



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819
BOSTON, MASSACHUSETTS 02108

A. JOSEPH DeNUCCI
AUDITOR

TEL. (617) 727-6200

NO. 2006-0788-3A

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

**OFFICIAL AUDIT
REPORT
JUNE 13, 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 Stoneham 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.

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 14 of the 281 state-aided housing units managed by the Authority and noted 26 instances of noncompliance with Chapter II of the State Sanitary Code, including mold on walls and ceilings, cracked walls, peeling paint, and falling ceilings.

2. REQUIRED UNIT INSPECTIONS NOT CONDUCTED ANNUALLY

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The Authority did not conduct annual dwelling unit inspections as required by DHCD's Property Maintenance Guide, Chapter 3(F). We inspected 14 units from the Authority's active housing stock, which totaled 281 dwelling units, and found that inspection reports were done for only seven of the 14 units during fiscal year 2005. To ensure that its dwelling units are in safe, decent, and sanitary condition, the Authority should comply with DHCD's Property Maintenance Guide by conducting annual inspections.

3. VACANT UNITS NOT REOCCUPIED WITHIN DHCD GUIDELINES **6**

DHCD's Property Maintenance Guide indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. However, our review found that during the period July 1, 2003 to June 30, 2005, the Authority's average turnaround time for reoccupying vacant units was 97 days. Moreover, we found that there were over 30 vacant family and elderly housing units and more than 300 applicants on the Authority's waiting list at that time.

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In response to our questionnaires, the Authority indicated that it had submitted Condition Assessment Reports to DHCD for boiler replacement at its 200-1 and 200-2 Family Developments and for rewiring at its 667-1 Elderly Development. Neither of these requests were funded by DHCD, thereby creating potential emergency situations and impacting the Authority's ability to provide safe, decent, and sanitary housing for its tenants.

5. FUNDS BORROWED FOR MODERNIZATION NEEDS **8**

The Authority indicated that it borrowed \$792,092 from CitiCapital to fund a DHCD-approved Energy Performance Contract in 2001 for its 667-1 Elderly Development. The Authority should seek reimbursement from DHCD for these capital improvement costs.

In its response, the Authority indicated that it agreed with the issues contained in our report. In addition, the Authority stated that it will continue to do its best to obtain adequate funding from DHCD.

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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 Stoneham 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 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’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 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 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 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 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

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 14 of the 281 state-aided dwelling units managed by the Stoneham Housing Authority, including units located at Washington Avenue, Calthea Street, Duncklee Avenue, Washington Avenue, and Parker Chase Road. Our inspections identified 26 instances of noncompliance with Chapter II of the State Sanitary Code, including cracked ceilings, peeling paint on walls and ceilings, and other health and safety violations. (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 result in increased 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, 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. REQUIRED UNIT INSPECTIONS NOT CONDUCTED ANNUALLY

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 the audit period, we inspected 14 units from the Stoneham Housing Authority's active housing stock, which totaled 281 dwelling units, and found that, although

inspection reports were done for all 14 units in fiscal years 2003 and 2004, we only found inspection reports for seven of the 14 units for fiscal year 2005.

The Authority's Executive Director informed us that, although the Authority tries to conduct annual inspections of all units, inspections were not conducted on some of the units due to staffing constraints.

Recommendation

The Authority should ensure that annual inspections of its housing units are conducted in accordance with DHCD policies and guidelines to ensure that its dwelling units are in safe, decent, and sanitary condition.

3. VACANT UNITS NOT REOCCUPIED WITHIN DHCD GUIDELINES

DHCD's Property Maintenance Guide indicates that each housing authority should reoccupy units within 21 working days of their being vacated by a tenant. However, our review found that during the period July 1, 2003 through June 30, 2005, the Authority's average turnaround time for reoccupying vacant units was 97 days. Moreover, we found that there were over 30 vacant family and elderly housing units and more than 300 applicants on the Authority's waiting list at that time. By not ensuring that vacant units are reoccupied within DHCD's guidelines, the Authority may have lost the opportunity to earn potential rental income net of maintenance and repair costs, and may have lost the opportunity, at least temporarily, to provide needy citizens with subsidized housing. The Authority attributed its noncompliance with DHCD's Property Maintenance Guide to vacant maintenance positions and a lack of state funding. The Authority stated that if such positions were filled, unit turnaround time would be reduced and preventive maintenance and repairs of units would be expedited.

Recommendation

The Authority should ensure that vacant units are refurbished and reoccupied within DHCD's guidelines. These efforts should include requesting special funding from DHCD, hiring temporary help, and entering into mutual and cooperative agreements with surrounding LHAs to assist, on a reimbursement basis, with renovating these vacant units as soon as possible. DHCD should obtain and provide the Authority with the funds necessary to fulfill their respective statutory mandates.

Auditee's Response

Inasmuch as DHCD has not requested adequate funding for preventive maintenance, routine operating budgets, or increases in the modernization bond cap to allow additional modernization to go forward over a number of years, no guideline can be used and no prospective tenant can move into a substandard unit, thus the length in turnover time with shortages in both staff and materials.

