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

**OFFICIAL AUDIT
REPORT
SEPTEMBER 28, 2009**

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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 Fitchburg Housing Authority for the period of July 1, 2005 to June 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. In addition, we reviewed the Authority's progress in addressing the issues noted in our prior audit report (No. 2006-0655-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 36-month period ended June 30, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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STATUS OF PRIOR AUDIT RESULTS

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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) vacant units were not occupied in a timely manner, (c) modernization requests had not been funded by the Department of Housing and Community Development (DHCD), (d) a discrepancy existed between Authority and DHCD records regarding the operating subsidy due the Authority, and (e) the Authority had available land upon which to build affordable housing units. Our follow-up review disclosed that although the Authority had taken action to remedy these issues, further improvements are needed, 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 that as of June 30, 2005, the Authority had not inspected its 539 state-aided dwelling units for the year ending December 31, 2004. We had inspected 21 of the Authority's 539 state-aided elderly and family housing units and noted 68 instances of noncompliance with Chapter II of the State Sanitary Code, including mold and mildew, broken tile floors, cracks in walls, broken screens, broken window-locking devices, bowed rain gutters, chimneys in severe disrepair, and other health and safety hazards. During our follow-up review we conducted inspections of these 21 units and found that the Authority partially resolved these prior issues. In its response, the Authority indicated that it will continue to pursue more cost-effective ways to maintain its properties and continue to appeal to DHCD for sufficient funds to provide safe, decent, and sanitary housing for its residents.

b. Occupancy of Vacant Units **4**

Our prior audit found the Authority's average turnaround time for reoccupying vacant units was 301 days. DHCD's Property Maintenance Guide requires each housing authority to have a unit reoccupied within 21 working days after the previous tenant has vacated. Our follow-up review revealed that although the Authority has successfully reduced its unit turnaround time, further improvements are still needed. Specifically, our review found that for the three-year period July 1, 2005 through June 30, 2008, the Authority had 318 vacant units that exceeded the 21-day requirement, with an average turnaround time of 150 days. In its response, the Authority acknowledged the audit recommendation and indicated that it is continuing to address this issue.

c. Modernization Initiatives Partially Funded **6**

Our prior audit noted that the Authority, on September 24, 2001, submitted formal requests to DHCD for 10 capital modernization projects for five out of the Authority's nine developments. These projects included repairs to or replacement of seriously deteriorated kitchens and baths, windows, plumbing, building/site security locks and intercoms, electrical/fire safety devices, heating/ventilating/hot water machines, and roofing. These requests were not funded by DHCD during the prior audit period. Our follow-up review determined that three of the 10 capital modernization projects--boiler replacement at 667-2, fire alarm replacement at 667-5, and roof replacement at 689-3--have been funded by DHCD. We also noted that the Authority received modernization funding from DHCD for emergency repairs. In its response, the Authority indicated that it will continue to appeal to DHCD to provide funding for its modernization initiatives.

d. Status of Operating Subsidies Earned, Received, and Outstanding **6**

Our prior audit noted that the Authority's operating subsidy accounts indicated that \$242,074 was due the Authority, contrary to the DHCD records, which indicated that \$109,799 was due the Authority. Our follow-up review determined that this discrepancy was resolved; the Authority now receives operating subsidies due to them on a timely basis, and variances are reconciled with DHCD.

e. Availability of Land to Build Affordable Housing Units **7**

Our prior audit noted that the Authority had approximately 321,205 square feet of available land, on two separate lots, on which it could potentially build additional affordable housing units. The need for additional housing was justified, considering that as of June 30, 2005, there were over 900 applicants on the Authority's waiting list. Our follow-up review determined that the Authority still has the two lots of available land, but does not have the development funds necessary to construct additional housing units. As of June 30, 2008, there were over 1,280 applicants on the Authority's family waiting list, which further justifies the need for additional family housing. The Authority should request funds from DHCD when they become available. In its response, the Authority indicated that it will continue to appeal to DHCD for development funds for the construction of additional housing units.

