authority was one of the LHAs selected to be reviewed for the period July 1, 2003 to June 30, 2005. A complete list of the LHAs visited and surveyed is provided in our statewide report No. 2005-5119-3A.

Our on-site visits were conducted to follow up on survey data we obtained in order to: observe and evaluate the physical condition of the state-regulated LHAs, review policies and procedures over unit site inspections, determine whether LHA-managed properties were maintained in accordance with public health and safety standards, and review the state modernization funds awarded to determine whether such funds have been received and expended for their intended purpose. In addition, we reviewed the adequacy of the level of funding provided to LHAs for annual operating costs to maintain the exterior and interior of the buildings and housing units, as well as the capital renovation infrastructure costs to maximize the public housing stock across the state, and determined whether land already owned by the LHAs could be utilized to build additional affordable housing units. We also determined the number of vacant units, vacancy turnaround time, and whether any units have been taken off line and are no longer available for occupancy by qualifying families or individuals in need of housing.

Audit Scope, Objectives, and Methodology

The scope of our audit included an evaluation of management controls over dwelling unit inspections, modernization funds, and maintenance plans. Our review of management controls included those of both the LHAs and DHCD. Our audit scope included an evaluation of the physical condition of the properties managed; the effect, if any, that a lack of reserves, operating and modernization funds, and maintenance and repair plans has on the physical condition of the LHAs'

state-aided housing units/projects; and the resulting effect on the LHAs' waiting lists, operating subsidies, and vacant units.

Our audit was conducted in accordance with applicable generally accepted government auditing standards for performance audits and, accordingly, included such audits tests and procedures as we considered necessary.

Our primary objective was to determine whether housing units were maintained in proper condition and in accordance with public health and safety standards (e.g., the State Sanitary Code, state and local building codes, fire codes, Board of Health regulations) and whether adequate controls were in place and in effect over site-inspection procedures and records. Our objective was to determine whether the inspections conducted were complete, accurate, up-to-date, and in compliance with applicable laws, rules, and regulations. Further, we sought to determine whether management and DHCD were conducting follow-up actions based on the results of site inspections.

Second, we sought to determine whether the LHAs were owed prior-year operating subsidies from DHCD, and whether the untimely receipt of operating subsidies from DHCD may have resulted in housing units not being maintained in proper condition.

Third, in instances where the physical interior/exterior of LHA-managed properties were found to be in a state of disrepair or deteriorating condition, we sought to determine whether an insufficient allocation of operating or modernization funds from DHCD contributed to the present conditions noted and the resulting effect, if any, on the LHAs' waiting lists and vacant unit reoccupancy.

To conduct our audit, we first reviewed DHCD's policies and procedures to modernize state-aided LHAs, DHCD subsidy formulas, DHCD inspection standards and guidelines, and LHA responsibilities regarding vacant units.

Second, we sent questionnaires to each LHA in the Commonwealth requesting information on the:

- *Physical condition of its managed units/projects*
- *State program units in management*
- *Off-line units*
- *Waiting lists of applicants*

- *Listing of modernization projects that have been formally requested from DHCD within the last five years, for which funding was denied*
- *Amount of funds disbursed, if any, to house tenants in hotels/motels*
- *Availability of land to build affordable units*
- *Written plans in place to maintain, repair, and upgrade its existing units*
- *Frequency of conducting inspections of its units/projects*
- *Balances, if any, of subsidies owed to the LHA by DHCD*
- *Condition Assessment Reports (CARS) submitted to DHCD*
- *LHA concerns, if any, pertaining to DHCD's current modernization process*

The information provided by the LHAs was reviewed and evaluated to assist in the selection of housing authorities to be visited as part of our statewide review.

Third, we reviewed the report entitled “Protecting the Commonwealth’s Investment – Securing the Future of State-Aided Public Housing.” The report, funded through the Harvard Housing Innovations Program by the Office of Government, Community and Public Affairs, in partnership with the Citizens Housing and Planning Association, assessed the Commonwealth’s portfolio of public housing, documented the state inventory capital needs, proposed strategies to aid in its preservation, and made recommendations regarding the level of funding and the administrative and statutory changes necessary to preserve state public housing.

Fourth, we attended the Joint Legislative Committee on Housing’s public hearings on March 7, 2005 and February 27, 2006 on the “State of State Public Housing;” interviewed officials from the LHAs, the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials, and DHCD; and reviewed various local media coverage regarding the condition of certain local public housing stock.

