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

**OFFICIAL AUDIT
REPORT
JULY 30, 2007**

TABLE OF CONTENTS/EXECUTIVE SUMMARY

INTRODUCTION

1

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 Millbury 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 a majority of the State Sanitary Code violations noted in the report involved their Program 705 acquisition units, which were old when they were purchased. The Authority also stated that it is extremely difficult to plan for maintenance and capital improvements without knowing when or whether there will be funds available to do the planned work.

AUDIT RESULTS

5

1. RESULTS OF INSPECTIONS – NONCOMPLIANCE WITH STATE SANITARY CODE

5

DHCD's Property Maintenance Guide, Chapter 3(F), requires that inspections of dwelling units be conducted annually and upon each vacancy to ensure that every dwelling unit conforms to minimum standards for safe, decent, and sanitary housing as set forth in Chapter II of the State Sanitary Code. On December 12 and 13, 2005, we inspected 10 of the 207 state-aided housing units managed by the Authority and noted 30 instances of noncompliance with Chapter II of the State Sanitary Code, including mold, mildew, broken windows, rodent infestation, and other health and safety hazards.

2. MODERNIZATION INITIATIVES NOT FUNDED

5

In response to our questionnaires, the Authority indicated that on September 13, 2001, it submitted Condition Assessment Reports to DHCD for four capital modernization projects for its state-aided properties. However, not all of these requests have been

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 may be seriously compromised.

3. VACANT UNITS NOT REOCCUPIED WITHIN DHCD GUIDELINES **7**

DHCD's Property Maintenance Guide indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. However, our review found that during the period July 1, 2003 through June 30, 2005, the Authority's average turnaround time for vacant units was 71 days. Moreover, we found that there were more than 200 applicants on the Authority's waiting list as of June 30, 2005.

4. OFFICIAL WRITTEN PROPERTY MAINTENANCE PLAN NOT ESTABLISHED **8**

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 Authority-managed properties are in safe, decent, and sanitary condition as defined by Chapter II of the State Sanitary Code.

SUPPLEMENTARY INFORMATION **10**

APPENDIX I **11**

State Sanitary Code Noncompliance Noted

APPENDIX II **13**

Photographs of Conditions Found

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 Millbury 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 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 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 LHAs per DHCD records to the subsidy data recorded by the LHAs.

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

To assess whether each LHA was adhering to DHCD procedures for preparing and filling vacant units in a timely manner, we performed selected tests to determine whether the 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. On December 12 and 13, 2005, we conducted inspections of the units at the Authority's Forest Drive (Family Housing 705-1); North Main Street and Memorial Drive (Family Housing 200-1); and Linden Drive, Colonial Drive, and Centerview Drive (Elderly/Handicapped Housing 667) developments. Our inspection noted 30 instances of noncompliance with Chapter II of the State Sanitary Code, including mold and mildew, broken windows, rodent infestation, water damage, damaged flooring, and a house (705-1 North Main Street) that is vacant and in need of total refurbishment. (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 in Conditions Assessment Reports, yet remained unfunded:

<u>Date of Request</u>	<u>Housing</u>	<u>Description</u>	<u>Date Funding Denied</u>
10/6/98	Elderly	Paving Sidewalks	2/99
10/10/01	Elderly	Replacement of Hot Water Tanks	12/02
10/10/01	Elderly	Roof Replacement	12/02
10/10/01	Family	Window Replacement	Awarded then Rescinded 2004

The Authority indicated that it had to use its reserve funds for various modernization projects over the last several years, as follows:

Whenever we have approached DHCD with a request for modernization money, we have been told that as long as we have reserve money we would have to use that first. So, that's what we have done. . . .

We have, in recent years, been able to put \$500,000.00 of our reserve funds into such projects as residing twenty five family units in the 200 development; repaving sidewalks and the street in our 667-2 elderly/handicapped development; and, upgrading the fire alarm system, which had failed the state inspection at least twice, in that same development.

We have depleted our reserve money now and need to have some means to secure funds needed for essential modernization projects.

In the last couple of years, because of escalating utility costs, increases in employee benefit costs such as retirement assessments and health and dental insurance, the increase in the cost of maintenance materials, etc., we have found that we are no longer able to count on being able to save money to fund any large modernization needs. In fact, I fear that if something doesn't change, our once profitable, independent housing authority will need a subsidy to operate.

The above conditions are mainly the result of aging, use, and wear and tear, as illustrated by photographs included in Appendix II, and may pose a safety hazard to tenants.

