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

**OFFICIAL AUDIT
REPORT
FEBRUARY 12, 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 Ludlow 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. On November 7 and 8, 2005, we inspected 10 of the 166 state-aided housing units managed by the Authority and noted 24 instances of noncompliance with Chapter II of the State Sanitary Code, including peeling paint, a leaky roof, exposed asbestos, poor sidewalks, poorly insulated windows that cannot be locked, cracks and holes in ceilings and walls, and evidence of black mold.

2. MODERNIZATION INITIATIVES NOT FUNDED

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In response to our questionnaires, the Authority informed us that there is a need for modernizing its managed properties. Specifically, the Authority applied for state funding for capital modernization projects from DHCD for its state-aided properties that 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 could 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 Ludlow 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 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 in place*

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 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 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. Our review noted that the Ludlow Housing Authority does conduct annual dwelling site inspections in accordance with DHCD guidelines.

On November 7 and 8, 2005, we conducted inspections of 10 of 166 state-aided dwelling units managed by the Authority, which were located at Meadow Hampden Street (Elderly Housing 667-1), Wilson Street (Elderly Housing 667-2), and Chestnut Street (Elderly Housing 667-3). Our inspection noted 24 instances of noncompliance with Chapter II of the State Sanitary Code, including peeling paint, a leaky roof, exposed asbestos, sidewalks in poor condition, poorly insulated windows that cannot be locked, cracks and holes in ceilings and walls, and evidence of black mold. (Appendix I of our report summarizes the specific State Sanitary Code violations noted, and Appendix II includes photographs documenting the conditions found.) After the conclusion of our fieldwork, the Executive Director informed us that the leaky roof at the 667-3 Development was repaired.

The Authority indicated that it does not receive a subsidy from DHCD, and that because rentals received from its tenants were not been sufficient to meet its 2004 budget request, it had to charge its operating reserves to meet current expenses. During the last two years the Authority expended \$40,000 from its operating reserves to upgrade the fire alarm system at the 667-3 development. The Authority also noted that its maintenance supervisor position and a full-time maintenance position have not been funded, and remain vacant.

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 develop procedures to ensure that all of its housing units are inspected annually as required by DHCD. Further, 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. It should also seek reimbursement of \$40,000 from DHCD to replenish its operating reserve, and request that DHCD fund the vacant positions to reduce the possibility of greater maintenance costs in the future.

Auditee's Response

In response to this audit result, the Authority provided the following comments:

The Ludlow Housing Authority [LHA] has requested financial assistance through the DHCD Emergency Committee for subsidy payments for several emergency projects needing immediate attention; however, DHCD denies assistance stating that the LHA could draw down the Operating Reserves to twenty percent (20%). This leaves the LHA at a very dangerous financial disadvantage. The LHA is currently near its twenty percent Operating Reserve level. Should the LHA continue to draw from its Operating Reserve with no appropriate increase to the non-utility line items within its budget, the LHA will be forced to apply for a revolving line of credit through a local bank to make needed repairs or replacement of equipment. The LHA has submitted an FY2007 Budget for approval. DHCD has granted a seven percent increase to the non-utility portion of the budget, however, even with this increase, the LHA continues to be under funded—due to the lack of funding for the past four years. The LHA is in need of on-going modernization money to ensure the health and safety of its elderly/disabled and family tenants. . . .

The Ludlow Housing Authority has been forced to use its Operating Reserves to meet current expenses due to deteriorating equipment, i.e., boilers, hot water heaters, roof repairs. An expense of \$33,000 for transformer replacements at the Ludlow Housing Authority State Street Development was to be reimbursed by DHCD, however, once the work was completed, DHCD denied the LHA payment stating that our Operating Reserves could be forced down to 20%; consequently, the LHA would not be eligible for the \$33,000 reimbursement.

