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

**OFFICIAL AUDIT
REPORT
OCTOBER 10, 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 Holbrook 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 is making improvements, will be developing a written preventive maintenance plan, and will continue to seek DHCD funding to address its needs in a timely manner.

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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.

On March 2, 2006, we inspected five of the 84 state-aided housing units managed by the Authority and noted 26 instances of noncompliance with Chapter II of the State Sanitary Code, including windows not working properly, lifting and broken floor tiles, cracked and broken pavement, extensive siding and roof problems, and other health and safety hazards.

2. MODERNIZATION INITIATIVES NOT FUNDED

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In response to our questionnaires, the Authority informed us there is a need for modernizing its managed properties. Specifically, the Authority provided us with capital

modernization projects that were formally requested from DHCD in 2002 for its 667-2 and 705-1 developments, yet remain unfunded.

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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In response to our questionnaires, the Authority informed us that approximately two acres of land would be suitable for the construction of new tenant units. The Authority is awaiting a survey by Norfolk County to determine the boundaries that constitute the land available for construction. The need for additional housing at the Authority is justified, considering that there were over 108 applicants waiting for affordable housing as of the close of our audit period. 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. The Authority should apply for development funding to construct additional housing units.

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Our audit disclosed that the Authority did not incorporate DHCD's Property Maintenance Guide into its policies and procedures. Specifically, we noted that the Authority did not have an official written preventive property maintenance plan to inspect, maintain, repair, and upgrade its existing housing units. Such a plan would establish procedures to ensure that all Authority-managed properties are in decent, safe, and sanitary condition as defined by Chapter II of the State Sanitary Code. In response to our audit, the Authority indicated that it is in the process of implementing corrective measures.

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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 Holbrook 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 each LHA 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 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 LHAs' 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 the 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 LHA per DHCD records to the subsidy data recorded by the LHA.

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 period July 1, 2003 to June 30, 2005, we reviewed inspection reports for five of the 84 state-aided dwelling units managed by the Holbrook Housing Authority. In addition, on March 2, 2006, we conducted inspections of these units located at the Authority's Holbrook Court property (Elderly Housing 667-1, 667-2, and Family Housing 705-1). Our inspection noted 26 instances of noncompliance with Chapter II of the State Sanitary Code, including windows not working properly, lifting and broken floor tiles, cracked and broken pavement, extensive siding and roof problems, and other health and safety hazards. (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. Specifically, the Authority provided the following

information regarding capital modernization projects that had been formally requested from DHCD:

- Boiler Replacements: Over the past several years the Authority has experienced problems, breakdowns, and failures of its boilers in the 705-1 Family Housing Program. During that time, the Authority maintenance staff has continuously made repairs to provide heat and hot water to the tenants. Fortunately, the Authority recognized that the boilers were still under warranty, and with the help of DHCD the boilers were replaced by the manufacturer. New boilers were delivered in August 2005 and were stored in the maintenance garage because the Authority lacked funds to pay for the installation. The Authority received a financial assistance grant in the amount of \$10,000 from DHCD. After seven months of dealing with the complicated state procurement requirements, a low bid was received and a contract was awarded for the installation of all the boilers in March 2006. The installation is expected to be completed in April 2006.
- Serious Structural Deterioration of Elderly and Family Housing Buildings: Over the years, the 667-2 Elderly and 705-1 Family Housing units that were built and occupied in 1983 have developed serious structural damage. The exterior damage to the buildings appears to have been caused by water infiltration, especially in the areas of the window casings, shingles, plywood sheathing below the windows, and corner boards. The rot has gone through into the apartments. These buildings have also become infested with termites and carpenter ants, which have caused considerable damage and cost for treatment and extermination. The maintenance department has been repairing the buildings, and the Authority has been spending money to control the infestation.

DHCD and Authority officials and the local building inspector have indicated that extensive renovation and repair work needs to be done to ensure the buildings' compliance with Chapter II of the State Sanitary Code and to provide safe, decent, and sanitary housing for the Authority's tenants. The Authority, DHCD officials, and the outside architectural firm contracted for the modernization needs are all in agreement that the buildings need immediate attention and that the current cost to remediate the problems would be approximately \$500,000.

Unfortunately, since the Authority's original requests for funding from DHCD, the proposed financial estimate of state assistance has increased from \$109,000 in October 2005 to \$133,000 in December 2005 and to \$194,000 in January 2006. This amount includes approximately \$45,000 for architectural fees. The Authority has requested permission from DHCD to utilize prior-year subsidies and all but 20% of its reserves for approximately \$98,000, which would still leave a shortfall of approximately \$208,000, to address the repair of these buildings.

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 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 inventory of capital needs and to make recommendations regarding the level of funding and the administrative and statutory changes necessary to give LHAs 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 units would be much more expensive in both fiscal and human terms."

Recommendation

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

3. AVAILABILITY OF LAND TO BUILD AFFORDABLE HOUSING UNITS

In response to our questionnaires, the Authority informed us that it owns approximately two acres of land on which it could potentially build affordable housing units. The Authority is awaiting a survey by Norfolk County to determine the boundaries that constitute the land available for construction of new units. The need for additional housing is justified, considering that there were 108 applicants waiting for affordable housing as of the close of our audit period. The cost to build additional housing on Authority property would be considerably less, since it already owns the land and there would be no acquisition costs.

Without affordable housing, substantial costs may be incurred by the Commonwealth's social service programs and assistance organizations where displaced individuals turn for help. The lack of safe, decent, and 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, whose fixed incomes and special needs limit their housing options.

Recommendation

The Authority should apply to DHCD for the development funds needed to construct sufficient additional housing units to meet the current demand.

