



Commonwealth of Massachusetts
Office of the State Auditor
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Making government work better

Official Audit Report – Issued November 20, 2012

Statewide Audit of Rent Determination, Tenant Selection, and Vacant Units at Local Housing Authorities

For the period July 1, 2008 through November 30, 2010



TABLE OF CONTENTS/EXECUTIVE SUMMARY

INTRODUCTION

1

The Department of Housing and Community Development's (DHCD) mission is to provide leadership, professional assistance, and financial resources that promote safe, decent, and affordable housing opportunities; the economic vitality of communities; and sound municipal management. DHCD's Division of Public Housing and Rental Assistance is responsible for the regulatory and administrative oversight of all state-aided public housing programs that address the needs of low-income families, the elderly, and persons with disabilities. According to DHCD, there are currently approximately 83,042 units of state- and federally assisted public housing in Massachusetts that are administered by 234 local housing authorities (LHAs) and four regional housing authorities. Eligibility for these subsidized programs is based upon such criteria as the applicant's age, net income, veteran status, certain disability criteria, and the results of Criminal Offender Record Information investigations.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor conducted an audit to determine whether selected LHAs are complying with state regulations regarding tenant eligibility and selection criteria and rent determinations and redeterminations for Family Low-Income Housing, Elderly and Handicapped Low-Income Housing, and the Massachusetts Rental Voucher and Alternative Housing Voucher programs. In addition, we reviewed LHA compliance with DHCD regulations and policies regarding excessive vacancies, vacancy reporting, and taking units off line. To accomplish our audit, we obtained data from DHCD and conducted site visits at 26 LHAs throughout the state (see Appendix B).

At the conclusion of our field work at each of the 26 LHAs, we discussed our results with the LHA Executive Directors and considered their comments in preparing this report. At the conclusion of our statewide audit, we provided DHCD with a draft of this report and took its comments (see Appendix E) into consideration in preparing our final report.

AUDIT RESULTS

5

1. NONCOMPLIANCE WITH DHCD ELIGIBILITY AND SELECTION PROCEDURES

5

Our audit found that six of the 26 LHAs selected for our audit were not in compliance with DHCD policies and regulations for tenant eligibility and selection procedures. Specifically, we found that these LHAs did not obtain references from landlords of prospective tenants, did not properly maintain the Master Ledger of all applications, and did not use approved application forms for making the preliminary determinations of eligibility. As a result, there is inadequate assurance that eligible tenants were selected for housing in accordance with DHCD regulations.

2. IMPROVEMENTS NEEDED IN TENANT RENT DETERMINATIONS

10

DHCD regulations require LHAs to perform rent determinations for each tenant in a state-aided housing program to ensure that they are paying the correct rent. The rental charges are based on each tenant's ability to pay, as determined by the regulations, to

ensure fairness in placing the neediest of the state's citizens in public housing. The regulations further define the items of income and expense to be used in the determination of each tenant's rent. Our audit found that 22 of the 26 LHAs complied with DHCD procedures for determining rents for tenants occupying state-funded and state-subsidized units. However, four LHAs needed improvements in computing rents, documenting rent determinations, and preparing annual rent redeterminations in a timely manner.

3. NONCOMPLIANCE WITH DHCD REGULATIONS REGARDING EXCESSIVE VACANCIES, VACANCY REPORTING, AND UNAUTHORIZED OFF-LINE UNITS **15**

Our audit disclosed that 22 of the 26 housing authorities selected for our statewide review were not in compliance with DHCD regulations for preparing vacated units for occupancy within 21 working days. Our audit noted that these 22 LHAs had 2,276 units that were vacant well beyond the 21-day timeline recommended by DHCD's Property Maintenance Guide. As a result, the noncomplying LHAs may have lost the opportunity to earn approximately \$1.6 million in potential income during the audit period July 1, 2008 through November 30, 2010 from state-aided housing programs (see Appendix D). The causes of these delays included a lack of funding from DHCD, limited maintenance staff, aging of the housing stock, multiple refusals by applicants, poor location/inadequate size of units, neglect and mismanagement of buildings, excessive or extraordinary maintenance required to prepare units for occupancy, maintenance work not being prioritized for vacant units, and multiple vacancies occurring simultaneously (which slows down overall unit preparation). In addition, we noted that one LHA did not prepare or file occupancy/vacancy reports with DHCD and had four units of state housing taken off line without DHCD authorization. By not refurbishing vacant units within 21 working days as recommended by DHCD, the LHAs have deprived eligible applicants on their waiting lists (see Appendix C) of affordable housing and lost the opportunity to earn much-needed rental income.

4. NONCOMPLIANCE WITH DHCD REGULATIONS REGARDING TENANT LEASE ADDENDA AND OVERHOUSING OF TENANTS **17**

Our audit found that five of the 26 LHAs reviewed did not adequately document addenda to tenant lease agreements and that two of the 26 LHAs were not in compliance with DHCD regulations on overhousing (tenant occupation of a unit consisting of more bedrooms than are appropriate for the household size). Without a lease addendum, the two parties to the contract (the private landlord and the tenant) may not be legally bound by any subsequent changes made to the original lease, such as changes in monthly rents or in the number of occupants. In addition, by not adhering to DHCD's regulations on tenant housing, families in need of additional bedrooms may be deprived of occupying the units, and the LHAs will receive less rental income than is appropriate for the unit sizes.

APPENDIX A **22**

Inventory of State and Federal Conventional Housing Units Administered by Local Housing Authorities, November 30, 2010 **22**

APPENDIX B	26
Local Housing Authorities Visited and Conventional Units Administered	26
<hr/>	
APPENDIX C	27
Summary of Waiting List of Applicants for State Low-Income Housing, November 30, 2010	27
<hr/>	
APPENDIX D	28
Schedule of Vacant Units in Excess of DHCD Guidelines	28
<hr/>	
APPENDIX E	30
DHCD's Response to Audit Issues	30

INTRODUCTION

Background

The Department of Housing and Community Development's (DHCD) mission is to provide leadership, professional assistance, and financial resources that promote safe, decent, and affordable housing opportunities; the economic vitality of communities; and sound municipal management. DHCD's Division of Public Housing and Rental Assistance is responsible for the regulatory and administrative oversight of all state-aided public housing programs that address the needs of low-income families, the elderly, and persons with disabilities. DHCD has also established specific criteria for Local Housing Authorities (LHAs) to fairly and uniformly apply rules and regulations to determine each tenant's annual rent, as promulgated under 760 Code of Massachusetts Regulations (CMR), which includes uniform standards for ensuring the fairness of tenant rents and continued occupancy under state-aided public housing programs. These regulations establish procedures for tenants to provide accurate information regarding family income, employment, and composition. They also provide LHAs with the data necessary to verify the continued eligibility of tenants living in publicly subsidized housing units. Eligibility for these subsidized programs is based upon criteria such as the applicant's age, net income, veteran status, certain disability criteria, and the results of Criminal Offender Record Information investigations.

