



The Commonwealth of Massachusetts

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

**OFFICIAL AUDIT
REPORT
MAY 3, 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 Leicester 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 the 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.

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.

During fiscal year 2006, we inspected three of the 124 state-aided housing units managed by the Authority and found them to be in safe, decent, and sanitary condition as set forth in Chapter II of the State Sanitary Code. However, we noted one instance of noncompliance with Chapter II of the State Sanitary Code in that a portion of a building exterior needed painting.

2. MODERNIZATION INITIATIVES NOT FUNDED

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In response to our questionnaires, the Authority indicated that in October 2003 it requested modernization funds from DHCD to correct a mold/renovation/ventilation problem at its elderly housing development, and that in January 2005, DHCD denied the funding for this project. Consequently, the Authority addressed the situation with its own funds in order to meet the 21-day turnaround time for vacated units required by

DHCD. The Authority also informed us that it had to pay for several other modernization projects out of its operating revenues. The Authority should seek reimbursement from DHCD for these capital improvement projects.

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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 Leicester 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.

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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, and 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 individual 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 LHA's 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 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 LHA, 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 LHA’s 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 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 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 LHA had uninhabitable units, the length of time the units were in this state of disrepair, and the actions taken by the LHA 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.

During fiscal year 2006 (November 3, 2005), we inspected three of the 124 state-aided dwelling units at the Leicester Housing Authority, (Elderly Housing 667-1 and 667-2 Elderly Housing) and found them to be in safe, decent, and sanitary condition, as set forth in Chapter II of the State Sanitary Code. However, our inspection noted one instance of noncompliance with Chapter II of the State Sanitary Code, in that a portion of a building exterior needed painting. (Appendix I of our report lists the State Sanitary Code violation noted.)

Recommendation

The Authority should apply for funding from DHCD to address the issue noted during our inspections of the exterior (buildings) of the Authority, as well as any 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 continue to provide safe, decent, and sanitary housing for its tenants.

2. MODERNIZATION INITIATIVES NOT FUNDED

In response to our questionnaires, the Authority informed us that in October 2003, it requested modernization funds from DHCD to correct a mold/renovation/ventilation problem at its elderly housing development, and that in January 2005, DHCD denied the funding for this project. Consequently, the Authority addressed the situation with its own funds in order to meet the 21-day turnaround time for vacated units required by DHCD. The Authority further indicated that modernization funding is needed from DHCD for resurfacing and drainage issues at the Authority. We also noted that the Authority took the initiative to address elevator and sewer repair problems and paid for the services out of its own funds.

<u>Item</u>	<u>Cost</u>
New Elevator	\$403,434
Replacement Boilers	\$72,400
Electric Lock Replacement	\$24,143
Failed Septic and Connect to Town Sewer	\$39,000

Moreover, the Authority indicated that in the near future two additional major improvement projects will need funding from DHCD, as follows:

<u>Item</u>	<u>Cost</u>
Paving/Resurfacing	\$125,000
Draining System	\$100,000

Deferring or denying the Authority's modernization needs may result in further deteriorating conditions that could render the units and buildings uninhabitable. 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 of the Authority 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 seek reimbursement from DHCD to increase its operating reserve for future emergency situations, and should apply for funding from DHCD to address the above-identified issues.

Auditee's Response

In response to our report, the Authority indicated that it concurred with the report's portrayal of the Authority's conditions.

SUPPLEMENTARY INFORMATION

1. Leicester 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>
667-1	40	1964
667-2	40	1970
667-3	<u>44</u>	1975
Total	<u>124</u>	

2. Availability of Land to Build Affordable Housing Units

The Authority does not have any additional land available to build affordable state-aided housing units.

3. Operating Subsidies Owed the Authority

The Authority was not subsidized and was not owed any operating subsidy funding.

APPENDIX

State Sanitary Code Noncompliance Noted

Sunset Gardens

667-2 Elderly Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
1073 Main Street	A portion of building exterior needs painting	105 CMR 410.500