4. OFFICIAL WRITTEN PROPERTY MAINTENANCE NOT ESTABLISHED

During our audit, we found that the Authority did not incorporate DHCD's Property Maintenance Guide into its policies and procedures. Specifically, we noted that the Authority did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units.

DHCD's Property Maintenance Guide states, in part:

The goal of good property maintenance at a public housing authority is to serve the residents by assuring that the homes in which they live are decent, safe and sanitary . . . every housing authority must have a preventive plan which deals with all the elements of its physical property and is strictly followed. . . . The basic foundation for your (LHA) maintenance program is your inspection effort . . . the basic goals of an inspection program are to improve the effectiveness and efficiency of your maintenance effort. This will be achieved when you (LHA) have a thorough program of inspections when you observe all parts of the (LHA's) physical property, document the results of the inspections thoroughly, and convert the findings into work orders so that the work effort can be scheduled and organized. Inspections are the systematic observation of conditions and provide the foundation for capital improvements and long range planning, as well as a record of present maintenance needs.

A preventive maintenance program would also:

- Assist in capital improvement planning by assessing the current and future modernization needs of the Authority,
- Enable the Authority to establish procedures to assist its day-to-day operating activities to correct minor maintenance problems, and
- Schedule major repairs with the assistance of DHCD.

We recognize that a plan without adequate funds and resources is difficult, if not impossible, to implement. Nevertheless, without an official written preventive maintenance program in place, the Authority cannot ensure that its managed properties are in safe, decent, and sanitary condition in accordance with the State Sanitary Code.

Recommendation

The Authority should comply with DHCD's Property Maintenance Guide by establishing an official written preventive maintenance plan, and DHCD in turn should obtain and provide the necessary funds and resources to ensure that this plan is enacted.

Auditee's Response

In its response, the Authority indicated that it is making improvements, will be developing a written preventive maintenance plan, and will continue to seek DHCD funding to address its needs in a timely manner.

SUPPLEMENTARY INFORMATION***Holbrook 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	64	1971
667-2	10	1983
705-1	<u>10</u>	1983
Total	<u>84</u>	

APPENDIX I

State Sanitary Code Noncompliance Noted

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
667-1 Development – 6B Holbrook Court	Bathroom – Tiles and top sub-floor are lifting. (This building has two sub-floors under floor covering.)	105 CMR 410.504
	Doors – Front and rear entry doors need replacement	105 CMR 410.500
	Living Room – Windows do not work properly, ballast springs have lost their tension	105 CMR 410.500
	Common area – Front door passageway blocked by tenant property stored in front hallway	105 CMR 410.451
Outside Area	Asphalt surfaces breaking up, caused by frost heaves and tree roots	100 CMR 410.750
All Units	Bathrooms – No electrical outlets	105 CMR 410.252
667-2 Development – 34 Holbrook Court	Living Room – Windows do not work properly, ballast springs have lost their tension	105 CMR 410.500
	Kitchen – Upper and lower cabinets have structural damage	105 CMR 410.100
All units	Windows have severe drafts due to broken insulation seals, need replacement	105 CMR 410.501
Building exterior	Rotting siding and window trim, wood shingles splitting and curling	105 CMR 410.500
	Corner of building is rotting	105 CMR 410.500
	Group of shingles missing	105 CMR 410.500
	Roof – curling and missing shingles	105 CMR 410.500
Sidewalks	Patched and uneven	105 CMR 410.750
Sidewalks	Patched and uneven	100 CMR 410.750
705-Development – 21 Holbrook Court	Kitchen – Sub-floor sags, which breaks the floor tiles	105 CMR 410.504
	Kitchen ceiling – Water damage caused by leak in bathroom plumbing located above	105 CMR 410.500
25 Holbrook Court	Living Room – Rehab contractor left residue on sub-floor, sub-floor settling, tiles cracking and breaking	105 CMR 410.504

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
	Bedrooms #1,2,3 Rehabilitation contractor left residue on sub-floor, floor tiles lifting and cracking	105 CMR 410.504
	Kitchen – Cabinets in poor condition – need replacement	105 CMR 410.100
27 Holbrook Court	Bedroom #2 – Original floor tile lifting	105 CMR 410.500
All units	Kitchen cabinets in disrepair	105 CMR 410.100
	Windows have severe drafts due to broken insulation seals, need replacement	105 CMR 410.501
Building exterior	Sections of rotted hand railings and steps	105 CMR 410.503
	Rotting siding and window trim, wood shingles splitting and curling	105 CMR 410.500
Outside area	Asphalt is broken, has frost heaves and uneven surfaces	105 CMR 410.750

APPENDIX II

Photographs of Conditions Found

667-2 Elderly Housing Development, 34 Holbrook Court

Roof – Curling and Missing Shingles



667-2 Elderly Housing Development, 34 Holbrook Court

Building Exterior – Group of Shingles Missing



667-2 Elderly Housing Development, 34 Holbrook Court
Building Exterior – Corner of Building is Rotting



667-2 Elderly Housing Development, 34 Holbrook Court
Building Exterior – Rotting Siding and Window Trim, Wood Shingles Splitting and Curling



705-1 Family Housing Development, 21 Holbrook Court
Kitchen – Sub-Floor Sags, which Breaks the Floor Tiles



705-1 Family Housing Development, 25 Holbrook Court
Living Room – Rehab Contractor Left Residue on Sub-Floor, Sub Floor Settling, Tiles Cracking and Breaking



705-1 Family Housing Development, 27 Holbrook Court
Building Exterior – Rotting Siding and Window Trim, Wood Shingles Splitting and Curling



705-1 Family Housing Development, 27 Holbrook Court
Bathroom – Window Seal is Broken and Condensation Appears between Window Panes