LHAs have an ongoing responsibility to ensure that people in the local city, town, and regional housing market area are aware of the availability of state-developed housing units and that opportunities to obtain publicly funded units for which they may be eligible are offered in a fair and equitable manner in compliance with applicable laws and regulations. To meet this need, DHCD has promulgated tenant eligibility regulations for LHAs (760 CMR 5.00, 49.00, and 53.00). Each LHA must initiate adequate controls to ensure that sufficient efforts are taken to place eligible applicants in vacant publicly subsidized units. These efforts are made to ensure that eligible low-income persons receive housing to which they are entitled as timely as possible. In addition, LHAs are responsible for ensuring that annual rent determinations are performed for each tenant residing in their state-aided programs.

According to DHCD, as of November 30, 2010, there were 234 LHAs and four regional housing authorities that managed approximately 45,601 units of low- and moderate-income housing throughout the Commonwealth. In addition, 70 of these authorities operate an additional 37,441

units of federally assisted housing units, for a total of 83,042 units under management. The inventory of state-subsidized dwelling units is as follows:

<u>Program</u>	<u>Number of Units As of 11/30/10</u>	<u>Percentage of Number of Units As of 11/30/10</u>
Chapter 667 (Elderly/Disabled)	30,253	66%
Chapter 200 (Family)	10,542	23%
Chapter 705 (Family)	2,907	7%
Chapters 689 and 167 (Special Needs)	<u>1,899</u>	<u>4%</u>
	<u>45,601</u>	<u>100%</u>

A list provided to us by DHCD of housing units administered by each LHA appears in Appendix A.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted a statewide audit to determine whether LHAs are complying with state regulations regarding tenant eligibility, tenant selection criteria, and rent determinations and redeterminations for tenants in the Family Low-Income Housing programs (200-C, 705-C), the Elderly and Handicapped Low-Income Housing programs (667-C and 167/689-C), the Massachusetts Rental Voucher Program (MRVP), and the Alternative Housing Voucher Program (AHVP). To accomplish our audit, we obtained data from DHCD and conducted site visits to a selected, representative cross-section of 26 LHAs throughout the state. A complete list of LHAs visited is provided in Appendix B of the report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our objectives were to determine whether LHAs were in compliance with state regulations regarding tenant eligibility and selection criteria in accordance with 760 CMR 5.00; rent determinations and redeterminations in accordance with 760 CMR 6.00 for tenants residing in

Family Low-Income Housing, Elderly and Handicapped Low-Income Housing, 760 CMR 49.00 for MRVP tenants, and 760 CMR 53.00 for AHVP tenants; and vacancy records to ensure vacant units were refurbished and filled within DHCD's guidelines.

To accomplish our objectives, we interviewed LHA personnel and reviewed the following:

- The 760 CMR 4.00, General Administration of Local Housing Authorities; 760 CMR 5.00, Eligibility and Selection Criteria; 760 CMR 6.00, Occupancy Standards and Tenant Participation for State-Aided Housing; 760 CMR 49.00, Massachusetts Rental Voucher Program; and 760 CMR 53.00, Alternative Housing Voucher Program.
- LHAs' procedures for tenant eligibility by reviewing a judgmental sample of newly admitted tenants to determine whether proper placement of tenants had occurred; applicants were eligible for placement; proper size units were given to tenants; chronological order on priority placement procedures was followed; income limits were adhered to for eligibility (760 CMR 5.00); and lease agreements and addenda were properly prepared and executed in accordance with 760 CMR 6.06(1).
- LHAs' records regarding existing tenants for continued occupancy in accordance with 760 CMR 5.16 (2) and (3), 760 CMR 6.06 (6)(f), and 760 CMR 49.05 (8)(a).
- LHAs' waiting lists to ascertain whether they are updated at least once every three years, whether applicants are preliminarily eligible, and whether applicant priority and preference statuses are updated in accordance with 760 CMR 5.14.
- LHAs' Master Ledgers to determine whether they were maintained in accordance with 760 CMR 5.16 (2) and DHCD's Handbook for Tenant Selection and Tenant Transfer.
- LHAs' annual rent redetermination procedures to ensure that tenants' rent calculations were performed by each LHA. We reviewed both the tenants' provision of the necessary information to the LHA so that accurate rents could be assessed, and each LHA's process for accumulating and calculating rents for each tenant. Additionally, we reviewed each LHA's administrative policies and procedures to determine whether rent redeterminations were calculated in compliance with 760 CMR 6.04 and 6.05, 760 CMR 49.05, and 760 CMR 53.06.
- LHAs' vacancy records to determine whether the LHAs' procedures for preparing and filling vacant units for new tenants meet DHCD's established time frame in accordance with DHCD's Property Maintenance Guide.
- LHAs' tenant files to review documentation supporting (1) tenants' eligibility to receive state-aided housing and (2) the accuracy of the LHAs' calculations of the rent charged to their tenants.

At the conclusion of our field work at each of the 26 LHAs, we discussed our results with the LHA Executive Directors and considered their comments in preparing this report. At the conclusion of our statewide audit, we provided DHCD with a draft of this report and took its comments (see Appendix E) into consideration in preparing our final report.

AUDIT RESULTS

1. NONCOMPLIANCE WITH DHCD ELIGIBILITY AND SELECTION PROCEDURES

Our audit revealed that six of the 26 local housing authorities (LHAs) selected for our statewide audit were not in compliance with Department of Housing and Community Development (DHCD) policies and regulations over eligibility and selection procedures. We found that certain LHAs did not obtain references from previous landlords of prospective tenants, did not maintain a Master Ledger,¹ or use approved application forms for making the preliminary determinations of eligibility. As a result, there is inadequate assurance that eligible tenants were selected for housing in accordance with DHCD regulations.

