



# The Commonwealth of Massachusetts

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INDEPENDENT STATE AUDITOR'S REPORT ON  
CERTAIN ACTIVITIES OF THE  
CAMBRIDGE HOUSING AUTHORITY  
JULY 1, 2005 TO SEPTEMBER 30, 2008

OFFICIAL AUDIT  
REPORT  
OCTOBER 22, 2009

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### INTRODUCTION

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In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of certain activities of the Cambridge Housing Authority for the period July 1, 2005 to September 30, 2008. The objectives of our audit were to assess the adequacy of the Authority's management control system for measuring, reporting, and monitoring the effectiveness of its programs, and to evaluate its compliance with laws, rules, and regulations applicable to each program. We also conducted a follow-up review of the Authority's progress in addressing the issues noted in our prior audit report (No. 2006-0626-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 39-month period ended September 30, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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### AUDIT RESULTS

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#### 1. PRIOR AUDIT RESULTS RESOLVED

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Our prior audit of the Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed that (a) various instances of noncompliance with the State Sanitary Code existed at the Authority's state-aided housing developments, (b) the Authority did not conduct annual dwelling unit inspections as required by the Department of Housing and Community Development's (DHCD) Property Maintenance Guide, (c) six uninhabitable units were in need of renovation, (d) the Authority did not receive funding from DHCD for its modernization needs, and (e) DHCD did not provide the Authority with operating subsidy payments in a timely manner. Our follow-up review disclosed that the Authority has taken action to remedy these issues, as discussed below.

##### **a. Compliance 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. Our prior audit noted 78 instances of noncompliance with the State Sanitary Code, including peeling paint, ceiling holes, walls in disrepair, crumbling cement stairs, rotting porches, and roofs in need of major repair. Our follow-up review determined that the Authority has taken corrective action to address 75 (96%) of the 78 prior instances of noncompliance and is planning to address the remaining issues in the near future.

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| <b>b. Unit Inspections Conducted Annually</b>   | <b>3</b> |
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| Our prior audit noted that the Authority had not conducted annual dwelling unit inspections as required by the DHCD's Property Maintenance Guide. Our follow-up review determined that the Authority is now conducting annual inspections of all dwelling units.  |          |
| <b>c. Renovation of Uninhabitable Units</b>   | <b>3</b> |
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| Our prior audit found that the Authority had taken six units off line that were determined to be uninhabitable due to severe exterior water and structural damage. Five of these units are located at the Jefferson Park Towers family development and one is located at the Manning Apartments elderly development. Our follow-up review disclosed that the six units have been renovated and reoccupied.  |          |
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| Our prior audit found that although the Authority had applied to DHCD for funding for 14 capital modernization projects for its state-aided properties, the requests were not funded by DHCD during the audit period. As of February 28, 2007, six requests had been funded and project work was completed, and the Authority was working with DHCD to obtain funding for the remaining eight projects. Our follow-up review determined that the Authority has received approvals from DHCD for modernization work to address the remaining eight requests. |          |
| <b>e. Operating Subsidies</b>   | <b>5</b> |
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| Our prior audit noted that DHCD did not provide the Authority with operating subsidy payments in a timely manner. Specifically, as of June 30, 2005, the Authority was due operating subsidy payments of \$667,143 that it did not receive until several months later. Our follow-up review disclosed that DHCD is currently providing the Authority with operating subsidy payments in a timely manner.  |          |
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| <b>2. PRIOR AUDIT RESULTS UNRESOLVED</b>  | <b>5</b> |
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| Our prior audit also noted deficiencies in the areas of (a) occupancy of vacant units, and (b) availability of land to build affordable housing units. Our follow-up review revealed that these prior issues have not been adequately resolved, as discussed below.   |          |
| <b>a. Occupancy of Vacant Units</b>   | <b>6</b> |
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| DHCD's Property Maintenance Guide indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. However, our prior audit found that the Authority's average turnaround time for reoccupying vacant units was 48 days. Our follow-up review disclosed that the Authority's average turnaround time for reoccupying vacant units had increased to 58 days. In its response, the Authority indicated that its turnaround time has since been reduced to 37 days.   |          |

**b. Availability of Land to Build Affordable Housing Units**

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**6**

Our prior audit noted that the Authority owns approximately 10,000 square feet of land located at its 667-2 elderly program development at 116 Norfolk Street upon which to build affordable housing units. However, the Authority indicated that it was unable to obtain the necessary zoning approval due to neighborhood concerns. Our follow-up review determined that, due to difficulty resolving both zoning and funding issues, the Authority has decided not to pursue development at this site. The Authority indicated that is looking into development opportunities in other areas of the city.

## INTRODUCTION

### *Audit Scope, Objectives, and Methodology*

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of certain activities of the Cambridge Housing Authority for the period July 1, 2005 to September 30, 2008. The objectives of our audit were to assess the adequacy of the Authority's management control system for measuring, reporting, and monitoring the effectiveness of its programs, and to evaluate its compliance with laws, rules, and regulations applicable to each program.