2. MODERNIZATION INITIATIVES NOT FUNDED

In response to our questionnaires, the Authority informed us that there is a need for modernizing its managed properties, and that it is concerned with the status of its request for funding for replacement kitchens and windows at its 667-1 Development, as follows:

There are two outstanding CARs [Condition Assessment Reports] (since 2002) that include funding for the planning stage only for replacement kitchens and windows at our State Street project. I am most concerned about the windows at the 667-1 site. Not

only do our elderly tenants remain cold throughout the winter, but most of these windows no longer have locking capability due to the age of the windows.

The Authority received the following response from DHCD:

I just wanted to tell you that the Authority was in fact awarded a planning (design) grant of \$11k, as part of the '02 CAR AWARDS for this work. However, this money will only get you a design. Construction funding for the project would have to come from the next bond bill, which is not anticipated to occur until after the current bond bills runs out in three more years. So unless the windows fail miserably, like practically fall out from rotted sills from water infiltration etc., the work will not get done anytime soon. So in other words, if the windows are functionally performing, that is keeping water out and the tenants can open them, albeit w/difficulty, there is no money to replace them at this time.

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 Authority's 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 Massachusetts local 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, "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 for the modernization funds needed to remedy these issues in a timely manner.

Auditee's Response

In response to this issue, the Authority provided the following comments on its managed properties:

52 Meadow Street
667-1 Development

The "State Street Development" is a triangle type development that sits on Meadow, State and Hampden Streets built in 1961. This development is in dire need of repair. The Community Room ceiling/roof leak was the result of a deteriorating chimney within the building. Due to the serious nature of this problem (bricks and debris falling from the chimney onto the sidewalk below where elderly/disabled tenants walk daily), the LHA applied and received funding through the Emergency Committee (Project #161022) to replace the chimney/roof at a cost of \$27,652.00.

In 2002, the Ludlow Housing Authority was awarded a planning grant of \$11,625 for building envelope work which included windows at the State Street Development. On September 19, 2006, the Ludlow Housing Authority through the Massachusetts Department of Housing and Community Development put out an RFS, Request for Architectural Services for a qualified Designer (M.G.L. Chapter 7, Section 38A1/2), to provide professional design and investigative services for window wall replacement at five buildings in the State Street Development. It is the hope of the Ludlow Housing Authority that once the design and investigative services are completed, the Massachusetts Department of Housing and Community Development will continue its funding for this very important project.

39 Chestnut Street
Elderly/Handicapped 667-3 Development

The Ludlow Housing Authority has repaired the cracks and holes with a new cement ramp from the front entrance to the sidewalk, has replaced the roof with a new roof above the elevator shaft, and has replaced the front entrance window.

7 Maple Street
Family Scattered Site 705-1 Development

Various repairs which are required . . . cannot be made at this time due to the cost of repairs. The estimated cost to repair this home for occupancy is \$46,000. The Ludlow Housing Authority has applied to DHCD for Emergency Funding as it has a waiting list of eligible applicants for the four-bedroom home, however, DHCD has denied the request stating that the repairs would need to be placed on the "back burner" at this time due to funding availability.

38 Benton Street
Family Scattered Site 705-1 Development

At the time of yearly inspection by the Ludlow Housing Authority, the problems noted by the Auditors did not exist. Based on the Auditor's findings, all screens damaged by

tenant have been repaired and/or replaced; smoke detector installed by LHA. Tenant given written warning on removal of fire apparatus.

The bathroom floor removed and replaced. Wall from upstairs bathroom to basement area removed and replaced; wet insulation removed and replaced, mold remediation completed at a cost of \$6,500.

Auditor's Reply

We commend the actions taken by the LHA in response to our concerns regarding its managed properties. However, since any corrective measures taken by the Authority originated after the completion of our audit fieldwork, we cannot express an opinion on their adequacy, and will review any and all corrective actions taken during our next scheduled audit.

SUPPLEMENTARY INFORMATION

1. Ludlow 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	1961
667-2	48	1973
667-3	34	1916
667-4	28	1989
705-1	<u>16</u>	Various
Total	<u>166</u>	

2. Availability of Land to Build Affordable Housing Units

During our audit, we found that the Authority owns three vacant lots on which additional housing units could be built. The Executive Director indicated that parcels 1 and 2 could be used for the construction of family housing.