To determine whether state-aided programs were maintained in proper condition and safety standards, we (a) observed the physical condition of the housing units/projects by conducting inspections of selected units/projects to ensure that the units and buildings met the necessary minimum standards set forth in the State Sanitary Code, (b) obtained and reviewed the LHAs’ policies and procedures relative to unit site inspections, and (c) made inquiries with the local boards

of health to determine whether any citations had been issued, and if so, the cited LHA's plans to address the deficiencies.

To determine whether the modernization funds received by the LHAs were being expended for the intended purposes and in compliance with laws, rules, and regulations, we obtained and reviewed the Quarterly Consolidated Capital Improvement Cost Reports, Contracts for Financial Assistance, and budget and construction contracts. In addition, we conducted inspections of the modernization work performed at each LHA to determine compliance with its work plan.

To determine whether LHAs were receiving operating subsidies in a timely manner, we analyzed each LHA subsidy account for operating subsidies earned and received and the period of time that the payments covered. In addition, we made inquiries with the LHA's Executive Director/fee accountant, as necessary. We compared the subsidy balance due the LHAs per DHCD records to the subsidy data recorded by the LHAs.

To assess controls over waiting lists, we determined the number of applicants on the waiting list for each state program and reviewed the waiting list for compliance with DHCD regulations.

To assess whether each LHA was adhering to DHCD procedures for preparing and filling vacant units in a timely manner, we performed selected tests to determine whether the LHAs had uninhabitable units, the length of time the units were in this state of disrepair, and the actions taken by the LHAs to renovate the units.

AUDIT RESULTS

1. RESULTS OF INSPECTIONS – NONCOMPLIANCE WITH STATE SANITARY CODE

The Department of Housing and Community Development's (DHCD) Property Maintenance Guide, Chapter 3(F), requires that inspections of dwelling units be conducted annually and upon each vacancy to ensure that every dwelling unit conforms to minimum standards for safe, decent, and sanitary housing as set forth in Chapter II of the State Sanitary Code.

For the fiscal year ended June 30, 2005, we reviewed inspection reports for 35 of the 676 state-aided dwelling units managed by the Salem Housing Authority. In addition, from April 11, 2006 through April 13, 2006, we conducted inspections of these units located at Leefort, Betran, Colonial, Bates, Norton, Pioneer, Charter, Morency, Ruane, Dalton Terrace, Garden Terrace, Rainbow Terrace, Park Street, and Congress Street. Our inspection noted 18 instances of noncompliance with Chapter II of the State Sanitary Code, including water leaks from roofs, walls and windows stained with mildew and mold, damaged countertops, and deteriorating cement stairs. (Appendix I of our report summarizes the specific State Sanitary Code violations noted, and Appendix II includes photographs documenting the conditions found.)

The photographs presented in Appendix II illustrate the pressing need to address the conditions noted, since postponing the necessary improvements would require greater costs at a future date, and may result in the properties not conforming to minimum standards for safe, decent, and sanitary housing.

Recommendation

The Authority should apply for funding from DHCD to address the issues noted during our inspections of the interior (dwelling units) and exterior (buildings) of the Authority, as well as other issues that need to be addressed. Moreover, DHCD should obtain and provide sufficient funds to the Authority in a timely manner so that it may provide safe, decent, and sanitary housing for its tenants.

2. MODERNIZATION INITIATIVES NOT FUNDED

In response to our questionnaires, the Authority informed us that there is a need for modernizing its managed properties. The Authority has many aging state-aided developments that require constant maintenance and mold has developed in the older kitchens and bathrooms, which need to be upgraded. Deferring or denying the Authority's modernization needs may result in further deteriorating conditions that could render the units and buildings uninhabitable. Moreover, if the Authority does not receive funding to correct these conditions, additional emergency situations may occur and the Authority's ability to provide safe, decent, and sanitary housing for its elderly and family tenants could be seriously compromised. Lastly, deferring the modernization needs into future years will cost the Commonwealth's taxpayers additional money due to inflation, higher wages, and other related costs.

In a letter to DHCD's Asset Management Specialist dated January 3, 2005, the Authority stated that it "has taken great pride in doing its best to maintain and improve its properties through modernization projects (funded and supported by DHCD), contract work and routine maintenance. However, after three years of zero caps, it has become more than challenging and, in fact, impossible to maintain our public housing to the standards of our staff and residents. With this year's zero cap, we are now paralyzed. With increasing costs for materials and supplies, as well as escalating utility and insurance costs, we have had to omit crucial items in order to find provisions for unexpected emergencies that may arise." The letter further states "we feel it is necessary to inform you that we now find it a struggle to maintain the same level of service, and nearly impossible to meet our needs in maintaining our properties in a decent, safe, and sanitary condition without sufficient subsidy."