Canton Housing Authority

In our audit of the Canton Housing Authority's controls over tenant eligibility and selection, we judgmentally selected for review three tenants admitted during our audit period. We found that the Authority did not obtain references from all former landlords or housing providers of these prospective tenants. The Authority indicated that landlords did not always provide complete information from their former tenants due to legal implications. The 760 Code of Massachusetts Regulations (CMR) 5.12 (2) states, in part:

The LHA shall require an applicant to provide the names and current addresses of all landlords (or housing providers) for applicant and household members during the period five years prior to application through the date of the final determination.

If, after request the LHA has failed to receive a reference from a landlord (or housing provider) it shall notify applicant of non-receipt, and the LHA shall request that applicant use his or her best efforts to cause the landlord (or housing provider) to submit the reference to the LHA. In the event the applicant uses his or her best efforts but is unsuccessful, the applicant shall cooperate with the LHA in securing information from other sources about the tenancy. Non-receipt of a reference from a landlord (or housing provider) shall be cause for determining an applicant unqualified unless the applicant can show that he or she has used best efforts to secure the reference and that he or she has complied with reasonable requests for cooperation in securing other information.

Holyoke Housing Authority

In our audit of the Holyoke Housing Authority's controls over tenant eligibility and selection, we selected for our review a judgmental sample of 27 tenant files and found that the Authority did not update its Master Ledger for seven tenants. For example, we noted that one applicant

¹ The Master Ledger is the permanent ongoing record of all applications for housing including Preliminary Applications, Standard Applications, Emergency Applications, and Transfer Applications.

was housed on January 10, 2011; however, the Master Ledger did not reflect this update as of March 25, 2011. In another example, an applicant's name was crossed off the Master Ledger for not responding to an update letter; however, we found that the applicant's file revealed that she did indeed respond to the update letter and was housed. We attributed these deficiencies to poor communication among the three employees assigned with the responsibility of posting and updating applicants' information to the Master Ledger. The 760 CMR 5.14 states:

The LHA shall update and reclassify all applications on file at least once in every three years in the following manner:

(1) The LHA shall contact each applicant:

(a) to determine whether or not:

- 1. applicant is still interested in obtaining housing through the LHA;*
- 2. the applicant is still preliminarily eligible;*
- 3. the applicant's preference and priority status remain the same; and*

(b) to advise the applicant that a failure to respond will result in removal of the application from the waiting list. Any applicant, whose application is so removed from the waiting list shall be given notice of the removal and the right to request a private conference.

(2) The LHA shall review all updated information and may change its determination of preliminary eligibility and priority and/or preference status. The LHA shall notify each applicant of its determination and the right to request a private conference.

Lowell Housing Authority

In our audit of the Lowell Housing Authority's controls over tenant eligibility and selection, we noted that the Authority did not properly maintain its Master Ledger in accordance with DHCD's Handbook for Tenant Selection and Tenant Transfer. Specifically, the Authority did not comply with the requirement that control numbers in the Master Ledger be listed in numerical order by date of receipt and housing program. We noted that the control numbers and application (receipt) dates were not in numerical sequence and that the housing program abbreviations ("E" for elderly, "F" for family, and "NE" for non-elderly) were not used. The Authority saved previously used control numbers on its computer system that were correlated to former applicants' or transfer tenants' Social Security numbers. When former applicants reapplied or tenants desired to transfer to another program, the Authority searched for their Social Security numbers, and the previously used control numbers came up in the search as well.

These previously used control numbers were then used again, placing the overall control numbers out of numerical sequence in the Master Ledger. Chapter 3 of DHCD's Handbook for Tenant Selection and Tenant Transfer requires that (a) all applicants who turn in a completed application to the LHA be issued a control number and (b) control numbers be assigned in chronological order according to the date and time the application is received by the LHA and recorded in the Master Ledger. We attributed these deficiencies to a lack of management oversight for not determining and ensuring that the Authority's computer software was updated to reflect DHCD's requirements in this area.

New Bedford Housing Authority

In our audit of the New Bedford Housing Authority's controls over tenant eligibility and selection, we noted that the Authority did not use DHCD-approved application forms to document applicants' application for state-aided housing. In lieu of using DHCD-approved application forms, the Authority used a software program that allows the Authority to accept electronic applications and then print out a document at the end of the tenant's intake meeting that is signed by the tenant and placed in the tenant's file. We were informed that this practice had been in place for at least the past 10 years. The 760 CMR 5.05 (1), (2) states, in part:

- (1) Every applicant shall use application forms approved by the Department. The application forms shall be available at the LHA's central office or, upon request by mail. The LHA shall provide reasonable assistance to applicants in completing the application forms.*
- (2) Each application form received by the LHA shall be date and time stamped, and the applicant promptly provided with a receipt including the control number. After a completed application form is received, the LHA shall make a preliminary determination of eligibility based on information in the form and shall also determine whether an applicant appears to be entitled to any preference or priority status. The LHA may at this time, in its discretion, verify some or all information provided. The applicant shall be notified of the LHA's preliminary determination and may request a private conference if found ineligible or not to be entitled to a priority or preference category requested.*

By using a software program to process applications, information such as the date of the application can be modified and/or recorded in the software program before a copy is printed or even after a copy has been printed and signed by the tenant. The Authority stated that DHCD granted it a waiver that exempts it from using a standard application form. However, documentation of such waiver could not be provided. Moreover, DHCD informed us that the

Authority was never granted such a waiver and that it was not anticipated to be granted a waiver in the near future.

Additionally, we found that the Authority did not maintain permanent, handwritten ledgers as required by DHCD regulations. Specifically, the Authority did not maintain a Master Ledger or a Waiting List Ledger, but instead kept only a computerized printout of the latter. The Master Ledger and the Waiting List Ledgers, which determine the proper order of placement of housing applicants in state-aided housing units, list all applicants and include a control number, the applicant's name, the date of application, and a matrix determining the applicants' priority and preferences. The control number, along with the priority and preference status, are then recorded in the Waiting List Ledger, which should be current and from which the selection of the next eligible applicant is made for the vacant state-aided housing unit. Because the Master Ledger is not maintained and the Waiting List Ledger is not current, it could not be determined whether eligible tenants were selected for housing in the proper order. All local housing authorities are required to adhere to the current regulations requiring the maintenance of a handwritten Master Ledger according to 760 CMR 5.16 (2), which states:

The LHA shall maintain permanent handwritten ledgers including a master file ledger and waiting lists ledgers. The LHA shall maintain the Department's prescribed on-line vacancy ledger in accordance with guidelines issued by the Department as they may be amended from time to time. Waiting lists and vacancy ledgers indicating the applicant's control number shall be considered public information; and, upon request shall be available for public inspection.

