



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819
BOSTON, MASSACHUSETTS 02108

A. JOSEPH DeNUCCI
AUDITOR

TEL. (617) 727-6200

NO. 2006-0777-3A

**INDEPENDENT STATE AUDITOR'S REPORT
ON THE PHYSICAL CONDITION
OF STATE-AIDED PUBLIC HOUSING UNITS
AND RESOURCES ALLOCATED FOR THE
OPERATION AND UPKEEP OF THE
SOMERSET 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 (LHAs) throughout the state. The Somerset 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 indicated that it agreed with the issues disclosed in our report.

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. On January 17 and 19, 2006, we inspected 12 of the 135 state-aided housing units managed by the Authority, and noted 23 instances of noncompliance with Chapter II of the State Sanitary Code, including windows that do not lock properly, walls that need repainting, a ceiling that has mold and mildew, and other health and safety hazards.

2. MODERNIZATION INITIATIVES NOT FUNDED

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In response to our questionnaires, the Authority indicated that there is a need for modernizing its managed properties. Specifically, the Authority requested modernization funding from DHCD for capital improvement projects for its state-aided developments; however, these requests were not 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.

3. OFFICIAL WRITTEN PROPERTY MAINTENANCE PLAN NOT ESTABLISHED 7

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. 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.

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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 Somerset 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 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 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 the LHAs were receiving operating subsidies in a timely manner, we analyzed each LHA subsidy account for operating subsidies earned and received and the period of time that the payments covered. In addition, we made inquiries with the LHA's Executive Director/fee accountant, as necessary. We compared the subsidy balance due the LHA per DHCD records to the subsidy data recorded by the LHA.

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

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

AUDIT RESULTS

1. RESULTS OF INSPECTIONS – NONCOMPLIANCE WITH STATE SANITARY CODE

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 reviewed 12 of the 135 state-aided dwelling unit inspection reports managed by the Somerset Housing Authority, and on January 17 and 19, 2006, we conducted inspections of these units and noted 23 instances of noncompliance with Chapter II of the State Sanitary Code. Our inspection of John F. Kennedy Terrace (Elderly 667-1 development) noted the following instances of noncompliance with Chapter II of the State Sanitary Code: an overloaded electrical outlet that had as many as eight appliances plugged into extension cords from one wall outlet, a kitchen that needed to be painted, and cracks and frost heaves on the grounds of the development, which is a potential trip hazard to tenants, employees, and visitors. The Executive Director stated that the tenant has not allowed them back in to paint the kitchen wall because the paint fumes make him ill.

Our inspection of Eugene Murphy Village (Elderly Housing 667-2 development) noted several noncompliance issues, including deteriorating siding, windows with failed seals, peeling paint on walls and ceilings, and cracks and frost heaves on the grounds of the development, a trip hazard to tenants, employees, and visitors. The Authority's Executive Director stated that the windows were original and should probably be replaced due to failed seals. Our inspections noted further instances of noncompliance with Chapter II of the State Sanitary Code, including windows that do not lock properly, walls that need repainting, mold and mildew on ceilings, 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 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.

2. MODERNIZATION INITIATIVES NOT FUNDED

In response to our questionnaires, the Authority informed us that there is a need for modernizing its managed properties. Specifically, the Authority provided the following information regarding capital modernization projects that had been formally requested from DHCD, yet remained unfunded.

On December 2, 2002, the Authority was awarded modernization funding from DHCD for window replacement and stain for the siding at its 667 Elderly Development. The Authority noted that the window portion of the project was first requested on June 7, 1994, and the additional request for the siding renovation was submitted on September 1, 1998. On March 2, 1999, the Authority was awarded \$112,500 for the windows. However, they were not replaced because DHCD representatives felt that the siding needed to be replaced as well.

DHCD awarded the Authority emergency funding in the amount of \$1,020,000 for window replacement and siding on December 2, 2002. However, in 2003, the Authority was notified that the project would not start since funds were not available.

Subsequently, a notice to proceed was given on October 12, 2004. Some of the immediate concerns were the extent of damage underneath the siding and the possibility of mold conditions. It was decided that one building would be selected as a pilot project to keep change orders at a minimum for the entire project. Sheeting rot and termites were found at the site of the pilot project. Furthermore, the award for this project was \$92,000, leaving a balance of \$928,000, which the Authority pointed out would not be sufficient to complete the entire project, as the price of labor and materials has risen dramatically since 1994.

