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

**OFFICIAL AUDIT
REPORT
JULY 25, 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 Saugus Housing Authority was one of the LHAs selected to be reviewed for the period July 1, 2003 to June 30, 2005. A complete list of the LHAs visited and surveyed is provided in our statewide report No. 2005-5119-3A. Our on-site visits were conducted to follow up on survey data we obtained in order to: observe and evaluate the physical condition of the state-regulated LHAs, review policies and procedures over unit site inspections, determine whether LHA-managed properties were maintained in accordance with public health and safety standards, and review the state modernization funds awarded to determine whether such funds have been received and expended for the intended purpose. In addition, we reviewed the adequacy of the level of funding provided to each LHA for annual operating costs to maintain the exterior and interior of the buildings and housing units, as well as capital renovation infrastructure costs to maximize the public housing stock across the state, and determined whether land already owned by the LHAs could be utilized to build additional affordable housing units. We also determined the number of vacant units, vacancy turnaround time, and whether any units have been taken off line and are no longer available for occupancy by qualifying families or individuals in need of housing.

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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.

Between November 5 and 7, 2005, we inspected seven of the 213 state-aided housing units managed by the Authority and noted nine instances of noncompliance with Chapter II of the State Sanitary Code, including an exterior brick wall in need of re-pointing, water leaks, a missing elevator inspection certificate, exposed wiring, and a hole in the laundry room ceiling. In its response, the Authority reported that it has made several funding requests to DHCD to address these issues.

2. OFFICIAL WRITTEN PROPERTY MAINTENANCE PLAN NOT ESTABLISHED

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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 written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units. Such a plan would establish

procedures to ensure that the Authority-managed properties are in decent, safe, and sanitary condition as defined by Chapter II of the State Sanitary Code. In its response, the Authority indicated that it was not aware of the requirement to incorporate DHCD's Property Maintenance Guide into its own policies and procedures.

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In response to our questionnaires, the Authority informed us that there is a need for modernizing its managed properties. Specifically, the Authority provided us with a list of capital modernization projects that have been formally requested from DHCD that remain unfunded. Deferring or denying the Authority's modernization needs may result in further deteriorating conditions that could render the units and buildings uninhabitable. Moreover, if the Authority does not receive funding to correct these conditions (which have been reported to DHCD), additional emergency situations may occur, and the Authority's ability to provide safe, decent, and sanitary housing for its elderly and family tenants will be seriously compromised.

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The Contract for Financial Assistance between the Authority and DHCD requires DHCD to subsidize the Authority to meet its expenses. Our review of the Authority's operating subsidy records indicated that it was owed \$1,923 as of June 30, 2005, whereas the subsidy list provided to us by DHCD indicated that it owed the Authority \$7,459 at that time. During our fieldwork at the Authority, it was further noted that the Authority received \$8,002 from DHCD in September 2005, or \$6,079 more than the \$1,923 reported due on the Authority's records. DHCD subsequently notified the Authority that there had been a \$6,159 overpayment in their operating subsidy for fiscal year 2005, and this amount was remitted to DHCD on October 17, 2005.

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

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

Audit Scope, Objectives, and Methodology

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

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

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

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

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

Third, in instances where the physical interior/exterior of LHA-managed properties were found to be in a state of disrepair or deteriorating condition, we sought to determine whether an insufficient allocation of operating or modernization funds from DHCD contributed to the present conditions noted and the resulting effect, if any, on the 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 any citations had been issued, and if so, the cited LHA's plans to address any reported 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 the 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 conducted inspections for seven of 213 state-aided dwelling units at the Saugus Housing Authority, located at the Elderly Housing developments (667-1 and 667-3) and the Family Housing development (705-1). Between November 5 and 7, 2005, we inspected these units and noted nine instances of noncompliance with Chapter II of the State Sanitary Code, including water leaks, a missing elevator inspection certificate, exposed wiring, an exterior brick wall in need of re-pointing, and ceiling repairs needed in the laundry room. (Appendix I of our report summarizes the specific State Sanitary Code violations noted, and Appendix II includes photographs documenting the conditions found.)

In discussions held with the Authority's Executive Director, we were informed that the issue regarding exposed wiring has been addressed, that an updated elevator inspection certificate will be posted after a State Elevator Inspector physically inspects the elevator, and that the Authority has submitted requests for additional modernization funding to DHCD in 1998, 2002, and 2007.

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.

Auditee's Response

In response to this issue, the Authority stated, in part:

We perform apartment inspections annually and upon each vacancy. We assure that every apartment that is refurbished for re-occupancy more than meets the SSC, in fact, we use the term "white glove" clean before an apartment is shown to a prospective new resident.

As you have noted in the report, there are certain issues such as the poor condition of the masonry walls at our Family development and there is a documented funding request from 1998. Funding requests were made again in 2002 and again on 5/3/2007.

Auditor's Reply

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

2. 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 written 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 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 should obtain and provide the necessary funds and resources to ensure that this plan is enacted.

Auditee's Response

In response to this issue, the Authority stated in part:

We have the DHCD's Property Maintenance Guide and written Preventive Maintenance Plans tailored to each development (one in my office and one in the maintenance office) and we do utilize them. We were not aware that it was a requirement to incorporate them into our policies and procedures as is stated in your report.