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 Fitchburg Housing Authority for the period July 1, 2005 to June 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 that 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 programs 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 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 audit report (No. 2006-0655-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 36-month period ended June 30, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

STATUS OF PRIOR AUDIT RESULTS

Our prior audit (No. 2006-0655-3A) of the Fitchburg 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) vacant units were not occupied in a timely manner, (c) the modernization requests had not been funded by the Department of Housing and Community Development (DHCD), (d) a discrepancy existed between Authority and DHCD records regarding the operating subsidy due the Authority, and (e) the Authority had available land upon which to build affordable housing units. Our follow-up review disclosed that although the Authority has taken action to address these issues, further improvements are needed, as discussed below.

a. Compliance with State Sanitary Code

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 that as of June 30, 2005, the Authority had not inspected its 539 state-aided dwelling units for the year ending December 31, 2004. We had inspected 21 of the Authority's 539 state-aided elderly and family housing units and noted 68 instances of noncompliance with Chapter II of the State Sanitary Code, including mold and mildew, broken tile floors, cracks in walls, broken screens, broken window-locking devices, bowed rain gutters, chimneys in severe disrepair, and other health and safety hazards.

During our follow-up review we conducted inspections of these 21 units and found that the Authority partially resolved these prior issues. Specifically, the Authority has resolved the instances of mold and mildew in the bathrooms and bedrooms, broken tile floors, cracks in walls, broken screens, broken window-locking devices, rain gutters, and chimneys. We noted that the Authority had taken corrective action to address the peeling paint, cracks in the sidewalks, and mold in the basements found in the prior audit; however, our inspections noted that these same types of problems existed in different areas of these units. The Executive Director indicated that due to the age of the units and the moisture in the basements, mold, peeling paint, and cracks in the sidewalks are constant problems and that the lack of

maintenance staff made it difficult to conduct annual unit inspections of the state-aided housing units for fiscal years 2007 and 2008. DHCD offered the assistance of a staff member to assist the Authority in conducting the inspections.

Recommendation

The Authority should continue in its efforts to remedy these instances of noncompliance through use of its own funds and continue to appeal to DHCD for additional funding. 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.

Auditee's Response

The Authority acknowledges the audit recommendation. All units have been inspected in 2009 with the assistance of DHCD staff. All emergency items found during those inspections have been addressed. Adequate funding to maintain our properties and address conditions continues to be a serious issue. We will continue to pursue more cost effective ways to maintain our properties and continue to appeal to DHCD for sufficient funds to provide safe, decent, and sanitary housing for our residents.

b. Occupancy of Vacant Units

Our prior audit found the Authority's average turnaround time for reoccupying vacant units was 301 days. DHCD's Property Maintenance Guide requires each housing authority to have a unit reoccupied within 21 working days after the previous tenant has vacated. We recommended that the Authority attempt to lessen the time taken to refurbish and reoccupy vacant units and to comply with DHCD guidelines. The Authority indicated that there was a significant lack of demand for conventional elderly housing in the geographic area served by the Authority.

Our follow-up review revealed that although the Authority has successfully reduced its unit turnaround time, further improvements are still needed. Specifically, our review found that for the three-year period July 1, 2005 through June 30, 2008, the Authority had 318 vacant units that exceeded the 21-day requirement, with an average turnaround time of 150 days to reoccupy.

The Executive Director indicated that many factors contributed to this extensive turnaround time, including a significant lack of demand for conventional elderly housing in the area and an inventory of available elderly units that could not be filled. The Authority followed DHCD's recommendations in its Property Maintenance Guide by "giving vacancies that are easier to rent

a higher priority for refurbishment” and prioritized and refurbished the vacant family units first, resulting in other units remaining vacant for a longer period of time.

The Executive Director indicated that attempts are made to maintain three or four units in the elderly developments and concentrate maintenance efforts on the family units. The family units require extensive renovations prior to reoccupancy due to the age of the units and the moisture in the basements, and the Authority lacks the financial resources to hire outside contractors to assist in refurbishing units. Additionally, the Authority received a number of rejections from prospective tenants for both elderly and family housing, which further delayed the process for filling these units in a timely manner.