In June 2000, Harvard University awarded a grant to a partnership of the Boston and Cambridge Housing Authorities to undertake a study of state-aided family and elderly/disabled housing. The purpose of the study was to document the state inventory of capital needs and to make recommendations regarding the level of funding and the administrative and statutory changes necessary to give local Massachusetts housing authorities the tools to preserve and improve this important resource. The report, "Protecting the Commonwealth's Investment - Securing the Future of State-Aided Public Housing," dated April 4, 2001, stated, "Preservation of existing housing is the fiscally prudent course of action at a time when Massachusetts faces an increased

demand for affordable housing. While preservation will require additional funding, loss and replacement of the units would be much more expensive in both fiscal and human terms.”

Recommendation

The Authority should continue to appeal to DHCD to provide the necessary modernization funds to address these issues in a timely manner.

Auditee's Response

In its response, the Authority stated that it has applied for the maximum amount of Condition Assessment Reports from DHCD and has been awarded said funds. In addition, the Authority stated that as the opportunity becomes available, it will again apply for additional CARs.

SUPPLEMENTARY INFORMATION
Salem Housing Authority-Managed State Properties

The Authority's state-aided developments, the number of units, and the year each development was built is as follows:

<u>Development</u>	<u>Number of Units</u>	<u>Year Built</u>
689-1	17	1984
200-1	32	1949
200-2	136	1949
667-2	50	1958
667-1A	20	1959
667-2	40	1961
667-3	36	1963
667-4	104	1966
667-5	110	1974
667-6	54	1982
667-7A	16	1818
667-7B	35	1988
705-2	14	Various
705-3	<u>12</u>	1987
	<u>676</u>	

APPENDIX I

State Sanitary Code Noncompliance Noted

200-2 Family Housing Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
9 Rainbow Terrace	Bedroom - mold on baseboard and wall	105 CMR 410.750
	- window seals are broken causing condensation	105 CMR 410.501
	Kitchen - floor tiles are in disrepair	105 CMR 410.504
	- countertop is burnt	105 CMR 410.100
15 Rainbow Terrace	- cabinet drawer is missing	105 CMR 410.100
	15 Rainbow Terrace	Building exterior - cement stairs are deteriorating
19 Rainbow Terrace	Building exterior - cement stairs deteriorating	100 CMR 410.750
42 Rainbow Terrace	Bathroom - mold on walls, need repainting	105 CMR 410.750
	Bedroom - mold on walls, need repainting	105 CMR 410.750
66 Rainbow Terrace	Bedroom - window seals are broken, causing condensation and mildew	105 CMR 410.501
75 Rainbow Terrace	Building exterior - cement stairs are deteriorating	100 CMR 410.750
86 Rainbow Terrace	Bedroom – mold on baseboard and wall	105 CMR 410.750
	Stove – filthy and broken, needs replacement	105 CMR 410.100

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
117-8 Congress Street 705-2B	- countertop around sink is damaged	105 CMR 410.100
	Unit – water from roof leaks into closet	105 CMR 410.501
	- roof leaks, causing hole in ceiling	105 CMR 410.501
	Building exterior - roof needs replacing	105 CMR 410.500

667-1 Elderly Housing Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
35 Leefort Terrace	Entrance - door is cracked, paint is peeling	105 CMR 410.500

APPENDIX II

Photographs of Conditions Found

200-2 Family Housing Development, 9 Rainbow Terrace

Kitchen – Cabinet Drawer is Missing



200-2 Family Housing Development, 9 Rainbow Terrace

Kitchen – Countertop is Burnt



200-2 Family Housing Development, 9 Rainbow Terrace
Bedroom – Window Seals are Broken, Causing Condensation



200-2 Family Housing Development, 19 Rainbow Terrace
Building Exterior – Cement Stairs are Deteriorating



667-1 Elderly Housing Program, 35 Leefort Terrace
Entrance – Door is Cracked, Paint is Peeling



200-2 Family Housing Development, 75 Rainbow Terrace
Building Exterior – Cement Stairs are Deteriorating



200-2 Family Housing Development, 86 Rainbow Terrace
Kitchen – Countertop around Sink is Damaged



200-2 Family Housing Development, 86 Rainbow Terrace
Kitchen – Stove is Filthy and Broken, Needs Replacing



200-2 Family Housing Development, 86 Rainbow Terrace
Bedroom – Mold on Baseboard and Wall



200-2 Family Housing Development, 117-8 Congress 705-2B
Unit – Roof Leaks, Causing Hole in Ceiling



200-2 Family Housing Development, 117-8 Congress 705-2B
Unit – Water from Roof Leaks into Closet



200-2 Family Housing Development, 15 Rainbow Terrace
Building Exterior – Cement Stairs Deteriorating

