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

**OFFICIAL AUDIT
REPORT
NOVEMBER 21, 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 Wellesley 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.

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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 December 8, 2005, we inspected 13 of the 235 state-aided housing units managed by the Authority and noted 28 instances of noncompliance with Chapter II of the State Sanitary Code, including mold and mildew, cracked walls and ceilings, peeling paint and plaster, and a damaged roof. In its response, the Authority indicated that it has received modernization funding to address some of the issues disclosed in this report; however, certain deficiencies remain to be addressed by DHCD.

2. VACANT UNITS NOT REOCCUPIED WITHIN DHCD GUIDELINES

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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 through June 30, 2005, the Authority's average turnaround time for reoccupying vacant units was 246 days. Moreover, we found that

there were over 200 applicants on the Authority's waiting list. The Authority chose not to respond to this issue in its written response.

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

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During our audit, the Authority informed us that it has land available on which it could potentially build affordable state-aided housing units. The need for additional housing at the Authority is justified, considering that there are over 200 applicants on the Authority's waiting list. The Authority chose not to respond to this issue in its written response.

5. STATUS OF OPERATING SUBSIDIES EARNED, RECEIVED, AND OUTSTANDING **9**

The Contract for Financial Assistance between the Authority and DHCD requires DHCD to subsidize the Authority to meet its expenses. However, our review of the Authority's operating subsidy accounts indicated that \$221,073 was due to DHCD, contrary to DHCD's records, which indicated that \$194,511 was due from the Authority. The Authority chose not to respond to this issue in its written response.

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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 Wellesley 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 housing authorities to be visited as part of our statewide review.

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

Fourth, we attended the Joint Legislative Committee on Housing’s public hearings on March 7, 2005 and February 27, 2006 on the “State of State Public Housing;” interviewed officials from the LHAs, the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials, and DHCD; and reviewed various local media coverage regarding the condition of certain local public housing stock.

To determine whether state-aided programs were maintained in proper condition and safety standards, we (a) observed the physical condition of 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 LHAs.

To assess controls over waiting lists, we determined the number of applicants on the waiting list for each state program and reviewed the waiting list for compliance with DHCD regulations.

To assess whether each LHA was adhering to DHCD procedures for preparing and filling vacant units in a timely manner, we performed selected tests to determine whether the LHAs had uninhabitable units, the length of time the units were in this state of disrepair, and the actions taken by the LHAs to renovate the units.

AUDIT RESULTS

1. RESULTS OF INSPECTIONS – NONCOMPLIANCE WITH STATE SANITARY CODE

The Department of Housing and Community Development's (DHCD) Property Maintenance Guide, Chapter 3(F), requires that inspections of dwelling units be conducted annually and upon each vacancy to ensure that every dwelling unit conforms to minimum standards for safe, decent, and sanitary housing as set forth in Chapter II of the State Sanitary Code. Our review noted that the Authority does conduct annual dwelling site inspections per DHCD guidelines. For the fiscal year ended June 30, 2005, we reviewed inspection reports for 13 of the 235 state-aided dwelling units managed by the Wellesley Housing Authority. In addition, on December 8, 2005, we conducted inspections of these units, located at the Authority's Barton Road (Veterans Low-Income 200-1), Morton Circle (Elderly/Handicapped 667-1), Washington Street (Elderly/Handicapped 667-2), Weston Road and River Street (Elderly/Handicapped 667-3), and Linden Street (Low-Income Family 705-1). Our inspection noted 28 instances of noncompliance with Chapter II of the State Sanitary Code, including mold and mildew, cracked walls and ceilings, peeling paint and plaster, and a damaged roof. The Authority has received DHCD approval for some modernization funding, and is waiting to begin construction on kitchen and bathroom improvements at its 705-1 complex. (Appendix I of our report summarizes the specific State Sanitary Code violation noted, and Appendix II includes photographs documenting the conditions found.)

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

Recommendation

The Authority should apply for funding from DHCD to address all of 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.

Auditee's Response

The Executive Director who was hired subsequent to our audit period provided the following comments regarding the Authority's managed properties:

Morton Circle:

- *The audit noted the cracks in the bath walls due to building settling. The authority have used "bath fitters" to eliminate the penetration due to the cracks in the bathroom walls. This does not fix the settling problem but DHCD is aware of this.*

Washington Street:

- *The roofs on the porch overhangs have been recently funded through the emergency modernization program.*
- *We have painted the buildings during the past several months.*

River Street:

- *Roof is still intact although it does not look good. DHCD is not funding any roof replacements until there is a roof leak.*

315 Weston Road:

- *The noted roof was replaced in 2006.*
- *The mildew problem on the side of the building is due to this being the shady side. Area is scheduled to be powerwashed.*
- *Unit 3A was awaiting roof replacement to finish repairs. Completed.*
- *Weston Road also has a settling problem. DHCD is aware of this and has been out several times in the past 3 years. There has been no permanent resolution.*

50 Linden Street:

- *State has awarded a modernization grant to update the kitchens. The Authority has applied for a comprehensive modernization grant to make the units more habitable.*

2. VACANT UNITS NOT REOCCUPIED WITHIN DHCD GUIDELINES

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 revealed that during the period July 1, 2003 through June 30, 2005, the Authority's average turnaround time for reoccupying vacant units was 246 days. Moreover, we found that there were over 200 applicants on the Authority's waiting list.

