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

**OFFICIAL AUDIT
REPORT
JULY 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 throughout the state. The Methuen 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.

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. Between December 5, 2005 and December 15, 2005, we inspected 18 of the 367 state-aided housing units managed by the Authority and noted 21 instances of noncompliance with Chapter II of the State Sanitary Code, including floor tiles in need of replacement, cracked kitchen and bathroom walls, chipped bathroom ceilings and grout, cement steps in need of repair, sidewalks needing resurfacing, hand rails needing replacement, and other health and safety hazards.

2. MODERNIZATION INITIATIVES NOT FUNDED

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In response to our questionnaires, the Authority indicated that on September 24, 2001, it submitted Condition Assessment Reports to DHCD for 12 capital modernization projects for its Elderly, Family, and Special Needs housing developments. However, none of these requests were funded by DHCD. 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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INTRODUCTION

Background

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted a statewide comprehensive audit of the adequacy 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 Methuen 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 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 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 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) physically observed the 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 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 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's subsidy account for operating subsidies earned and received and the period of time that the payments covered. In addition, we made inquiries with each 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.

For the fiscal year ended June 30, 2005, we reviewed inspection reports for 18 of the 367 state-aided dwelling units managed by the Authority. In addition, from December 5, 2005 through December 15, 2005, we conducted inspections of these units located at 36 Oakland Avenue, 75 Edgewood Avenue, 22 and 24 Mystic Street, 101 Broadway (Elderly Housing), 26 Haverhill Street (Handicapped Housing), and 601 Lowell Boulevard (Family Housing). Our inspection noted 21 instances of noncompliance with Chapter II of the State Sanitary Code, including sidewalks in need of resurfacing, floor tiles and hand rails in need of replacement, chipped bathroom ceilings and grout, bathroom walls in need of repair, bathrooms in need of exhaust fans, cement steps in need of repair, and other health and safety hazards. (Appendix I of our report summarizes the specific State Sanitary Code violations noted, and Appendix II includes photographs documenting the conditions found.)

The photographs provided 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 follow up on and continue to advocate for its repair needs and funding to correct the deficiencies noted during our inspections of the interior (dwelling units) and exterior (buildings) of the Authority and any other issues that may exist. The Authority should apply for funding from DHCD to address these issues, and 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. MODERNIZATION INITIATIVES NOT FUNDED

In response to our questionnaires, the Authority informed us that there is a need for modernizing its managed properties, and that on September 24, 2001, it submitted Condition Assessment Reports to DHCD for 12 capital modernization projects for its Elderly, Family, and Special Needs housing developments. However, none 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. Specifically, the Authority provided the following information regarding capital modernization projects that have been formally requested from DHCD:

<u>Dated Requested</u>	<u>Program</u>	<u>Project</u>	<u>Purpose</u>	<u>Date Funding Denied</u>
9/24/2001	667-1	Elderly	Install intercom system – no security in six buildings	December 4, 2002
9/24/2001	667-2, 3, 4	Elderly	Install intercom system – no security in 26 buildings	December 4, 2002
9/24/2001	200-1	Family	Repair/replace crumbling steps and deteriorating handrails	December 4, 2002
9/24/2001	667-2, 3, 4	Elderly	26 eight-unit buildings - repair deteriorating handrails/railings, steps, and sidewalks	December 4, 2002
9/24/2001	667-1	Elderly	Fire alarm modernizations	December 4, 2002
9/24/2001	200-1	Family	Repair/replace pump lift station and relocate heating controls	December 4, 2002
9/24/2001	689-1	Special Needs	Comprehensive modernization – two family special needs	December 4, 2002
9/24/2001	667-1	Elderly	Kitchens and bathrooms need replacement	December 4, 2002
9/24/2001	667-2	Elderly	Kitchens and bathrooms need replacement	December 4, 2002
9/24/2001	667-3	Elderly	Kitchens and bathrooms need replacement	December 4, 2002
9/24/2001	667-4	Elderly	Kitchens and bathrooms need replacement	December 4, 2002
9/24/2001	200-1	Family	Kitchens and bathrooms need replacement	December 4, 2002

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 LHAs 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 address these issues in a timely manner.

