



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

**OFFICIAL AUDIT
REPORT
JULY 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 Scituate Housing Authority was one of the LHAs selected to be reviewed for the period July 1, 2003 to June 30, 2005. A complete list of the LHAs visited and surveyed is provided in our statewide report No. 2005-5119-3A. Our on-site visits were conducted to follow up on survey data we obtained in order to: observe and evaluate the physical condition of the state-regulated LHAs, review policies and procedures over unit site inspections, determine whether LHA-managed properties were maintained in accordance with public health and safety standards, and review the state modernization funds awarded to determine whether such funds have been received and expended for their intended purpose. In addition, we reviewed the adequacy of the level of funding provided to each LHA for annual operating costs to maintain the exterior and interior of the buildings and housing units, as well as capital renovation infrastructure costs to maximize the public housing stock across the state, and determined whether land already owned by the LHAs could be utilized to build additional affordable housing units. We also determined the number of vacant units, vacancy turnaround time, and whether any units have been taken off line and are no longer available for occupancy by qualifying families or individuals in need of housing.

In its response, the Authority indicated that it agreed with the issues contained in our report.

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 January 10 and 11, 2006, we inspected five of the 158 state-aided housing units managed by the Authority and noted 12 instances of noncompliance with Chapter II of the State Sanitary Code, including cracked sidewalks, peeling paint, loose baseboard molding in the bathroom, floors in disrepair, crumbling ceiling plaster, and missing window frame grout.

2. AVAILABILITY OF LAND TO BUILD AFFORDABLE HOUSING UNITS

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During our audit, we found that the Authority had seven acres of land on which to build affordable housing located off Driftway Road near the Greenbush train depot. This land is earmarked for development of a building that will include approximately 30 one-

bedroom units. The need for additional housing is justified, considering that there are over 500 applicants on the Authority's waiting list.

3. MODERNIZATION INITIATIVES NOT FUNDED 6

In response to our questionnaires, the Authority indicated that DHCD has not allowed the Authority to submit a Condition Assessment Report because the Authority had a high reserve level with which to fund its own modernization initiatives. Therefore, it had to expend \$281,655 from its capital reserve to fund capital improvements. The Authority also informed us that there is a need for additional funds to address several other improvements at its Elderly developments.

4. OFFICIAL WRITTEN PROPERTY MAINTENANCE PLAN NOT ESTABLISHED 8

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 preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units. Such a plan would establish procedures to ensure that Authority-managed properties are in safe, decent, and sanitary condition as defined by Chapter II of the State Sanitary Code.

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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 Scituate Housing Authority was one of the LHAs selected to be reviewed for the period July 1, 2003 to June 30, 2005. A complete list of the LHAs visited and surveyed is provided in our statewide report No. 2005-5119-3A.

Our on-site visits were conducted to follow up on survey data we obtained in order to: observe and evaluate the physical condition of the state-regulated LHAs, review policies and procedures over unit site inspections, determine whether LHA-managed properties are maintained in accordance with public health and safety standards, and review the state modernization funds awarded to determine whether such funds have been received and expended for their intended purpose. In addition, we reviewed the adequacy of the level of funding provided to LHAs for annual operating costs to maintain the exterior and interior of the buildings and housing units, as well as the capital renovation infrastructure costs to maximize the public housing stock across the state, and determined whether land already owned by the LHAs could be utilized to build additional affordable housing units. We also determined the number of vacant units, vacancy turnaround time, and whether any units have been taken off line and are no longer available for occupancy by qualifying families or individuals in need of housing.

Audit Scope, Objectives, and Methodology

The scope of our audit included an evaluation of management controls over dwelling unit inspections, modernization funds, and maintenance plans. Our review of management controls included those of both the LHAs and DHCD. Our audit scope included an evaluation of the physical condition of the properties managed; the effect, if any, that a lack of reserves, operating and modernization funds, and maintenance and repair plans has on the physical condition of the LHAs'

state-aided housing units/projects; and the resulting effect on the LHAs' waiting lists, operating subsidies, and vacant units.

Our audit was conducted in accordance with applicable generally accepted government auditing standards for performance audits and, accordingly, included such audits tests and procedures as we considered necessary.

Our primary objective was to determine whether housing units were maintained in proper condition and in accordance with public health and safety standards (e.g., the State Sanitary Code, state and local building codes, fire codes, Board of Health regulations), and whether adequate controls were in place and in effect over site-inspection procedures and records. Our objective was to determine whether the inspections conducted were complete, accurate, up-to-date, and in compliance with applicable laws, rules, and regulations. Further, we sought to determine whether management and DHCD were conducting follow-up actions based on the results of site inspections.

