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

**OFFICIAL AUDIT
REPORT
MAY 3, 2007**

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In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted a statewide comprehensive audit of the physical conditions and the resources available to provide for the operation and upkeep of the state-aided public housing authorities of the Commonwealth. To accomplish our audit, we performed work at the Department of Housing and Community Development (DHCD) and obtained data from surveys and site visits to a selected, representative cross-section of 66 Local Housing Authorities (LHAs) throughout the state. The Montague 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 stated that it "accepts the audit report and does not have a comment for this period."

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 seven of the 110 state-aided housing units managed by the Authority. Our dwelling unit inspection originally noted 16 instances of State Sanitary Code noncompliance, including broken door locks, cracked flooring, missing heat/smoke detectors, blocked egresses, fogged windows, and water-stained ceilings. However, prior to the conclusion of fieldwork, the Authority's maintenance staff addressed and rectified 10 of the items. We identified six remaining instances of noncompliance with Chapter II of the State Sanitary Code, including siding that had buckled and caused water damage to exterior fascia boards and interior ceilings on the Authority's Chapter 200 buildings, damaged roof tiles, a worn-out wooden floor on one of the balconies, and cracking wall plaster in the living room and common area in one of the Authority's Chapter 667 buildings. The extensive rehabilitation work needed on

these buildings will require the Authority to obtain modernization funds from DHCD to complete.

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The Contract for Financial Assistance between the Authority and DHCD requires DHCD to subsidize the Authority to meet its expenses. The Authority indicated that it owed DHCD \$3,117 as a result of an overpayment. However, DHCD indicated that no overpayment was due from the Authority.

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During our audit, we found that the Authority owns two lots adjacent to the Highland School Apartments on which it could potentially build additional affordable housing units. One lot is currently used for parking and for storage, and the second lot is an open, grass-covered field. The Authority should apply for funding from DHCD to determine whether additional housing could be built at these locations.

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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 Montague 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’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 the 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 board

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.

We selected seven of the Montague Housing Authority's 110 state-aided dwelling units for review, which included both an analysis of the Authority's inspection reports for the fiscal year ended June 30, 2005 and site inspections made on December 29, 2005. The inspected properties, located in the Town of Montague, included three Chapter 200 units and four Chapter 667 apartments. The Chapter 200 units are located at 51 Davis Street, 11 Griswold Street, and 9 Griswold Street. The Chapter 667 apartments are located at the Sunrise Terrace Development (Buckley Street), 19 Canal Street, West Main Street, and 446 Millers Falls Road.

Our structural inspections noted 16 instances of noncompliance with Chapter II of the State Sanitary Code, 10 of which were corrected by the Authority's maintenance staff prior to the conclusion of our fieldwork. These corrections included the repair of broken locks, cracked floors, missing heat/smoke detectors, blocked egresses, fogged windows, and water-stained ceilings. We commend the Authority for responding to these issues promptly and effectively.

However, the Authority informed us that due to limited financial resources, they were not able to rectify the remaining instances of noncompliance with the State Sanitary Code at the Hillcrest Apartments (Chapter 200) and the Sunrise Terrace Development (Chapter 667-1). The Hillcrest Apartments consists of five buildings, and each building's siding has buckled, causing rainwater to pool and damage exterior fascia boards and interior ceilings. Regarding the Sunrise Terrace Development, a significant number of roof tiles have buckled on building No. 3 and will need repair to prevent further damage to the building's exterior and interior. Also, our inspection noted a worn-out wooden floor on one of the balconies at the Keith Apartments (Chapter 667-2), and cracking wall plaster in the living room and common area at the Highland School Apartments (Chapter 667-3).

The Authority indicated that it was aware of the problems at both the Sunrise Terrace Development and the Hillcrest Apartments prior to our inspection. Moreover, the Authority has notified DHCD that these issues cannot be addressed until modernization funds become available. (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 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 continue to 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 any other issues that need to be addressed. Moreover, DHCD should obtain and provide sufficient funds to the Authority in a timely manner so that it may provide safe, decent, and sanitary housing for its tenants.

2. 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 the balances reported by DHCD.

Our review of the Authority's operating subsidy accounts indicated that as of June 30, 2005, it owed DHCD \$3,117 as a result of an overpayment of an operating subsidy in 2005. However, DHCD's subsidy records indicated that there was no balance due.

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 provides the requisite, adequate contribution.

3. AVAILABILITY OF LAND TO BUILD AFFORDABLE HOUSING UNITS

During our audit, we found that the Authority owns two lots adjacent to the Highland School Apartments on which it could potentially build additional affordable housing units. One lot is currently used for parking and for storage, and the second lot is an open, grass-covered field. The need for additional housing at the Authority is justified, considering that there are applicants listed and waiting for affordable housing.

Without affordable housing, a substantial cost may be incurred to the Commonwealth's social services programs and assistance organizations where displaced individuals turn for help. A lack of decent, affordable housing results in many 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 communicate with DHCD to provide the necessary development funds to construct additional housing units to address the demand for low-income housing.

Auditee's Response

In its response, the Authority stated that "it accepts the audit report and does not have a comment for this period."

SUPPLEMENTARY INFORMATION***Montague 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	30	1950
667-1	40	1961
667-2	31	1900
667-3	<u>9</u>	1920
Total	<u>110</u>	

APPENDIX I

State Sanitary Code Noncompliance Noted

667-1 Development

Sunrise Terrace Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
13 Sunrise Terrace	Roof - buckled and cracked roof shingles	105 CMR 410.500
15 Sunrise Terrace	Roof – buckled and cracked roof shingles	105 CMR 410.500

200-1 Development

Hillcrest Apartments

51B Davis Street Turners Falls	Siding is buckling. Water is pooling on ledges and causing the fascia boards to rot. Water has also damaged ceilings in certain units.	105 CMR 410.500
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667-2 Development

Keith Apartments

Canal Street, #205	Worn-out wooden floor on balcony	105 CMR 410.504
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667-3 Development

Highland School Apartments

West Main Street	Living room – wall plaster cracking	105 CMR 410.500
	Common area – wall plaster cracking	105 CMR 410.500

APPENDIX II

Photographs of Conditions Found

667-1 Development
13 Sunrise Terrace
Buckled and Cracked Roof Shingles



200-1 Development
Hillcrest Apartments
Rotted Fascia Board



667-2 Development
Canal Street # 205
Worn-Out Wooden Floor on Balcony