The Authority expressed disagreement with DHCD's regulations for maintaining the Master Ledger and claimed that following these regulations would be time-consuming and repetitive.

Pittsfield Housing Authority

During our audit of the Pittsfield Housing Authority, we reviewed its Waiting List information, including each applicant's date of application and date of placement. Our review indicated that the Authority selected two applicants for housing ahead of other applicants who were on the waiting list for longer periods of time. The 760 CMR 5.05 (2) and (3) states:

(2) Each application form received by the LHA shall be date and time stamped, and the applicant promptly provided with a receipt including the control number. After a completed application form is received, the LHA shall make a preliminary determination of eligibility based on information in the form and shall also determine whether an applicant appears to be entitled to any preference or priority

status. The LHA may at this time, in its discretion, verify some or all information provided. The applicant shall be notified of the LHA's preliminary determination and may request a private conference if found ineligible or not to be entitled to a priority or preference category requested.

(3) When an applicant approaches the top of the waiting list, the LHA shall make a final determination of the applicant's eligibility and qualification. The applicant shall update the application and provide any additional information or verification reasonably required by the LHA. An applicant determined to be ineligible or unqualified shall be sent written notification of:

- (a) the determination;*
- (b) the reason(s) for the determination detailing the material facts; and*
- (c) the right to request a private conference to re-determine eligibility and/or qualification.*

The Authority could not explain why the two tenants were improperly selected ahead of other applicants on the waiting list.

Taunton Housing Authority

Our audit of the Taunton Housing Authority's controls over tenant eligibility and selection noted that the Authority did not maintain a permanent, handwritten Master Ledger as required by 760 CMR 5.16 (2). As a result, there is inadequate assurance that applicants for housing are selected in the appropriate order in accordance with DHCD regulations. The Authority expressed disagreement with DHCD's regulation over the requirements of the Master Ledger and indicated that following these regulations would be time-consuming and repetitive.

Recommendation

To ensure that all applicants that are housed meet the eligibility requirements of DHCD, these six LHAs (Canton, Holyoke, Lowell, New Bedford, Pittsfield, and Taunton) need to strengthen their controls over the eligibility process and make the requisite changes to their policies and procedures to be in compliance with 760 CMR 5.00. To this end, the LHAs should seek assistance from DHCD where needed, and DHCD should monitor the progress taken to achieve full compliance with tenant eligibility and selection regulations. In addition, DHCD should consider amending its regulations to allow Authorities to maintain electronic versions of their Master Ledgers and Waiting List Ledgers.

2. IMPROVEMENTS NEEDED IN TENANT RENT DETERMINATIONS

DHCD regulations require LHAs to perform rent determinations for each tenant in a state-aided housing program to ensure that tenants are paying the correct rent. The rental charges are based on each tenant's ability to pay, as determined by DHCD's regulations to ensure statewide fairness in placing the neediest of the state's citizens in public housing. The regulations further define the items of income and expense to be used in the determination of each tenant's rent.

We have determined that 22 of the 26 LHAs in our statewide review adhered to the major provisions and procedures established by DHCD for determining tenants' rents in state-funded and state-subsidized housing units. However, we found that four of the 26 LHAs needed improvement to be in compliance with DHCD policies and procedures over rent determinations, as discussed below.

Cambridge Housing Authority

In our audit of the Cambridge Housing Authority's controls over rent determinations, we judgmentally selected for review 42 tenant files in the state-aided housing programs and found that rents were incorrectly computed for five tenants, as follows:

First, we found that the rent determination for an elderly tenant in the 667-4 program was based on 30% of the tenant's monthly net income instead of the correct 25%, resulting in a \$61 overcharge to the tenant. The 760 CMR 6.04 (1)(a) 1 and 2 states, in part:

Monthly rent shall be charged tenants of elderly/handicapped housing in the following manner: Where the tenant does not pay for utilities, rent shall be 30% of monthly net household income. . . . Where the tenant pays for some or all utilities, rent shall be 25% of monthly net household income

We found that this miscalculation occurred due to human error. When we informed LHA personnel of the error, they corrected the rent determination and issued the tenant a \$61 credit.

Second, we found that the Authority miscalculated a tenant's wages in the 200-2 Family Program, undercharging the tenant by \$906 through February 28, 2011. The 760 CMR 6.05 (2)(a) states that the "full amount, before payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services," shall be included in the tenant's gross household income. Since the mistake was the result of the LHA's miscalculation of reported income, the LHA cannot seek to recoup rents retroactively. In

addition, an increase in rent is not a basis on which the Authority can initiate an interim redetermination. A DHCD memorandum dated January 18, 2011 states:

*DHCD advises housing authorities that if the LHA makes a mistake in the determination of rent such that the determined rent is **lower** than what is appropriate based on annual net household income, **and**, the mistake is a result of the housing authority's miscalculation of reported income, then the housing authority should not seek to recoup rents retroactively. However, an error by the housing authority which would cause an increase in the rent is not a basis on which the housing authority can initiate an interim redetermination of the rent. The correction of the rent would occur at the annual redetermination, or, if the tenant reported an increase or decrease in income of 10%, as a result of the interim redetermination.*

As a result, the Authority will have lost the opportunity to earn an additional \$1,323 in potential rental income through September 30, 2011.

Third, we found that a tenant in the 200-3 Family Program was charged varying incorrect percentages of net monthly income ranging from 15% to 32% instead of the correct 30%, resulting in a loss of \$1,367 to the Authority. The 760 CMR 6.04 (1)(b) 1, 2, and 3 states, in part:

Monthly rent shall be charged tenants of family housing in the following manner: Where the tenant does not pay for utilities, rent shall be 32% of monthly net household income. . . . Where the tenant pays for one or more utilities, but not all, rent shall be 30% of monthly net household income Where the tenant pays for all utilities, rent shall be 27% of monthly net household income.

Because the error was caused by the Authority's miscalculation, the Authority cannot recoup any owed rent retroactively or initiate an interim rent determination to seek rent due via a rent increase.