Second, we sought to determine whether the LHAs were owed prior-year operating subsidies from DHCD, and whether the untimely receipt of operating subsidies from DHCD may have resulted in housing units not being maintained in proper condition.

Third, in instances where the physical interior/exterior of LHA-managed properties were found to be in a state of disrepair or deteriorating condition, we sought to determine whether an insufficient allocation of operating or modernization funds from DHCD contributed to the present conditions noted and the resulting effect, if any, on the LHAs' waiting lists and vacant unit reoccupancy.

To conduct our audit, we first reviewed DHCD's policies and procedures to modernize state-aided LHAs, DHCD subsidy formulas, DHCD inspection standards and guidelines, and LHA responsibilities regarding vacant units.

Second, we sent questionnaires to each LHA in the Commonwealth requesting information on the:

- *Physical condition of its managed units/projects*
- *State program units in management*
- *Off-line units*
- *Waiting lists of applicants*

- *Listing of modernization projects that have been formally requested from DHCD within the last five years, for which funding was denied*
- *Amount of funds disbursed, if any, to house tenants in hotels/motels*
- *Availability of land to build affordable units*
- *Written plans in place to maintain, repair, and upgrade its existing units*
- *Frequency of conducting inspections of its units/projects*
- *Balances, if any, of subsidies owed to the LHA by DHCD*
- *Condition Assessment Reports (CARs) submitted to DHCD*
- *LHA concerns, if any, pertaining to DHCD's current modernization process*

The information provided by the LHAs was reviewed and evaluated to assist in the selection of LHAs to be visited as part of our statewide review.

Third, we reviewed the report entitled “Protecting the Commonwealth’s Investment – Securing the Future of State-Aided Public Housing.” The report, funded through the Harvard Housing Innovations Program by the Office of Government, Community and Public Affairs, in partnership with the Citizens Housing and Planning Association, assessed the Commonwealth’s portfolio of public housing, documented the state’s inventory capital needs, proposed strategies to aid in its preservation, and made recommendations regarding the level of funding and the administrative and statutory changes necessary to preserve state public housing.

Fourth, we attended the Joint Legislative Committee on Housing’s public hearings on March 7, 2005 and February 27, 2006 on the “State of State Public Housing;” interviewed officials from the LHAs, 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 citations had been issued, and if so, the LHAs' 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 Authority 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 fiscal year ended June 30, 2005, we reviewed inspection reports for five of the 158 state-aided dwelling units at the Scituate Housing Authority. In addition, on January 10 and 11, 2006, we inspected the units located at the Authority's Lincoln Park (Elderly Housing 667-1), Wheeler Park I (Elderly Housing 667-2), and Wheeler Park II (Elderly Housing 667-3). Our inspection noted 12 instances of noncompliance with Chapter II of the State Sanitary Code, including cracked sidewalks, peeling paint, loose baseboard molding in the bathroom, floors in disrepair, missing window frame grout, and crumbling ceiling plaster. (Appendix I of our report summarizes the State Sanitary Code noncompliance noted, and Appendix II includes photographs documenting the conditions found.)

The Authority also informed us that the bathroom and kitchen in its 667-1 Elderly development may need to be replaced within the next five years.

The photographs presented in Appendix II illustrate the pressing need to address the conditions noted, since postponing the necessary improvements would require greater costs at a future date, and may result in the properties not conforming to minimum standards for safe, decent, and sanitary housing.

Recommendation

The Authority should apply for funding from DHCD to address the issues noted during our inspections of the interior (dwelling units) and exterior (buildings) of the Authority, as well as other issues that need to be addressed. Moreover, DHCD should obtain and provide sufficient funds to the Authority in a timely manner so that it may provide safe, decent, and sanitary housing for its tenants.

2. AVAILABILITY OF LAND TO BUILD AFFORDABLE HOUSING UNITS

During our audit, we found that the Authority had seven acres of land on which to build affordable housing located off Driftway Road near the Greenbush train depot. This land is earmarked for the development of a building that will include approximately 30 one-bedroom units. The need for additional housing at the Authority is justified, given that there are over 500 applicants on the Authority's waiting list for affordable housing.