Auditee's Response

In its response, the Authority indicated that it agreed with the issues disclosed in our report. In addition, the Authority stated that the denial of modernization funds contributed to the decay of the Authority's property and that it will pledge to continue to appeal to DHCD for funding to restore its developments to ensure that all units meet the State Sanitary Code.

SUPPLEMENTARY INFORMATION***Methuen Housing Authority-Managed State Properties***

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

<u>Program</u>	<u>Number of Units</u>	<u>Year Built</u>
200-1	60	1950
667-1	40	1959
667-2	64	1962
667-3	72	1968
667-4	72	1974
667-5	41	1989
705-1	8	1988
705-2	6	1989
705-4	<u>4</u>	1989
Total	<u>367</u>	

APPENDIX I

State Sanitary Code Noncompliance Noted

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
<u>667-3 Elderly Housing Development</u>		
22 and 24 Mystic Street - various units	Outside hand rails in need of repairs or replacement, approximately 24 units	105 CMR 410.503
24 Mystic Street - all units	Three sidewalks in need of resurfacing, numerous holes and cracks	105 CMR 410.750
<u>667-4 Elderly Housing Development</u>		
22 Mystic Street, #17	Kitchen and bathroom floor tiles in need of replacement	105 CMR 410.504
22 Mystic Street, various units	Cement steps in approximately eight units in need of repair	105 CMR 410.750
22 Mystic Street, #4	Cracked kitchen and bathroom floors Cracked kitchen and bathroom walls	105 CMR 410.504
22 Mystic Street, #66	Kitchen faucets leak Kitchen counter tops in need of replacement	105 CMR 410.500 105 CMR 410.351 105 CMR 410.100
<u>667-2 Elderly Housing Development</u>		
75 Edgewood Avenue #009, #11, and #46	All units in need of bathroom exhaust fan Moisture-damaged bathroom ceilings and walls Unit #46 Kitchen faucet leaks	105 CMR 410.500 105 CMR 410.500 105 CMR 410.351

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
<u>667-1 Elderly Housing Development</u>		
36 Oakland Avenue #12	Kitchen faucet leaks	105 CMR 410.351
36 Oakland Avenue # 39	Bathroom ceiling and walls have moisture damage	105 CMR 410.500
36 Oakland Avenue all units	Building's central alarm system is outdated and does not identify which unit has problem	105 CMR 410.480
<u>689-1 Handicapped Housing Development</u>		
26 Haverhill Street	Hole in hall wall	105 CMR 410.500
	Hole in bathroom ceiling	105 CMR 410.500
<u>200-1 Family Housing Development</u>		
112 Oakside Avenue	Crumbling concrete stairs	105 CMR 410.500
11 Larchwood Road	Doorknob missing from bedroom	105 CMR 410.480
	Window seals need replacing	105 CMR 410.501
13 Tudor Street	Bathroom – cracked and damaged walls	105 CMR 410.500
<u>705-1 Family Housing Development</u>		
601 Lowell Boulevard #14	Bathroom ceiling and grouting are chipping; loose plaster, dampness	105 CMR 410.500

APPENDIX II

Photographs of Conditions Found

667-4 Elderly Housing Development
22 Mystic Street
Cement Steps in Need of Repair



667-3 Elderly Housing Development
24 Mystic Street
Outside Hand Rail (Broken) in Need of Replacement



200-1 Family Housing Development
13 Tudor Street
Cracked and Damaged Bathroom Ceiling and Walls



667-3 Development
24 Mystic Street
Sidewalk in Need of Resurfacing



667-4 Development
22 Mystic Street, #17
Kitchen Floor in Need of Replacement



200-1 Development
112 Oakside Avenue
Crumbling Concrete Stairs



689-1 Development
26 Haverhill Street
Hole in Bathroom Ceiling