Fourth, we noted that an incorrect rent ceiling amount was used by the Authority when it determined a tenant's rent in the 200-2 Family program. We noted the Authority used an incorrect ceiling of \$962 instead of \$1,053 when it computed the tenant's rent. As a result, the tenant was undercharged by \$91 per month for nine months, for a total of \$819. We determined that this miscalculation was due to human error and the Authority's not using the most updated information. A memorandum from DHCD dated June 19, 1998 from the Director of the Bureau of Asset Management granted a waiver to the Authority to establish ceilings for rents for the 200-2 Program based on established federal ceilings effective February 1, 1998.

Fifth, we found one tenant folder for the 200-2 Family Program in which a prior-year rent determination was not on file and one MRVP tenant whose rent determination was calculated six months late because the Authority was in the process of converting to a new computer system and as a result the MRVP tenants' names did not appear on the list of names due for rent redeterminations. The 760 CMR 6.04 (4)(a) states, in part:

The LHA shall re-determine each tenant's monthly rent once annually to be effective on a specific re-determination date which shall be the first day of a month. This re-determination date should be the same each year unless the LHA gives the tenant reasonable advance notice of a different date no more than a year subsequent to the most recent notice of rent as determined by the LHA.

Peabody Housing Authority

In our audit of the Peabody Housing Authority's controls over rent determinations, we selected for review a judgmental sample of 27 files for the Authority's state-aided housing program and found that rents for two tenants were incorrectly determined, as follows:

In the first incorrect rent determination, we found that an elderly tenant's pension was not correctly calculated for the 667-2 Program, resulting in a \$182 underpayment for the tenant for the period April 1, 2010 through November 1, 2010. The 760 CMR 6.05 (2)(d) states that "periodic payments received from social security, annuities, retirement funds, and pensions, individual retirement accounts, and other similar types of periodic payments of retirement benefits" shall be included in a tenant's gross household income. We noted that the Authority corrected the calculation on the next annual rent determination but was not able to recoup rent retroactively, since the error was due to the Authority's miscalculation.

In the second incorrect rent determination reviewed, we noted that a medical insurance deduction was not calculated correctly on a tenant's rent determination in the 200-1 Program, resulting in a \$96 underpayment for the tenant during the period August 1, 2009 through August 1, 2010. The 760 CMR 6.05 (4)(e) states that "payments for necessary medical expenses (including co-payment amounts) which are not covered by insurance or otherwise reimbursed" shall be deducted from gross household income "provided that such expenses are in excess of 3% of annual gross household income and are paid by household members." In addition, payments for medical health insurance are considered medical expenses. We found that this

mistake was attributable to human error. The Authority corrected the calculation on the next rent annual determination but was not able to recoup rents retroactively, since the error was due to the Authority's miscalculation.

Pittsfield Housing Authority

In our audit of the Pittsfield Housing Authority's controls over rent determinations, we selected for review 25 tenant files and found that the rent of three tenants was calculated incorrectly, as follows:

In the first incorrect tenant file, we found that a Medicare deduction was not included on rent determination for the 705-2 Program, contrary to 760 CMR 6.05 (4)(e). As a result of this error, the Authority charged the tenant \$823 per month instead of \$830.

In the second incorrect tenant file, we found that a rent determination for the 667-3 Program was incorrectly determined because the Authority did not deduct \$300 for an adult member from the tenant's gross income. As a result, the tenant was overcharged \$8 per month for eight months, for a total of \$64. The 760 CMR 6.05 (4)(c) states that "\$300 for each adult household member (other than the tenant)" shall be deducted from gross household income, but that "this deduction is limited by the amount by which the gross income of such adult household member exceeds all other deductions claimed against his or her income." We determined that this error was due to a managerial oversight. The Authority concurred that the rent determination was incorrectly calculated and stated that the rent determination will be corrected.

In the third incorrect tenant file, we found that a Social Security benefit and a medical insurance deduction were not calculated correctly in a rent determination for the 667-2 Program. According to 760 CMR 6.05 (2)(d), "periodic payments received from social security, annuities, retirement funds, and pensions, individual retirement accounts, and other similar types of periodic payments of retirement benefits" shall be included in gross household income, and according to 760 CMR 6.05 (4)(e), "payments for necessary medical expenses (including co-payment amounts) which are not covered by insurance or otherwise reimbursed," shall be deducted from gross household income "provided that such expenses are in excess of 3% of annual gross household income and are paid by household members." In addition, "payments for medical health insurance are considered medical expenses." We determined that the error

was due to an oversight in which the medical insurance deduction was incorrectly deleted from the tenant's new rent determination performed by the Authority. As a result, the tenant was overcharged \$33.22 per month for eight months, for a total of \$265.76. The LHA concurred that the rent determination was incorrectly calculated and stated that the rent determination will be corrected.

Woburn Housing Authority

In our audit of the Woburn Housing Authority's controls over rent determinations, we selected for review a judgmental sample of 21 tenants files in the state-aided housing program and found that the Authority did not document the annual rent redetermination for three tenants in the 667 Program, contrary to 760 CMR 6.04 (4)(a), which states, in part:

The LHA shall re-determine each tenant's monthly rent once annually to be effective on a specific re-determination date which shall be the first day of a month. This re-determination date should be the same each year unless the LHA gives the tenant reasonable advance notice of a different date no more than a year subsequent to the most recent notice of rent as determined by the LHA.

As a result, these tenants may not be paying the correct rent. The Authority indicated that the employee responsible for this function was on sick leave for a prolonged period and that the Authority did not have another employee to complete this role. The Authority informed us that it will apply to DHCD for a waiver to determine rents on a biannual basis. Nonetheless, the Authority is still responsible for complying with DHCD regulations for annual rent determinations.

Recommendation

To ensure that all tenant rents are fairly and accurately determined, these four LHAs (Cambridge, Peabody, Pittsfield, and Woburn) need to strengthen their controls over the rent determination process. Furthermore, the LHAs should anticipate when key employees need to be on paid leave and absences so that assigned responsibilities of the LHAs are being fulfilled. To this end, the LHAs should consider cross-training their employees so that the responsibilities of each LHA are fulfilled. The LHAs should seek assistance from DHCD where needed, and DHCD should monitor the progress taken by the LHAs to achieve full compliance with 760 CMR 6.00.