Auditor's Reply

In response to our request for information from the Saugus Housing Authority via a questionnaire, the Authority claimed that a written plan was not in place to maintain, repair, and upgrade its existing housing units.

3. MODERNIZATION INITIATIVES NOT FUNDED

In response to our questionnaires, the Authority informed us of the need for modernizing its managed properties. Specifically, the Authority provided the following information regarding capital modernization projects that have been formally requested from DHCD that remain unfunded.

<u>Date of Request</u>	<u>Program</u>	<u>Project Name</u>	<u>Purpose</u>	<u>Status</u>
1998 and 2002	705-1	Armitage Arms	Re-pointing brick exterior	Not funded
1998 and 2002	705-1	Armitage Arms	Laundry room exhaust ventilation	Not funded
1998 and 2002	667-1,2, and 3	Laurel Gardens and Towers	No GFCI in kitchens or bathroom	Not funded

The Authority indicated that the requests to fund the above-identified modernization projects were denied by DHCD in fiscal years 1998 and 2002.

Deferring or denying the Authority's modernization needs may result in further deteriorating conditions that could render the units and buildings uninhabitable. Moreover, if the Authority does not receive funding to correct these conditions (which have been reported to DHCD), additional emergency situations may occur and the Authority's ability to provide safe, decent, and sanitary housing for its elderly and family tenants could be seriously compromised. Lastly, deferring the present 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 that "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 remedy these issues in a timely manner.

Auditee's Response

The Authority chose not to address this Audit Result in its response.

4. 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 compared the subsidy balances reported by each LHA to the balances reported by DHCD. Our review of the Saugus Housing Authority's records indicated that operating subsidies earned and due amounted to \$1,923 as of June 30, 2005. However, according to DHCD's records, the Saugus Housing Authority was due operating subsidies totaling \$7,459 as of June 30, 2005. In addition, during our fieldwork at the Authority, it was noted during that the Authority received \$8,002 from DHCD in September 2005, or \$6,079 more than the \$1,923 subsidy reported due on the Authority's records as of June 30, 2005.

Recommendation

The Authority should communicate with DHCD to determine whether the correct operating subsidy amounts are recorded in their financial statements. Secondly, DHCD should work with each LHA to resolve any variances by obtaining quarterly financial statements from each LHA and monitoring and reconciling operating subsidies due to and due from each LHA. Third, in order for local housing authorities to receive the subsidies they are entitled to on a timely and accurate basis, it is necessary that the authorities reconcile all variances to ensure that DHCD provides the requisite adequate contribution.

Auditee's Response

In response to this issue, the Authority stated, in part:

On October 6, 2005 we received a letter from DHCD notifying us that a year-end reconciliation of our Operating Subsidy account showed an overpayment of \$6,158.91, for FY end 6/30/05. This overpayment was submitted to DHCD on October 17, 2005.

Auditor's Reply

The amount of subsidy overpayment calculated by DHCD (\$6,159) does not agree with our calculation of the overpaid subsidy (\$6,079), resulting in a variance of \$80.00. This situation further demonstrates the need for the Authority to communicate with DHCD to determine that the correct amount of operating subsidies due is recorded in its financial statements.

SUPPLEMENTARY INFORMATION***Saugus 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	45	1964
667-2	40	1967
667-3	100	1972
667-4	20	1987
705-1	<u>8</u>	1986
Total	<u>213</u>	

APPENDIX I

State Sanitary Code Noncompliance Noted

705-1 – Family Housing Development

Location	Noncompliance	Regulation
Armitage Arms #302	Deteriorated bathroom walls	105 CMR 410.500
Armitage Arms #301	Mold on bathroom wall/tub joint	105 CMR 410.750
Armitage Arms #102	Bathroom - mold on walls	105 CMR 410.750
Armitage Arms #202	Bathroom - mold on walls	105 CMR 410.750
Armitage Arms Common Areas	Laundry room – hole in ceiling due to water leak, paint peeling from floor due to water leak	105 CMR 410.500
	Interior rear – brick wall needs re-pointing due to water leak	105 CMR 410.500
	Rear entrance – stairs cracked and in need of repair	105 CMR 410.500

667-1 and 667-3 Elderly Housing Development

Laurel Towers Community Room	Missing elevator inspection certificate	780 CMR 3001.110
	Tiles stained due to water leaks	105 CMR 410.500

APPENDIX II

Photographs of Conditions Found

705-1 Family Housing Development, Armitage Arms
Common Area, Laundry Room – Hole in Ceiling Due to Water Leak



705-1 Family Housing Development, Armitage Arms
Common Area, Laundry Room – Paint Peeling From Floor Due to Water Leak



705-1 – Family Housing Development, Armitage Arms
Common Area, Interior Rear – Brick Wall Needs Re-pointing Due to Water Leak



705-1 – Family Housing Development, Armitage Arms
Common Area, Rear Entrance – Stairs Cracked and in Need of Repair



705-1 Family Housing Development, Armitage Arms # 102

Bathroom – Mold on Wall



667-3 Elderly Housing Development, Laurel Towers
Community Room – Tiles Stained Due to Water Leaks



667-3 Elderly Housing Development, Laurel Towers
Community Room – Elevator Missing Inspection Certificate