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 provided the following reasons for the excessive delays in filling vacant units: 1) the Authority entered into a management agreement with the Needham Housing Authority on March 1, 2004, and at that time many of the units were in need of repair; 2) DHCD suspended the waiting lists, and did not allow the Authority to house vacant tenant units for much of the audit period; and 3) the Authority had limited funding and resources to prepare vacant tenant units for occupancy.

Recommendation

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

Auditee's Response

The Authority chose not to respond to this issue in its written response.

3. 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 policies and procedures. Specifically, we noted that the Authority did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units in its written response.

DHCD's Property Maintenance Guide states, in part:

The goal of good property maintenance at a public housing authority is to serve the residents by assuring that the homes in which they live are decent, safe and sanitary ... every housing authority must have a preventive plan which deals with all the elements of its physical property and is strictly followed The basic foundation for your (LHA) maintenance program is your inspection effort . . . the basic goals of an inspection program are to improve the effectiveness and efficiency of your maintenance effort. This will be achieved when you (LHA) have a thorough program of inspections when you observe all parts of the (LHA's) physical property, document the results of the inspections

thoroughly, and convert the findings into work orders so that the work effort can be scheduled and organized. Inspections are the systematic observation of conditions and provide the foundation for capital improvements and long range planning, as well as a record of present maintenance needs.

A preventive maintenance program would also:

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

We recognize that a plan without adequate funds and resources is difficult, if not impossible, to implement. Nevertheless, without an official written 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 in turn should obtain and provide the necessary funds and resources to ensure that the plan is enacted.

Auditee's Response

The Authority chose not to respond to this issue in its written response.

4. AVAILABILITY OF LAND TO BUILD AFFORDABLE HOUSING UNITS

The Authority has one parcel of land with approximately one and one-half acres not in use, located at the Barton Road 200 Development Complex. The Authority would like to build at least eight more units on this land, is exploring options for how best to utilize the available land, and has applied for funding from DHCD and other funding sources to construct additional units on the available land.. Although this site is not accessible by public transportation, posing a challenge to the needs of the 200 program tenants, the Town could service this site with Council on Aging transportation for shopping and health care visits, etc. The need for additional housing at the Authority is justified, considering that there are over 200 applicants on the Authority's waiting list.

Recommendation

The Authority should continue its efforts with the Town and DHCD to provide the necessary development funds (and services from the Town) to construct additional units to address the demand for low-income housing.

Auditee's Response

The Authority chose not to respond to this issue in its written response.

5. STATUS OF OPERATING SUBSIDIES EARNED, RECEIVED, AND OUTSTANDING

The Contract for Financial Assistance between the Authority and DHCD requires DHCD to subsidize the Authority to meet its expenses. During our audit, we requested and received from DHCD a statement of operating subsidy balances due and outstanding for each LHA of the Commonwealth as of June 30, 2005. During our field visits to the LHAs, we reviewed the subsidy records to determine whether the amounts were in agreement with balances provided by DHCD.

According to DHCD's records, as of June 30, 2005, the Authority owed DHCD \$194,511. However, the Authority's records shows a balance due DHCD of \$221,073 as of June 30, 2005, which was computed as follows:

Balance due from DHCD as of December 31, 2004	(\$127,657)	
Subsidy received from January 1, 2005 to June 30, 2005		<u>166,584</u>
Balance Due Authority as of June 30, 2005	38,927	
Subsidy received as of June 30, 2005		<u>(260,000)</u>
Balance due from DHCD as of June 30, 2005	<u>\$ (221,073)</u>	

Recommendation

The Authority should communicate with DHCD to determine the correct operating subsidy amount and ensure that this amount is properly recorded in both DHCD's and the Authority's financial statements. Secondly, DHCD should work with each LHA to resolve any variances by obtaining quarterly financial statements from each LHA so that it can monitor and reconcile operating subsidies due to and due from each LHA. Third, for the Authority to receive all subsidies to which it is entitled on a timely and accurate basis, it is necessary that all variances be reconciled and that DHCD provide the requisite, adequate contribution.

Auditee's Response

The Authority chose not to respond to this issue in its written response.