3. NONCOMPLIANCE WITH DHCD REGULATIONS REGARDING EXCESSIVE VACANCIES, VACANCY REPORTING, AND UNAUTHORIZED OFF-LINE UNITS

Our statewide audits of vacant units of 26 LHAs disclosed that 22 of the 26 LHAs had excessive delays in preparing units for occupancy. As a result, the LHAs may have lost the opportunity to earn approximately \$1.6 million in potential rental income (see Appendix D). We found that there were 2,276 vacant units during the audit period July 1, 2008 through November 30, 2010 and that the average turnaround times to prepare and fill these vacant units were well beyond the recommended 21-day guideline established by DHCD's Property Maintenance Guide, Chapter 1, which states, in part:

One primary responsibility of your LHA is to reoccupy vacancies as fast as possible. Every day a unit is vacant is a day of rent lost. Vacancies also invite vandalism and signal trouble if they linger. It is particularly important, therefore, to have vacancy refurbishment as a high priority in the assignment of work to your staff. . . . DHCD believes a reasonable outside limit for turning around vacancies is 21 working days where notice has been given. . . . DHCD requires your vacancy ledger to document the reasons for vacancy periods of longer than 21 days.

Furthermore, we noted that, contrary to DHCD regulations, one LHA did not prepare or file the occupancy/vacancy reports with DHCD and that its four units of state housing were taken off line without DHCD authorization.

In order to ensure that units are reoccupied quickly, waiting lists are expeditiously reduced in size, and long-unoccupied units do not invite vandalism or illegal habitation, DHCD has stipulated that vacant state-aided housing units be rented within 21 working days – a period that begins on the date the unit is vacated and ends on the date the unit is filled. During this period, it is expected that necessary repairs will be made on the units by the maintenance department and that the units will then be offered to applicants by the administrative office. We viewed any days beyond the grace period of 21 working days as being days in excess of DHCD guidelines, which are referred to as prolonged vacancies. When days are in excess of DHCD guidelines, rents that should have been earned by the LHA are not earned, constituting a loss of potential income for the LHA.

By not refurbishing vacant units within 21 working days, as required by DHCD, the LHAs have deprived eligible applicants on waiting lists of much needed affordable housing and have deprived the LHAs of the opportunity to earn much-needed rental income. We noted that 22 of the 26 (84.6%) LHAs had excessive delays in preparing vacant units. It is worth noting that nearly all of the

22 LHAs with prolonged vacancies also had a significant number of applicants on their waiting lists (see Appendix C).

During our audit, we sought explanations from the LHAs' Executive Directors for the causes of prolonged vacancies and were provided with the following reasons for the LHAs' noncompliance with DHCD's 21-day guideline for preparing vacant units for occupancy:

Reasons provided by LHAs	Number of LHAs providing the reason
Lack of funding from DHCD	11
Limited maintenance staff	7
Aging of the housing stock	7
Multiple refusals of unit by applicants	12
Poor location, lack of elevators, unattractive and/or inadequate size of units	5
Decades of neglect and mismanagement of buildings	2
Excessive or extraordinary maintenance required to prepare units for occupancy	14
Multiple vacancies occurring simultaneously, which slows down overall unit preparation	1
Short waiting list and/or lack of demand	1
Granted waiver to remove unit to off-line status	2

Yarmouth Housing Authority

At the Yarmouth Housing Authority, we found that (a) occupancy/vacancy reports were not filed and (b) units were taken off line without authorization, as discussed below:

a. Occupancy/Vacancy Reports Not Filed

Our review of Authority files revealed that the former Executive Director of the Authority did not file the required online Occupancy/Vacancy reports with DHCD. The Authority indicated that its former Executive Director disagreed with DHCD's regulations and guidelines relative to Online Occupancy/Vacancy reporting and that, accordingly, the Authority did not prepare and file its Occupancy/Vacancy reports to DHCD. The 760 CMR 5.16 (2) states in part:

The LHA shall maintain the Department's prescribed on-line vacancy ledger in accordance with guidelines issued by the Department as they may be amended from time to time.

As a result, DHCD cannot effectively monitor the progress of the Authority in preparing vacant units for occupancy.

b. Units Taken Off Line without Authorization

We noted that the former Executive Director of the Yarmouth Housing Authority took four units of state-aided housing off line without DHCD authorization. The Authority indicated that its former Executive Director disagreed with DHCD's regulations and guidelines relative to online Occupancy/Vacancy reporting, which resulted in his not obtaining authorization from DHCD before taking four state-aided housing units off line. DHCD can provide such authorization during the process of preparing and filing of the quarterly online Occupancy/Vacancy reports. Taking units off line without authorization reduces potential rental income that the Authority could be receiving if these units were rented.

The Authority currently has a new Executive Director, who concurred with our findings and has agreed to take the necessary corrective actions to be in compliance with the applicable DHCD regulations and guidelines.

Recommendation

Tenant rents represent the primary revenue source for LHAs. Accordingly, to ensure that they provide needed affordable housing to prospective eligible tenants on waiting lists in a timely manner, the 22 LHAs cited in our report should:

- Prioritize renovating and filling vacant units to comply with DHCD regulations.
- Seek DHCD funding when vacant units require extensive maintenance to meet occupancy standards.²
- File the required online occupancy/vacancy reports (Yarmouth Housing Authority).
- Seek DHCD's authorization before taking units off line (Yarmouth Housing Authority).

4. NONCOMPLIANCE WITH DHCD REGULATIONS REGARDING TENANT LEASE ADDENDA AND OVERHOUSING OF TENANTS

In our audit of the LHAs' controls over tenant lease addenda changes, we noted deficiencies in the preparation/execution of tenants' lease addenda and noncompliance with DHCD regulations

² Subsequent to our audit period, DHCD initiated a Formula Funding Program to ensure that capital funds awarded to state-aided public housing are distributed in an equitable, transparent, and predictable manner. This program will be a subject for a future audit.

regarding the overhousing (tenant occupation of a unit consisting of more bedrooms than are appropriate for the household size) of tenants, as follows:

a. Deficiencies in the Documenting Tenant Lease Addenda

In our audit of the LHAs' controls over lease addenda, we found that five (the Cambridge, Framingham, New Bedford, Pittsfield, and Woburn LHAs) of the 26 LHAs reviewed did not adequately document tenant lease addenda. When a lease addendum is not signed, the tenant may not be legally bound by any changes made to the original lease such as a change of rent or in the number of occupants. Furthermore, the lack of a tenant's signature to a lease addendum is grounds for termination of the lease.