Although the Authority is following suggested procedures outlined in the Property Maintenance Guide, it may have lost the opportunity to earn potential rental income net of maintenance and repair costs, and may have lost the opportunity, at least temporarily, to provide needy citizens with subsidized housing. The Authority should continue to monitor this issue and work with DHCD to obtain modernization funds to assist in the timely rehabilitation of these units.

Recommendation

The Authority should ensure that the vacant units are refurbished and reoccupied within DHCD’s timeframe and DHCD should obtain and provide the Authority with the funds necessary to fulfill their respective statutory mandates. Also, the Authority should work with public officials to encourage eligible applicants, thereby reducing vacancies. It should also consider marketing alternatives, such as open houses and information sessions at area senior citizen centers to help attract applicants. The Authority should also review and update its waiting lists to eliminate those applicants who are no longer interested in housing.

Auditee’s Response

The Authority acknowledges the audit recommendations. We will continue to work with DHCD to obtain adequate financial resources to address the physical conditions that contribute to extended vacancy turnaround times and vacancies in our family housing. In addition, we will continue to make the public aware of the availability of units in our elderly housing properties.

c. Modernization Initiatives Partially Funded

Our prior audit noted that the Authority, on September 24, 2001, submitted formal requests to DHCD for 10 capital modernization projects for five out of the Authority's nine developments. These projects included repairs to or replacement of seriously deteriorated kitchens and baths, windows, plumbing, building/site security locks and intercoms, electrical/fire safety devices, heating/ventilating/hot water machines, and roofing. These requests were not funded by DHCD during the prior audit period.

Our follow-up review determined that three of the 10 capital modernization projects--boiler replacement at 667-2, fire alarm replacement at 667-5, and roof replacement at 689-3--have been funded by DHCD. We also noted that the Authority received modernization funding from DHCD for emergency repairs. These emergency funds were used for kitchen and bathroom repairs and mold remediation at the 200-1 development, elevator repairs at the 667-3 and 667-5 developments, roof replacement at the 667-5 development, smoke detectors at the 667-3 development, and roof repairs and a retaining wall at the 705-1 site. However, DHCD did not fund the Authority for repairs to the heating system or roofs at the 200-1 development, deteriorated kitchens and baths at the 667-2 development, windows and plumbing at the 667-3 development, and security locks and intercoms at the 667-3 and 667-5 developments.

Recommendation

The Authority should continue to appeal to DHCD to provide the necessary modernization funds to remedy the remaining issues in a timely manner

Auditee's Response

The Authority acknowledges the audit recommendation. We will continue to appeal to DHCD to provide the necessary modernization funds.

d. Status of Operating Subsidies Earned, Received, and Outstanding

Our prior audit noted that the Authority's operating subsidy accounts indicated that \$242,074 was due the Authority, contrary to the DHCD records, which indicated that \$109,799 was due the Authority. Our follow-up review determined that this discrepancy was resolved; the Authority now receives operating subsidies due to them on a timely basis, and variances are reconciled with DHCD.

Auditee's Response

The Authority acknowledges that the issue noted in the prior audit has been resolved. We appreciate the assistance of the Office of the State Auditor in identifying and resolving this matter.

e. Availability of Land to Build Affordable Housing Units

Our prior audit noted that the Authority had approximately 321,205 square feet of available land, on two separate lots, on which it could potentially build additional affordable housing units. The need for additional housing was justified, considering that as of June 30, 2005, there were over 900 applicants on the Authority's waiting list.

Our follow-up review determined that the Authority still has the two lots of available land, but does not have the development funds necessary to construct additional housing units. As of June 30, 2008, there were over 1,280 applicants on the Authority's family waiting list, which further justifies the need for additional family housing.

Recommendation

The Authority should continue to appeal to DHCD to provide the development funds needed, when they become available, to assist the Authority in constructing affordable housing units.

Auditee's Response

The Authority acknowledges the audit recommendation. We would like to note that we have a pressing need for barrier free family units (we have no barrier free, wheelchair accessible family units). We will continue to appeal to DHCD for development funds to construct additional affordable housing units, in particular barrier free family units.