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. 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 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 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. Moreover, the Authority should apply for reimbursement of the funds spent from its reserves so that it may continue in its effort to modernize all of its units so that it may provide housing to qualified citizens and meet the minimum standards for safe, decent, and sanitary housing.

3. VACANT UNITS NOT REOCCUPIED WITHIN DHCD GUIDELINES

DHCD's Property Maintenance Guide indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. However, our review found that during the period July 1, 2003 through June 30, 2005, the Authority's average turnaround time for reoccupying vacant units was 71 days. Moreover, we found that there were more than 200 applicants on the Authority's waiting list as of June 30, 2005.

By not ensuring that vacant units are reoccupied within DHCD's guidelines, the Authority may have lost the opportunity to earn potential rental income net of maintenance and repair costs, and may have lost the opportunity, at least temporarily, to provide needy citizens with subsidized housing. The Authority indicated that when a unit becomes vacant, it prepares the unit with its maintenance staff and tries to repair the older units in order to bring them up to standards, which requires a longer period of time and results in additional costs.

Recommendation

The Authority should ensure that its vacant units are refurbished and reoccupied within the timeframe established by DHCD. DHCD should obtain and provide the Authority with the funds necessary to fulfill their respective statutory mandate.

4. OFFICIAL WRITTEN PROPERTY MAINTENANCE PLAN NOT ESTABLISHED

During our audit, we found that the Authority did not incorporate DHCD's Property Maintenance Guide into its policies and procedures. Specifically, we noted that the Authority did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units.

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

Auditee's Response

In its response to our report, the Authority stated, in part:

[The Authority d]oes do yearly inspections of its units, generates work orders from those inspections, and tries to correct anything that needs to be repaired. The problem is not with the housing authorities' policies or administrative or maintenance personnel. The problem is dealing with extremely cumbersome procurement laws; burdensome DHCD regulations; unrealistic turnaround time and buildings and developments that are old and units that need more than just a quick paint job when they become empty.... Additionally, it is extremely difficult to plan for maintenance and capital improvements when you are never sure when or if there will be funds available to do the planned work. As noted in the audit report, the Millbury Housing Authority has spent in excess of \$500,000.00 in reserve money to pay for capital improvements. At this time, our reserves are very low and soon will be depleted. With the increased cost of utilities, health and dental insurance premiums, retirement assessments, increased premiums for fire and workers compensation coverage, [the Authority] does not foresee being able to build up any reserves in the future. In fact, the Authority will, in the not too far distant future, need a subsidy in order to continue operating.

The Millbury Housing Authority ha[s] made it a practice to bring each empty unit into the best condition we can when we are preparing it for re-occupancy. That includes, at times, installing new vanities, floor and wall tile, making plumbing repairs, installing new ceilings where needed, purchasing new appliances when needed, painting, etc. When [the Authority] has eight to ten vacancies at the same time, the units can't all be ready in twenty-one days.

A majority of the State Sanitary Code violations noted in your audit report are in two of our 705 acquisition units. [The Authority stated that] these larger older units that were purchased in the early to mid 1980's were very poor investments. At the time they were purchased some of the units were quite old. Some money was invested in them to get them into reasonable shape. After that, the housing authorities were left to try to keep them in decent condition. [The Authority] believe[s] [that it] should be allowed to sell some of these older deteriorated units and use the money to make improvements in [their] better housing stock.

[The Authority stated that] most housing authority directors would love to see their housing developments in excellent condition and know that they have the means to keep them that way. That cannot happen unless there is a change in the way funds for capital improvements can be accessed.

Finally, [the Authority stated it is their] hope that the final outcome of this audit will result in a renewed commitment from the Department of Housing and Community Development to adequately and efficiently fund the capital improvements that need to be made to our state-subsidized housing stock.

SUPPLEMENTARY INFORMATION***Millbury Housing Authority – Managed State Properties***

The Authority's state-aided 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	25	1950
667-1	32	1959
667-2	60	1973
667-3	54	1981
667-4	23	1989
705-1	7	Various
705-1A	<u>6</u>	1985
Total	<u>207</u>	