4. 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 indicated that it has submitted Condition Assessment Reports to DHCD for replacement of the 50 year-old boilers in its 200-1 and 200-2 Family developments, as well as for rewiring of its 667-1 Elderly Housing development. However, these requests have gone unfunded, thereby creating potential emergency situations and impacting the Authority's ability to provide safe, decent, and sanitary housing for its Family and Elderly developments.

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 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, "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 to provide the necessary modernization funds to address these issues in a timely manner

Auditee's Response

With a new administration, it is hoped that the focus will be on adequate funding to protect the assets of the Commonwealth and its most vulnerable residents. This agency will not offer a substandard unit to anyone, nor have we willingly ignored the need for maintenance in the face of significant resource reductions over a long period. We will continue to do our best to advocate for adequate funding, knowing that to have the resource will mean that we can comply with 100% of our statutory mandate.

5. FUNDS BORROWED FOR MODERNIZATION NEEDS

In response to our questionnaires, the Authority indicated that it borrowed \$792,092 from CitiCapital to fund a DHCD-approved Energy Performance Contract in 2001 for its 667-1 Elderly development, located at Washington Avenue. All 285 toilets were replaced throughout the development and administrative offices, and new roofs, exterior doors, and windows were replaced. The debt service payments on this loan continued during the 31-month ended December 2004, totaling \$245,000.

The Authority also indicated that \$245,000 of operating reserve funds was used to fund debt service during this time period, which has created a severe cash flow problem for the Authority.

Recommendation

The Authority should continue to appeal to DHCD for reimbursement of the funds it has borrowed (including interest) and use additional modernization funds where necessary to address the issues noted in our report.

Auditee's Response

In its response, the Authority indicated that it agreed with the issues contained in our report. In addition, the Authority stated that it will continue to do its best to obtain adequate funding.

SUPPLEMENTARY INFORMATION

1. Stoneham Housing Authority - Managed State Properties

The Authority's state-aided housing developments, number of units, and the year each project was built is as follows:

<u>Development</u>	<u>Number of Units</u>	<u>Year Built</u>
200-1	48	1949
200-2	24	1951
667-1	29	1956
667-2	40	1963
667-3	40	1965
667-4	<u>100</u>	1977
Total	<u>281</u>	

2. Operating Subsidies Earned, Received, and Outstanding

As of July 31, 2005, the Department of Housing and Community Development did not owe the Stoneham Housing Authority any operating subsidy funding.

3. Availability of Land to Build Affordable Housing Units

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

APPENDIX I

State Sanitary Code Noncompliance Noted

200-C Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
24 Washington Avenue	Bathroom – Cracked ceiling	105 CMR 410.500
27 Washington Avenue	Kitchen – Cracked ceiling	105 CMR 410.500
81 Calthea Street	Kitchen – Water damage on ceiling	105 CMR 410.500
65 Calthea Street	Bathroom – Mold on ceiling	105 CMR 410.750
	Hallway – Water damage on ceiling	105 CMR 410.500
43 Calthea Street	Kitchen – Cracked ceiling	105 CMR 410.500
	Living Room – Peeling paint on ceiling	105 CMR 410.500
	Bathroom – Mold on ceiling	105 CMR 410.750
	Bedroom closet – Mold on ceiling	105 CMR 410.750
42 Washington Avenue	Upstairs hallway – Peeling paint on ceiling and on walls	105 CMR 410.500
35 Calthea Street	Bathroom – Ceiling falling due to mold	105 CMR 410.750
34 Washington Avenue	Bathroom – Plaster coming off wall	105 CMR 410.500
26 Washington Avenue	Living room – trip hazard due to clutter on floor	105 CMR 410.504
	Kitchen – Peeling paint on ceiling	105 CMR 410.500
	Bathroom – Floor board rotting, mold on walls, and peeling paint on ceiling	105 CMR 410.750
24 Washington Avenue	Bedroom – Hole in ceiling	105 CMR 410.500
21 Calthea Street	Bedroom – Peeling paint on closet ceiling	105 CMR 410.500
	Hallway – Peeling paint on ceiling	105 CMR 410.500
	Kitchen – Ceiling falling	105 CMR 410.500
	Stairway – Ceiling falling	105 CMR 410.500

667-C Elderly Development

2 Parker Chase Road	Hallway – Cracked and moldy wall	105 CMR 410.750
11 Parker Chase Road	Board room – Hole in ceiling	105 CMR 410.500
76 Parker Chase Road	Bathroom – Cracked and moldy ceiling	105 CMR 410.750
50 Washington Avenue	Bathroom – Cracked ceiling and walls	105 CMR 410.500
71 Washington Avenue	Kitchen – Peeling paint on ceiling	105 CMR 410.500
	Bathroom – Mold on ceiling	105 CMR 410.750

APPENDIX II

Photographs of Conditions Found

200-C Development, 35 Calthea Street
Bathroom – Ceiling Falling Due to Mold



200-C Development, 24 Washington Avenue
Bedroom – Hole in Ceiling



200-C Development, 26 Washington Avenue
Bathroom – Floor Board Rotting



200-C Development, 34 Washington Avenue
Bathroom – Plaster Coming Off Wall



200-C Development, 21 Calthea Street
Hallway – Peeling Paint on Ceiling



667-C Development, 11 Parker Chase Road
Board Room – Hole in Ceiling



200-C Development, 65 Calthea Street
Hallway – Water Damage on Ceiling