Deferring or denying the Authority's modernization needs may result in further deteriorating conditions that could render the units and buildings uninhabitable. The Authority indicated it has now received permission from DHCD to proceed with its modernization needs and received

general bids on June 1, 2006. If it had not received the funding, additional emergency situations may have occurred and the Authority's ability to provide safe, decent, and sanitary housing for its elderly and family tenants could have been seriously compromised.

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 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 remedy these issues in a timely manner.

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 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 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 provide the necessary funds and resources to ensure that this plan is enacted.

4. AVAILABILITY OF LAND TO BUILD AFFORDABLE HOUSING UNITS

During our audit, we found that the Authority had approximately five acres of available land, on two separate lots, on which to build affordable housing units. The first lot contains 3.9 acres of land and is located at the junctions of G.A.R. Highway (Route 6) and Brayton Point Road. There are certain restrictions within the deed relative to the amount of housing that can be built. In addition, the majority of this area is commercially zoned and is heavily traveled. Furthermore, due to the layout of the land, the only potential egress from the area would be to Route 6, and the Executive Director feels this would pose a safety issue with the traffic patterns in the area.

Due to these factors, the Executive Director and the Board are currently researching the possibility of swapping this land with the town in order to obtain land more suitable to the needs of the elderly and handicapped. The second lot contains 1.1 acres of land and is situated alongside John F. Kennedy Terrace. This lot was formerly used as a leeching field for the 667-1 development, and would require extensive renovation. The need for additional housing is justified, considering that the Authority has over 40 applicants on its waiting list.

Recommendation

The Authority should continue its efforts to obtain land to construct sufficient affordable housing units.

SUPPLEMENTARY INFORMATION***Somerset 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	60	1964
667-2	<u>75</u>	1973
Total	<u>135</u>	

APPENDIX I

State Sanitary Code Noncompliance Noted

Eugene Murphy Village 667-2 Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
Building P #72	Kitchen - floor needs to be replaced	105 CMR 410.500
	Living room - windows do not lock properly	105 CMR 410.480
	Living room - wall needs to be repainted	105 CMR 410.500
Building M #62	Living Room – paint on ceiling is chipping and cracking	105 CMR 410.500
Building D #18	Kitchen - light switch does not work	105 CMR 410.351
Building D #19	Living room - walls need to be repainted	105 CMR 410.500
Building D exterior	Siding breaking off wall	105 CMR 410.500
Building H #37	Windows do not seal properly and create a draft	105 CMR 410.501
Development exterior	Walkway leading to the community room building - cracks in hardtop	105 CMR 410.750
	Walkway from parking lot to buildings - mold and mildew on wall and railing	105 CMR 410.750

John F. Kennedy Terrace
667-1 Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
Unit 21-4	Bathroom - ceiling has mold and mildew	105 CMR 410.750
Unit 120-1	Kitchen – wall needs to be repainted	105 CMR 410.500
Unit 130-2	Kitchen - wall needs to be repainted	105 CMR 410.500
	Bedroom - wall needs to be repainted	105 CMR 410.500
	Living room - several overloaded circuits	105 CMR 410.351
Unit 92-3	Kitchen – wall needs to be repainted	105 CMR 410.500
	Bedroom – needs to be repainted	105 CMR 410.500
Unit 1130-1 Read St.	Bathroom - ceiling has water damage	105 CMR 410.500
	Bedroom – ceiling has water damage	105 CMR 410. 500
Building 5 exterior	Brick siding needs repointing	105 CMR 410.500
Building 6 exterior	Brick siding needs repointing	105 CMR 410.500
Buildings 2 and 3	Rear exits - cracks in walkway and frost heaves in yard	105 CMR 410.750
Development exterior	Rear of property - fence falling down, fence with large holes	105 CMR 410.500

APPENDIX II

Photographs of Conditions Found

667-2 Development, Eugene Murphy Village

Walkway to the Community Room – Cracks in Hardtop



667-2 Development, Eugene Murphy Village

Building D – Siding Breaking Off Wall



667-2 Development, Eugene Murphy Village

Parking Lot to Buildings – Mold and Mildew on Wall and Railing



667-1 Development, John F. Kennedy Terrace
Building 5 Exterior – Brick Siding in Need of Repointing



667-1 Development, John F. Kennedy Terrace
Rear of Property – Fence Falling Down



667-1 Development, John F. Kennedy Terrace
Rear of Property – Fence with Large Holes



667-1 Development, John F. Kennedy Terrace
Buildings 2 and 3, Rear Exits – Cracks in Walkway and Frost Heaves in Yard