APPENDIX I

State Sanitary Code Noncompliance Noted

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
705-1 Family Housing 21 Forest Drive Downstairs	Bedroom - broken window in bedroom	105 CMR 410.500
	Kitchen - water damage on wall	105 CMR 410.500
21 Forest Drive Upstairs (Vacant Unit)	Kitchen - needs new floor	105 CMR 410.504
	- wall needs repair	105 CMR 410.500
	- water damage on ceiling	105 CMR 410.500
	- rodent feces on floor	105 CMR 410.550
	Living room - exposed wire on ceiling	105 CMR 410.351
	- dead rodent on floor	105 CMR 410.550
	Bathroom - needs new floor	105 CMR 410.504
- water stains above bath	105 CMR 410.500	
256 North Main Street	Living Room - needs new floor	105 CMR 410.500
	- cracks in wall	105 CMR 410.500
	Kitchen - needs new floor	105 CMR 410.500
	- cracks in wall	105 CMR 410.500
	- mildew on ceiling, door, and trim around door	105 CMR 410.500
	- cabinets need replacement	105 CMR 410.500
	- insect infestation	105 CMR 410.550
	Bedroom - electrical switch cover missing	105 CMR 410.351
	- paint peeling on wall	105 CMR 410.500
	Bathroom - mildew on ceiling and wall	105 CMR 410.500
	- insect infestation	105 CMR 410.550
	- shower door needs replacement	105 CMR 410.150
	- Toilet disconnected	105 CMR 410.350
	Basement – wet floor	105 CMR 410.500
	Broken windows throughout the house	105 CMR 410.500
Ripped screens throughout the house	105 CMR 410.551	
Porch screens are ripped	105 CMR 410.500	
Garbage/debris throughout the yard	105 CMR 410. 602	

667-2 Elderly Housing

Colonial Drive Apt 8C

Kitchen - floor needs replacement

105 CMR 410.500

200-1 Family Housing

14 Memorial Drive

Floor joist is rotted

105 CMR 410.500

APPENDIX II

Photographs of Conditions Found

200-1 Development, 14 Memorial Drive, Rotted Floor Joist



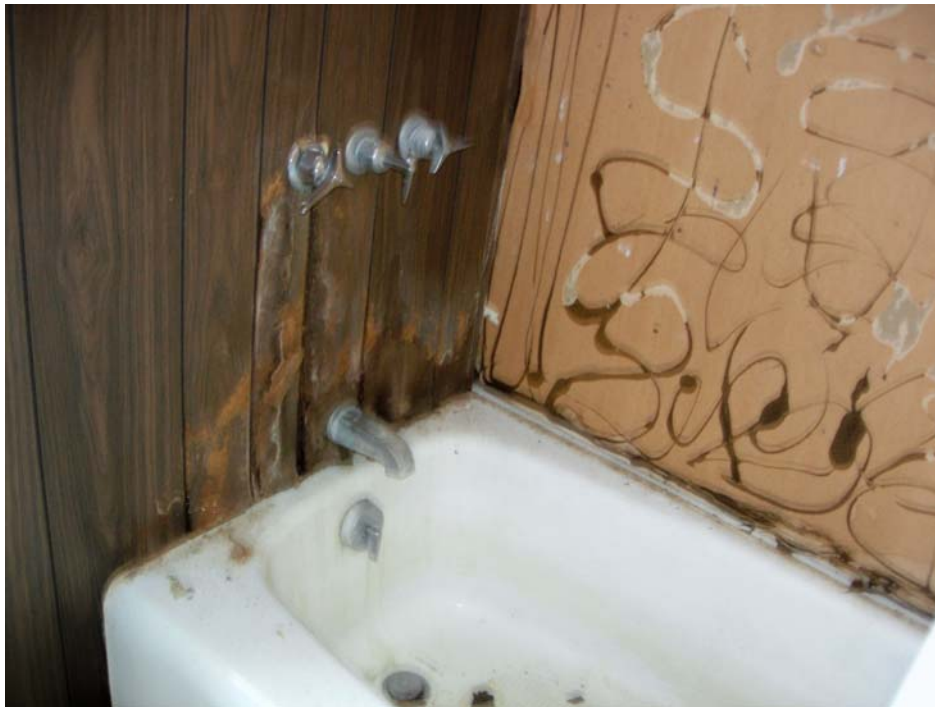
**705-1 Development, 21 Forest Drive, Upstairs (Vacant Unit)
Living Room – Exposed Wire on Ceiling**



**705-1 Development, 21 Forest Drive, Upstairs (Vacant Unit)
Kitchen – Water Damage on Ceiling**



**705-1 Development, 21 Forest Drive, Upstairs (Vacant Unit)
Bathroom – Stained and Damaged Wood Paneling above Bath**



705-1 Development, 256 North Main Street

Bedroom – Paint Peeling on Wall



**705-1 Development, 256 North Main Street
Kitchen – Needs New Floor**