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

To achieve our audit objectives, we reviewed the following:

- Tenant-selection procedures to verify that tenants were selected in accordance with Department of Housing and Community Development (DHCD) regulations.
- Vacancy records to determine whether the Authority adhered to DHCD procedures for preparing and filling vacant housing units.
- Annual rent-determination procedures to verify that rents were calculated properly and in accordance with DHCD regulations.
- Accounts receivable procedures to ensure that rent collections were timely and that uncollectible tenant accounts receivable balances were written off properly.
- Site-inspection procedures and records to verify compliance with DHCD inspection requirements and that selected housing units were in safe and sanitary condition.
- Procedures for making payments to employees for salaries, travel, and fringe benefits to verify compliance with established rules and regulations.
- Procedures for making payments to landlords under the Massachusetts Rental Voucher program to verify compliance with the contract provisions and determine whether rental charges by landlords were consistent with established rules and regulations.
- Property and equipment inventory-control procedures to determine whether the Authority properly protected and maintained its resources in compliance with DHCD requirements.

- Contract procurement procedures and records to verify compliance with public bidding laws and DHCD requirements for awarding contracts.
- Cash management and investment policies and practices to verify that the Authority maximized its interest income and that its deposits were fully insured.
- DHCD-approved operating budgets for the fiscal year in comparison with actual expenditures to determine whether line-item and total amounts by housing program were within budgetary limits and whether required fiscal reports were submitted to DHCD in a complete, accurate, and timely manner.
- Operating reserve accounts to verify that the Authority's reserves fell within DHCD provisions for maximum and minimum allowable amounts and to verify the level of need for operating subsidies to determine whether the amount earned was consistent with the amount received from DHCD.
- Modernization awards to verify that contracts were awarded properly and that funds were received and disbursed in accordance with the contracts, and to determine the existence of any excess funds.
- The Authority's progress in addressing the issues noted in our prior report (No. 2006-0626-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 39-month period ended September 30, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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## AUDIT RESULTS

### 1. PRIOR AUDIT RESULTS RESOLVED

Our prior audit of the Cambridge Housing Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed that (a) various instances of noncompliance with the State Sanitary Code existed at the Authority's state-aided housing developments, (b) the Authority did not conduct annual dwelling unit inspections as required by the Department of Housing and Community Development's (DHCD) Property Maintenance Guide, (c) six uninhabitable units were in need of renovation, (d) the Authority did not receive funding from DHCD for its modernization needs, and (e) DHCD did not provide the Authority with operating subsidy payments in a timely manner. Our follow-up review disclosed that the Authority has taken action to remedy these issues, as discussed below.

#### a. Compliance with State Sanitary Code

DHCD's Property Maintenance Guide, Chapter 3(F), requires that inspections of housing 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. Our prior audit noted 78 instances of noncompliance with the state sanitary code, including peeling paint, ceiling holes, walls in disrepair, crumbling cement stairs, rotting porches, and roofs in need of major repair. Our follow-up review determined that the Authority has taken corrective action to address 75 (96%) of the 78 the prior instances of noncompliance through maintenance repairs or modernization work plans. Moreover, the Authority indicated that the three remaining instances of noncompliance (handicapped unit: peeling paint, water stains on ceilings and walls, hole in wall) will be addressed in the near future.

#### b. Unit Inspections Conducted Annually

Our prior audit noted that the Authority had not conducted annual dwelling unit inspections as required by DHCD's Property Maintenance Guide. Our follow-up review determined that the Authority is now conducting annual inspections of all dwelling units.

#### c. Renovation of Uninhabitable Units

Our prior audit found that the Authority had taken six units off line that were determined to be uninhabitable due to severe exterior water and structural damage. Five of these units are located

at the Jefferson Park Towers family development and one at the Manning Apartments elderly development. Our follow-up review disclosed that the six units have been renovated and reoccupied.

**d. Modernization Initiatives**

Our prior audit found that although the Authority had applied to DHCD for funding for 14 capital modernization projects for its state-aided properties, the requests were not funded by DHCD during the audit period. As of February 28, 2007, six requests had been funded and project work was completed, and the Authority was working with DHCD to obtain funding for the remaining eight projects. Our follow-up review determined that the Authority received approval from DHCD for modernization work to address the remaining requests.

We noted that the Authority has restructured its priority task list in order to complete urgent projects first. Since 2006, the Authority has added seven work plans to its modernization program priority task list of work needed at its state developments. Moreover, the Authority has applied to DHCD for funding for these work plans and has initiated preliminary work.