Cambridge Housing Authority

Two lease addenda for Cambridge Housing Authority tenants in the Alternative Housing Voucher Program (AHVP) program and one lease addendum for a tenant in the Massachusetts Rental Voucher Program (MRVP) program were not on file. The 760 CMR 6.06 (1) states, in part:

New tenants shall execute the new or amended lease at the times their tenancies are established. Existing tenants shall execute the new or amended lease at the time of annual re-determinations, and failure by a tenant at that time to execute a new or amended lease (approved by the Department) shall be cause for eviction. Until the new or amended lease is executed as required herein, the terms of the existing lease shall remain in effect unless the lease has been amended by applicable law or terminated for cause.

With regard to the MRVP program, 760 CMR 49.10 (3) states, in part:

All MRVP Participants and Owners or Owner's Agents are required to execute an MRVP Lease Addendum prescribed by the Department. This document insures that a Participant is not bound by a lease that unfairly waives certain legal rights.

The Assistant Director of the Authority stated that lease addenda for these programs were not sent out annually because they provide landlords with the opportunity to terminate the leases. According to the Assistant Director, it is especially difficult to find landlords who are willing to take AHVP vouchers. We noted that, effective January 1, 2011, an MRVP tenant's lease addendum will include an MRVP 2-Party Lease (landlord/tenant), which will eliminate the current "lease addendum."

Framingham Housing Authority

Lease addenda were not signed by Framingham Housing Authority tenants in eight (40%) of 20 tenant files reviewed (continued occupancy only). The 760 CMR 6.06 (5)(q) states, in part:

To sign a new lease or lease addendum whenever necessary to reflect a re-determined rent, a change in household size, or change(s) in terms and conditions of tenancy.

In addition, 760 CMR 6.06 (6)(i) states, in part:

Provisions on Reasons for Termination of the Lease. The lease shall specify reasons for termination of the lease and of occupancy of the unit by tenant and tenant's household; the reasons shall include the following: . . . Failure to sign a lease (or a lease amendment) received from the LHA which contain lease provisions approved by the Department or which is required because of changes in composition or income of tenant's household.

According to the Authority's Director of Public Housing, when lease addenda are mailed to the tenants (especially elderly tenants), they often forget to properly sign and return them to the Authority.

New Bedford Housing Authority

Our audit found that the New Bedford Housing Authority did not execute lease addenda for tenants eligible for continued occupancy during the time of their annual rent determinations for 20 of 20 tenant files reviewed. The 760 CMR 6.06 (1) states, in part:

New tenants shall execute the new or amended lease at the times their tenancies are established. Existing tenants shall execute the new or amended lease at the time of annual re-determinations, and failure by a tenant at that time to execute a new or amended lease (approved by the Department) shall be cause for eviction. Until the new or amended lease is executed as required herein, the terms of the existing lease shall remain in effect unless the lease has been amended by applicable law or terminated for cause.

The Authority's Resident Review Coordinator indicated that the Authority has never issued lease addenda while he has been in his position. He further stated that to his knowledge the previous Executive Director believed he was complying with DHCD regulations by only issuing tenants a letter informing them of the time to prepare rent determinations.

Springfield Housing Authority

Lease addenda were not signed by Springfield Housing Authority tenants in six (27%) of 22 tenant files reviewed.

Woburn Housing Authority

Lease addenda were not signed by Woburn Housing Authority tenants in three (14%) of 21 tenant files reviewed.

b. Noncompliance with DHCD Regulations Regarding the Overhousing of Tenants

Our statewide audit also noted noncompliance with DHCD regulations concerning the overhousing of tenants for two of the 26 LHAs reviewed. When tenants are overhoused, other families in need of an extra bedroom will not be able to rent the unit, and the LHA will receive a lower rent than is appropriate for the unit size.

Lowell Housing Authority

Of the 24 judgmentally selected tenant files reviewed at the Lowell Housing Authority, we noted that one tenant in an MRVP-based unit was overhoused because she occupied a three-bedroom unit with one household member (a disabled minor). The tenant became overhoused when her daughter, at age 23, moved out of the household, thereby leaving the third bedroom unoccupied. The 760 CMR 6.03 defines an overhoused unit as follows:

A tenant household which the LHA has determined, based upon the composition of the household, to be occupying a unit consisting of more bedrooms than is appropriate for the household size pursuant to 760 CMR 5.03 unless such occupancy is authorized by law.

The Authority's Director of Leased Housing stated that he will transfer the overhoused individuals to another program when space becomes available.

We also noted that another tenant in an MRVP project-based unit initially occupied a four-bedroom unit with four members of her household, a son under age 21, and three daughters under age 21. The tenant became overhoused when two of her daughters who shared a bedroom moved out of the household, thereby leaving the fourth bedroom unoccupied. The Director of Leased Housing stated that he will transfer the overhoused individuals to another program when space becomes available.

New Bedford Housing Authority

Of the 20 judgmentally selected tenant files reviewed at the New Bedford Housing Authority, we noted that four units were occupied by tenants who were considered to be overhoused

according to DHCD regulations. The Authority stated that it often does not have the appropriate bedroom size to transfer overhoused tenants and that transferring tenants tends to cause friction, because tenants usually have lived in the unit for many years and are reluctant to move.

Recommendation

These five LHAs (Cambridge, Framingham, New Bedford, Springfield, and Woburn) should comply with DHCD regulations for preparing and executing lease addenda, which define the parameters of the LHAs' and the tenants' rights and responsibilities for new and existing tenants. In addition, the Lowell and New Bedford LHAs should comply with DHCD regulations regarding overhousing of tenants so that families in need of additional bedrooms are addressed.

APPENDIX A

Inventory of State and Federal Conventional Housing Units Administered by Local Housing Authorities