SUPPLEMENTARY INFORMATION***Wellesley 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>
200-1	90	1949
667-1	36	1959
667-2	40	1971
667-3	57	1965
705-1	<u>12</u>	1934
Total	<u>235</u>	

APPENDIX I

State Sanitary Code Noncompliance Noted

667-1 Elderly Housing Development: Morton Circle

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
487B Morton Circle	Bathroom walls are cracked	105 CMR 410.500
495A Morton Circle	Bathroom walls are cracked	105 CMR 410.500

667-2 Elderly Housing Development: Washington Street

Washington Street Grounds	Roof is in disrepair	105 CMR 410.500
	Building needs painting, wood is rotting	105 CMR 410.500
513H Washington Street	Living room walls are cracked	105 CMR 410.500
	Bedroom walls are cracked	105 CMR 410.500

667-3 Elderly Housing Development: Weston Road/River Street

41 River Street, Grounds	Roof is in disrepair	105 CMR 410.500
315 Weston Road, Grounds	Roof is in disrepair	105 CMR 410.500
	Sidings are covered with mold	105 CMR 410.750
315 Weston Road, 3A (offline)	Living room floor is in disrepair	105 CMR 410.504
	Bathroom floor is in disrepair	105 CMR 410.504
	Bedroom floor is in disrepair	105 CMR 410.504
	A gaping hole on bedroom ceiling	105 CMR 410.500
315 Weston Road, 3D	Living room walls - peeling plaster	105 CMR 410.500
	Living room window screens are bent	105 CMR 410.551
315 Weston Road, 4D	Living room ceiling is cracked	105 CMR 410.500
	Bedroom ceiling is cracked	105 CMR 410.500

705-1 Family Scattered Site Development: Waldo Court

50 Linden Street, 1C	Kitchen walls - peeling plaster	105 CMR 410.500
	Kitchen ceiling - peeling plaster	105 CMR 410.500
	Bathroom walls are cracked	105 CMR 410.500
	Bathroom ceiling is peeling plaster	105 CMR 410.500
50 Linden Street, 3B	Living room walls - peeling plaster	105 CMR 410.500
	Kitchen walls - peeling plaster	105 CMR 410.500
	Kitchen ceiling - peeling plaster	105 CMR 410.500
	Bathroom walls are cracked	105 CMR 410.500
	Bathroom ceiling is cracked	105 CMR 410.500
50 Linden Street, 3D	Bathroom- old bathtub, mildew/corroded	105 CMR 410.150
	Living room widows are peeling paint	105 CMR 410.500

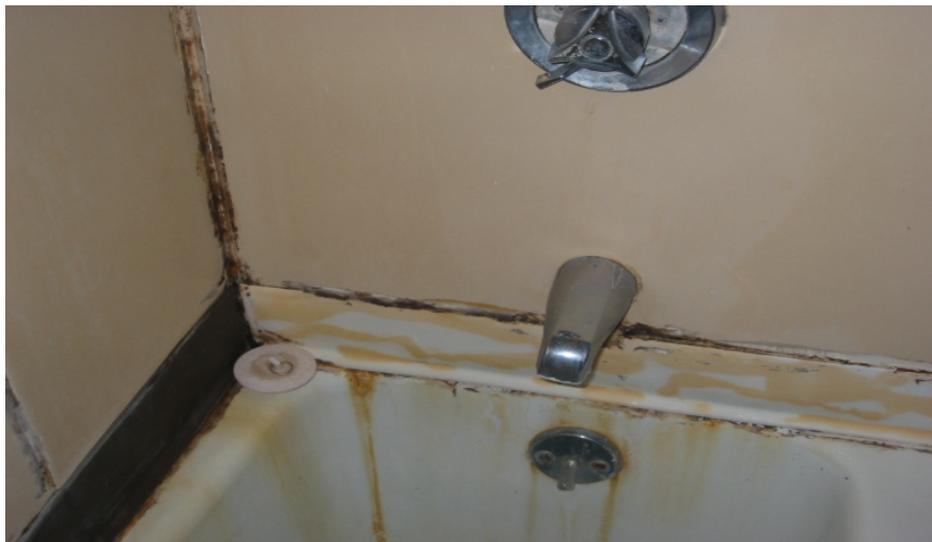
APPENDIX II

Photographs of Conditions Found

667-3 Development
315 Weston Road, #3A (offline)
Gaping Hole in Bedroom Ceiling



705-1 Development
50 Linden Street
Rusted Bathtub and Mold on Walls



705-1 Development
50 Linden Street, #1C
Kitchen Walls are Peeling Plaster



667-3 Development
315 Weston Road
Sidings are Covered with Mold



667-2 Development
Washington Street Grounds
Building Needs Painting, Wood is Rotting



667-3 Development
315 Weston Road, #3A (offline)
Living Room Floor is in Disrepair

