



A. JOSEPH DeNUCCI
AUDITOR

The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819
BOSTON, MASSACHUSETTS 02108

TEL. (617) 727-6200

NO. 2006-0629-3A

**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
CHATHAM HOUSING AUTHORITY
JULY 1, 2003 TO JUNE 30, 2005**

**OFFICIAL AUDIT
REPORT
AUGUST 7, 2007**

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INTRODUCTION**1**

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 Chatham 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 its response, the Authority indicated that it agreed with the issues disclosed in our report.

AUDIT RESULTS**5****1. RESULTS OF INSPECTIONS – NONCOMPLIANCE WITH STATE SANITARY CODE****5**

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. On November 1, 2005, we inspected six of the 85 state-aided housing units managed by the Authority and noted 18 instances of noncompliance with Chapter II of the State Sanitary Code, including window casings that are peeling away, damaged walls, an unsafe railing, cracked sidewalks, chipped paint, and siding that is peeling away from the building.

2. AVAILABILITY OF LAND TO BUILD AFFORDABLE HOUSING UNITS**5**

During our audit, we found that the Authority owns approximately 7.1 acres of land on which it intends to build affordable housing. The need for additional housing is justified, considering that were 20 applicants waiting for affordable housing as of September 30, 2005. Furthermore, the cost to build additional housing on Authority property would be

considerably less, since the Authority already owns the land and there would be no acquisition costs.

3. MODERNIZATION INITIATIVES NOT FUNDED **6**

In response to our questionnaires, the Authority informed us that there is a need for modernizing its managed properties. The Authority informed us that although it had operating deficits for fiscal years 2003, 2004, and 2005 totaling \$45,257, DHCD only allowed it to submit two Condition Assessment Reports to address its modernization, repair, and renovation needs. 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 (which have been reported to DHCD), additional emergency situations may occur, and the Authority's ability to provide safe, decent, and sanitary housing for its elderly and family tenants will be seriously compromised.

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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 Chatham 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 are 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 LHAs 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’s 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, 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 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 Board

of Health to determine whether any citations had been issued, and if so, the cited LHA's plans to address the cited 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 LHAs' Executive Directors/fee accountants, 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.

At the conclusion of our audit, a copy of this report was provided to the Authority. The Authority indicated that it concurred with the issues presented therein.

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 period July 1, 2003 to June 30, 2005, we reviewed inspection reports for six of the 85 state-aided dwelling units managed by the Chatham Housing Authority. In addition, on November 1, 2005, we conducted inspections of units located at 228 Crowell Road (Elderly Housing 667-1), 3 Captains Landing (Elderly Congregate Housing 667-2), and 12, 13, and 14 Captains Landing (Family Housing 705-1). Our inspection noted 18 instances of noncompliance with Chapter II of the State Sanitary Code, including window casings peeling away, damaged walls, an unsafe railing, cracked sidewalks, chipped paint, and siding that is peeling away from the building. (Appendix I of our report summarizes the specific State Sanitary Code violations noted, and Appendix II includes photographs illustrating 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. AVAILABILITY OF LAND TO BUILD AFFORDABLE HOUSING UNITS

During our audit, we found that the Authority owns approximately 7.1 acres of land located on Lake Street on which it intends to build affordable housing. The Authority has entered into an

agreement with The Community Builders, Inc. for the development of 47 rental units and the construction of three single-family homes. These homes will be conferred to three eligible families through a lottery. This development will be funded utilizing tax credits and funding from the Massachusetts Housing Partnership Fund. The need for additional housing is justified, considering that there were 20 applicants waiting for affordable housing as of September 30, 2005. Furthermore, the cost to build additional housing on Authority property would be considerably less, since the Authority already owns the land and there would be no acquisition costs.

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

Recommendation

The Authority should continue in its endeavor to construct additional dwelling units to address the demand for low-income housing.

3. MODERNIZATION INITIATIVES NOT FUNDED

In response to our questionnaires, the Authority informed us that there is a need for modernizing its managed properties. Specifically, the Authority informed us that although it had operating deficits totaling \$45,257, for fiscal years 2003, 2004, and 2005, it had been allowed by DHCD to submit only two Condition Assessment Reports to address its modernization, repair, and renovation needs. Under these circumstances, it was not possible for the Authority to adequately provide and maintain housing for those individuals it needs to serve.

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 (which have been reported to DHCD), 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 present modernization needs into future years will cost the Commonwealth's taxpayers additional money due to inflation, higher wages, and other related costs.

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's 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 that "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 remedy these issues in a timely manner.

SUPPLEMENTARY INFORMATION***The Chatham Housing Authority - Managed State Properties***

The Authority's state-aided housing 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>
667-1	40	1972
667-2	19	1988
689-1	6	1982
689-2	8	1988
705-1	<u>12</u>	1988
Total	<u>85</u>	

APPENDIX I

State Sanitary Code Noncompliance Noted

667-1 Development Anchorage

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
256 Crowell Road	Stair Railing – Unsafe and rusted	105 CMR 410.503
	Sidewalk – Cracked	105 CMR 410.750
	Shingles – Falling off building	105 CMR 410.500
228 Crowell Road	Hallway – Damaged wall	105 CMR 410.500
	Front Door – Chipped paint on front door	105 CMR 410.500
	Bedroom – Window sill rotted	105 CMR 410.500
	Railings – Front door railings unsafe and rusted	105 CMR 410.503

705-1 Development Captains Landing

14 Captains Landing	Siding – Peeling away from the building	105 CMR 410.500
	Front Door – Window casing peeling away	105 CMR 410.500
	Kitchen – Chipped paint on kitchen door	105 CMR 410.500

705-1 Development Captain Landing

12 Captains Landing	Railings – Front door railings unsafe and rotted	105 CMR 410.503
	Screens – Ripped bedroom screen	105 CMR 410.551
	Basement Stairway – Cluttered with garbage and other debris	105 CMR 410.602
	Front Door – Window casing peeling away	105 CMR 410.500
13 Captains Landing	Stairway to 2 nd floor – Cluttered with trash	105 CMR 410.602
	Common Area – Back of unit littered with garbage	105 CMR 410.602
	Front Door – Window casing peeling away	105 CMR 410.500
	Sidewalk – Cracked	105 CMR 410.750

APPENDIX II

Photographs of Conditions Found

705-1 Development, 14 Captains Landing

Chipped Paint on Kitchen Door



705-1 Development, 14 Captains Landing

Window Casing on Front Door Peeling Away



705-1 Development, 14 Captains Landing
Siding Peeling Away from Building



667-1 Development, 228 Crowell Road
Unsafe and Rusted Front Door Railings



667-1 Development, 228 Crowell Road
Rotted Bedroom Window Sill



667-1 Development, 228 Crowell Road
Chipped Paint on Front Door



667-1 Development, 228 Crowell Road
Damaged Wall in the Hallway



667-1 Development, 256 Crowell Road
Unsafe and Rusty Stair Railing



667-1 Development, 256 Crowell Road
Cracked Sidewalk



667-1 Development, 256 Crowell Road
Shingles Falling off Building