Without affordable housing, substantial costs may be incurred by the Commonwealth's social service programs and assistance organizations, where displaced individuals turn for help. A lack of decent, affordable housing may result in families living in substandard housing, living in temporary shelters or motels, or becoming homeless. The need for affordable housing is especially critical for the elderly, 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 affordable housing units to meet the current demand.

3. MODERNIZATION INITIATIVES NOT FUNDED

From the period July 1, 2003 to June 30, 2005, the Authority expended \$281,655 from its capital reserve to fund its modernization projects. DHCD has not allowed the Authority to submit a Condition Assessment Report because the Authority had high reserve levels. However, the reserves are being depleted and the Authority is concerned "that it will not have adequate reserves to continue funding extraordinary maintenance repairs." The Authority indicated that, as of January 2007, their reserve balances were below DHCD's recommended minimum reserve levels.

The Authority has identified the following additional modernization needs:

Lincoln Park (667-1), Built 1960

- (a) Heat zone valves replacement and new circulating pumps.
- (b) Kitchens and baths (45 years old, original plumbing).
- (c) Storm door replacement.

Wheeler Park I (667-2), Built 1966

- (a) Three original water heaters need replacement.

- (b) Original chimneys need improvements.
- (c) Storm door replacement.
- (d) Window replacement.

Note: Painting was completed on exterior of building on Wheeler Park I.

Wheeler Park II (667-3), Built 1975

- (a) Leaky roof resulting in electrical damage to alarm system.
- (b) Storm door replacement.
- (c) Interior hallways need painting (common areas).
- (d) Replacement of exterior trim on buildings.
- (e) Community room renovation of kitchen and bath.
- (f) Window replacement.

Deferring or denying the Authority necessary modernization funding 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, additional emergency situations may occur, and the Authority's ability to provide safe, decent, and sanitary housing for its elderly tenants could be seriously compromised. Lastly, deferring the modernization needs of the Authority into future years will only 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, "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 apply to DHCD for necessary modernization funding to address the Authority's pressing needs and DHCD should provide the funding in a timely manner so that the Authority's reserves will not be depleted. Also, the Authority should apply to DHCD for reimbursement of the \$281,655 paid from its capital reserve funds for modernization needs.

4. OFFICIAL WRITTEN PROPERTY MAINTENANCE PLAN NOT ESTABLISHED

During our audit, we found that the Authority did not incorporate DHCD's Property Maintenance Guide into its own policies and procedures. Specifically, we noted that the Authority did not have an official 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 property 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 should provide the necessary funds and resources to ensure that this plan is enacted.

Auditee's Response

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

SUPPLEMENTARY INFORMATION***Scituate 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 | 1960 |
| 667-2 | 40 | 1966 |
| 667-3 | <u>78</u> | 1975 |
| Total | <u>158</u> | |

APPENDIX I

State Sanitary Code Noncompliance Noted

667-1 Elderly Housing Development Lincoln Park

| <u>Location</u> | <u>Noncompliance</u> | <u>Regulation</u> |
|-------------------------|---------------------------------------|-------------------|
| Apt. #2 | Living room – cracked ceiling | 105 CMR 410.500 |
| | Living room – paint peeling | 105 CMR 410.500 |
| Apt. #23 | Bathroom – missing window frame grout | 105 CMR 410.500 |
| Community Room Building | Building exterior – cracked sidewalk | 105 CMR 410.750 |

667-2 Elderly Housing Development Wheeler Park I

| | | |
|-------------|------------------------------------|-----------------|
| Apt. #4 | Living room – floor tiles lifting | 105 CMR 410.504 |
| | Bathroom – paint peeling | 105 CMR 410.500 |
| | Bathroom - loose baseboard molding | 105 CMR 410.500 |
| Development | Cracked sidewalks | 105 CMR 410.750 |
| | Window trims – paint peeling | 105 CMR 410.500 |
| | Foyers – paint peeling | 105 CMR 410.500 |

667-3 Elderly Housing Development Wheeler Park II

| | | |
|----------------|--|-----------------|
| Apt. #50 | Kitchen area – crumbling ceiling plaster | 105 CMR 410.500 |
| Community Room | Floor tiles lifting | 105 CMR 410.504 |

APPENDIX II

Photographs of Conditions Found

Elderly Housing 667-2 Development, Wheeler Park I

Window Trims – Paint Peeling



Elderly Housing 667-2 Development, Wheeler Park I

Window Trims – Paint Peeling



Elderly Housing 667-2 Development, Wheeler Park I
Foyer - Paint Peeling



Elderly Housing 667-2 Development, Wheeler Park I
Foyers - Paint Peeling