We also found that the Authority has been awarded and has expended federal funds under the Moving to Work agreement (MTW) to assist with various state projects. The Authority is working with DHCD to address short- and long-term strategies for capital planning funding for its state portfolio. The Authority's five-year capital plan, as it appears in its MTW for its state developments, is as follows:



| <u>Work Plan Number</u> | <u>Development</u>  | <u>Description</u>   | <u>Estimated Cost</u> |
|-------------------------|---------------------|--|-----------------------|
| 1022                    | 200-2               | Intercoms  | \$111,700             |
| 1026                    | 667-1               | Manning Apts. - Exterior walls   | \$339,800             |
| 1027                    | 200-1               | Woodrow Wilson Court - Heating, Exterior Venting, water improvements in kitchens and bathrooms, Security | \$4,745,187           |
| 1028                    | All                 | Web-based Capital Inv. & Improvement Planning System   | \$397,687             |
| 1029                    | 705                 | Deleading for 15 Inman St. & Condo Units   | \$32,135              |
| 1031                    | 667-4               | Russell Apt. - Emergency Generator   | \$202,090             |
| 1032                    | 200-2               | Jefferson Park - Mold  | \$483,625             |
| 1033                    | 200-2               | Jefferson Park - Master Plan Study   | \$119,000             |
| 1034                    | 705-1               | Willow Street Homes – Comprehensive Modernization  | \$250,000             |
| 1035                    | 200-5, 667-2, 667-4 | Jackson Gardens - Fire Safety, Repairs   | \$250,000             |
| 1036                    | 667-1               | Manning Building - Envelope  | \$211,400             |
| 1037                    | 200-5, 667-2, 667-3 | Roof Replacement, Exterior & Masonry Repairs   | \$250,000             |
| 1038                    | 200-3, 667-1,2      | Emergency Modernization  | \$126,000             |

As of December 31, 2008, the Authority was due \$534,000 in modernization funding from DHCD for these work plans.

#### **e. Operating Subsidies**

Our prior audit found that DHCD did not provide the Authority with operating subsidy payments in a timely manner. Specifically, as of June 30, 2005, the Authority was due operating subsidy payments of \$667,143 that it did not receive until several months later. Our follow-up review disclosed that DHCD is currently providing the Authority with operating subsidy payments in a timely manner.

## **2. PRIOR AUDIT RESULTS UNRESOLVED**

Our prior audit also noted deficiencies in the areas of (a) occupancy of vacant units, and (b) availability of land to build affordable housing units. Our follow-up review revealed that these prior issues have not been adequately resolved, as discussed below.

**a. Occupancy of Vacant Units**

DHCD's Property Maintenance Guide indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. Our prior audit found that the Authority's average turnaround time for reoccupying vacant units was 48 days. Our follow-up review disclosed that the Authority's average turnaround time had increased to 58 days. The Authority indicated that it continues to work with DHCD to secure adequate funding for sufficient maintenance staff to refurbish vacant units in a timely manner.

***Recommendation***

The Authority should continue to appeal to DHCD for maintenance staff and modernization work plan funding. DHCD should obtain and provide the Authority with the funds necessary to reduce its turnaround time for reoccupying vacant units so that it can ensure that vacant units are refurbished and reoccupied within DHCD's timeframe.

***Auditee's Response***

In its response, the Authority stated, in part:

*During the three year period reviewed by the audit, July 1, 2005-September 30, 2008, the vacancy turnaround function was carried out by two departments: Operations completed the vacancy make-ready and the Leasing and Occupancy Department handled the screening and lease-up functions. In order to improve on the coordination of these functions to reduce vacancy loss, the tenant selection staff joined Operations in April 2008. Although we have yet to reach DHCD's recommended 21 day turnaround time, in the last State fiscal year, July 2008-June 2009, the turnaround time for all state vacancies . . . . averaged 37 days . . . . In addition, given the deteriorating conditions in many of the state units, bathrooms and kitchens are in severe need of renovations, flooring problems, window repairs, etc., the standard 10-14 day make ready time is unrealistic since we frequently need to make time-consuming and costly repairs, e.g. full cabinet or countertop replacements, new flooring, etc. to prepare the unit for rental. This is an example of the lack of capital investment impacting a routine maintenance task.*

**b. Availability of Land to Build Affordable Housing Units**

Our prior audit found that although the Authority owns approximately 10,000 square feet of land located at its 667-2 elderly program development at 116 Norfolk Street upon which to build affordable housing units, it was unable to obtain the necessary zoning approval for construction due to neighborhood concerns. Our follow-up review determined that, due to difficulty resolving

both zoning and funding issues, the Authority has decided not to pursue development at this site.

Without affordable housing, substantial costs may be incurred by the Commonwealth's social service programs and assistance organizations, where displaced individuals turn for help. A lack of decent, affordable housing results in many families living in substandard housing, occupying temporary shelters or motels, or becoming homeless. The need for affordable housing is especially critical for the elderly, whose fixed incomes and special needs limit their housing options.

***Recommendation***

The Authority should continue to pursue development opportunities in other areas of the city.

***Auditee's Response***

In its response, the Authority indicated that it is looking into development opportunities in other areas of the city.