- Parcel 1 is located at Benton and Butler Streets and is approximately half an acre.
- Parcel 2 is located at Clarence and Summer Streets and is approximately 35,625 sq. feet.
- Parcel 3 is located at Grandview and Willard Avenue and is approximately three acres.

3. Operating Subsidies

As of June 30, 2005, the Authority was not subsidized and was not owed any operating subsidy funding. However, as noted earlier in this report, the Authority may want to consider applying for subsidy payments, so that it would not have to charge its operating reserve to meet current expenses.

APPENDIX I

State Sanitary Code Noncompliance Noted

Elderly/Handicapped **667-1 Development**

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
52 Meadow Street Common Area	Paint peeling on porch overhangs	105 CMR 410.500
	Community Room – Room, bathrooms, and kitchen – major water damage on ceilings due to roof leaking	105 CMR 410.500
	Walkway cracked and in need of repair	105 CMR 410.500
52 Meadow Street, Apartment #3	Windows do not lock and have a poor window seal	105 CMR 410.501
	Ceilings show evidence of water condensation and there is evidence of prior patching	105 CMR 410.500

Elderly/Handicapped **667-2 Development**

103A Wilson Street Common Area	Main doorways hard to open	105 CMR 410.500
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Elderly/Handicapped **667-3 Development**

39 Chestnut Street Common Area	Roof leaks from elevator shaft. Roof needs to be pitched	105 CMR 410.500
	Front entrance vapor seal broken on window	105 CMR 410.500
	Front sidewalks have cracks/holes	105 CMR 410.750
Unit 201	Kitchen – water stains on ceiling and floor, evidence of water leak from roof where elevator has pulled down roof	105 CMR 410.500

Family Scattered Site
705-1 Development

7 Maple Street	Carpets are scattered and not tacked down, creating a tripping hazard	105 CMR 410.500
	Living room – hole in ceiling	105 CMR 410.500
	Wall has black mold	105 CMR 410.500
	Electrical service in need of upgrade in unit due to old wiring inside walls	105 CMR 410.500
	Kitchen - refrigerator has black mold and is in disrepair	105 CMR 410.100
	Kitchen cabinets very old, dirty, and in need of repair	105 CMR 410.500
	Stairs to front porch have no railings, concrete step is worn and in need of repair	105 CMR 410.500
	Building foundation is cracked and crumbling	105 CMR 410.750
	Basement - Old unused oil tank in basement	105 CMR 410.500
	Pipes are covered with exposed asbestos	105 CMR 410.353
	Bathroom - ceiling has black mold and has peeling paint	105 CMR 410.500
38 Benton Street	All screens in unit are either missing or torn	105 CMR 410.501
	Hallway - tenant removed smoke detector	105 CMR 410.482
	Bathroom – water damage near tub due to leak from exterior wall	105 CMR 410.500

APPENDIX II

Photographs of Conditions Found

Elderly/Handicapped 667-1 Development, 52 Meadow Street
Common Area, Porches – Paint Peeling on Overhangs



Elderly/Handicapped 667-1 Development, 52 Meadow Street
Common Area-Water Damage on Ceiling and Walls



Elderly/Handicapped 667-1 Development, 52 Meadow Street
Common Area, Walkway – Cracked and in Need of Repair



Family Scattered Site 705-1 Development, 7 Maple Street,
Building Foundation – Cracked and Crumbling



Family Scattered Site 705-1 Development, 7 Maple Street,
Basement – Wall Has Black Mold



Family Scattered Site 705-1 Development, 7 Maple Street
Old Unused Oil Tank Stored in Basement



Family Scattered Site 705-1 Development, 7 Maple Street,
Basement – Pipe Covered with Exposed Asbestos



Family Scattered Site 705-1 Development, 7 Maple Street,
Bathroom Ceiling Has Black Mold