November 30, 2010

No.	LHA	Total Number of		No.	LHA	Total Number of	
		State Conv. Units*	Federal Conv. Units			State Conv. Units*	Federal Conv. Units
1	ABINGTON	112	0	39	CHATHAM	85	0
2	ACTON	142	0	40	CHELMSFORD	194	0
3	ACUSHNET	68	0	41	CHELSEA	560	350
4	ADAMS	98	0	42	CHICOPEE	816	383
5	AGAWAM	242	0	43	CLINTON	177	99
6	AMESBURY	263	0	44	COHASSET	76	0
7	AMHERST	191	15	45	CONCORD	124	18
8	ANDOVER	282	0	46	DALTON	78	0
9	ARLINGTON	710	0	47	DANVERS	199	76
10	ASHLAND	40	0	48	DARTMOUTH	124	0
11	ATHOL	94	0	49	DEDHAM	319	24
12	ATTLEBORO	451	0	50	DENNIS	152	0
13	AUBURN	87	103	51	DIGHTON	72	0
14	AVON	70	0	52	DRACUT	177	44
15	AYER	74	0	53	DUDLEY	88	0
16	BARNSTABLE	257	68	54	DUXBURY	71	0
17	BARRE	66	0	55	EAST BRIDGEWATER	145	0
18	BEDFORD	100	0	56	EAST LONGMEADOW	194	0
19	BELCHERTOWN	76	0	57	EASTHAMPTON	188	0
20	BELLINGHAM	123	0	58	EASTON	194	0
21	BELMONT	256	0	59	ESSEX	40	0
22	BEVERLY	485	168	60	EVERETT	671	0
23	BILLERICA	205	0	61	FAIRHAVEN	285	0
24	BLACKSTONE	56	0	62	FALL RIVER	423	2,000
25	BOSTON	2,520	11,299	63	FALMOUTH	88	222
26	BOURNE	66	56	64	FITCHBURG	570	99
27	BRAINTREE	195	0	65	FOXBOROUGH	153	0
28	BREWSTER	56	0	66	FRAMINGHAM	821	235
29	BRIDGEWATER	166	0	67	FRANKLIN	206	0
30	BRIMFIELD	56	0	68	GARDNER	349	0
31	BROCKTON	394	1,626	69	GEORGETOWN	136	0
32	BROOKFIELD	2	0	70	GLOUCESTER	530	106
33	BROOKLINE	423	498	71	GRAFTON	170	0
34	BURLINGTON	107	0	72	GRANBY	58	0
35	CAMBRIDGE	245	2,595	73	GREAT BARRINGTON	88	0
36	CANTON	249	0	74	GREENFIELD	248	0
37	CARVER	36	0	75	GROTON	27	0
38	CHARLTON	36	0	76	GROVELAND	3	58

No.	LHA	Total Number of		No.	LHA	Total Number of	
		State Conv. Units*	Federal Conv. Units			State Conv. Units*	Federal Conv. Units
77	HADLEY	52	0	115	MASHPEE	30	0
78	HALIFAX	28	0	116	MATTAPOISETT	64	0
79	HAMILTON	67	0	117	MAYNARD	112	32
80	HAMPDEN	56	0	118	MEDFIELD	60	0
81	HANSON	76	6	119	MEDFORD	152	706
82	HARWICH	20	0	120	MEDWAY	103	100
83	HATFIELD	44	0	121	MELROSE	346	0
84	HAVERHILL	446	0	122	MENDON	30	0
85	HINGHAM	106	0	123	MERRIMAC	52	0
86	HOLBROOK	84	0	124	METHUEN	403	42
87	HOLDEN	56	0	125	MIDDLEBOROUGH	190	0
88	HOLLISTON	78	0	126	MIDDLETON	66	0
89	HOLYOKE	80	921	127	MILFORD	288	65
90	HOPEDALE	80	0	128	MILLBURY	207	0
91	HOPKINTON	98	0	129	MILLIS	83	0
92	HUDSON	142	92	130	MILTON	65	0
93	HULL	68	0	131	MONSON	95	0
94	IPSWICH	250	0	132	MONTAGUE	110	0
95	KINGSTON	56	0	133	NAHANT	48	0
96	LANCASTER	70	0	134	NANTUCKET	22	19
97	LAWRENCE	522	1,046	135	NATICK	422	0
98	LEE	77	0	136	NEEDHAM	160	136
99	LEICESTER	132	0	137	NEW BEDFORD	800	1,751
100	LENOX	122	0	138	NEWBURYPORT	166	50
101	LEOMINSTER	426	0	139	NEWTON	180	302
102	LEXINGTON	165	77	140	NORFOLK	84	0
103	LITTLETON	68	0	141	NORTH ADAMS	9	306
104	LOWELL	198	1,812	142	NORTH ANDOVER	190	105
105	LUDLOW	166	0	143	NORTH ATTLEBOROUGH	272	0
106	LUNENBURG	54	0	144	NORTH BROOKFIELD	73	0
107	LYNN	405	453	145	NORTH READING	44	0
108	LYNNFIELD	72	0	146	NORTHAMPTON	508	109
109	MALDEN	193	1,207	147	NORTHBOROUGH	138	0
110	MANCHESTER	84	0	148	NORTHBRIDGE	84	0
111	MANSFIELD	162	0	149	NORTON	144	0
112	MARBLEHEAD	307	0	150	NORWELL	96	0
113	MARLBOROUGH	239	0	151	NORWOOD	385	96
114	MARSHFIELD	113	0	152	ORANGE	64	0

No.	LHA	<i>Total Number of</i>		No.	LHA	<i>Total Number of</i>	
		State Conv. Units*	Federal Conv. Units			State Conv. Units*	Federal Conv. Units
153	ORLEANS	127	0	191	STOUGHTON	238	40
154	OXFORD	188	0	192	SUDBURY	84	0
155	PALMER	48	0	193	SUTTON	40	0
156	PEABODY	509	0	194	SWAMPSCOTT	128	0
157	PEMBROKE	139	49	195	SWANSEA	72	8
158	PEPPERELL	70	0	196	TAUNTON	216	558
159	PITTSFIELD	558	155	197	TEMPLETON	60	0
160	PLAINVILLE	40	0	198	TEWKSBURY	182	50
161	PLYMOUTH	244	112	199	TOPSFIELD	60	0
162	PROVINCETOWN	33	0	200	TYNGSBOROUGH	116	0
163	QUINCY	938	651	201	UPTON	40	0
164	RANDOLPH	244	0	202	UXBRIDGE	136	0
165	RAYNHAM	62	0	203	WAKEFIELD	157	40
166	READING	98	0	204	WALPOLE	138	0
167	REVERE	704	194	205	WALTHAM	545	265
168	ROCKLAND	42	40	206	WARE	111	0
169	ROCKPORT	104	0	207	WAREHAM	104	0
170	ROWLEY	54	0	208	WARREN	70	0
171	SALEM	676	39	209	WATERTOWN	539	50
172	SALISBURY	80	0	210	WAYLAND	0	136
173	SANDWICH	61	0	211	WEBSTER	118	61
174	SAUGUS	221	100	212	WELLESLEY	235	0
175	SCITUATE	166	51	213	WENHAM	92	0
176	SEEKONK	80	0	214	WEST BOYLSTON	62	0
177	SHARON	102	0	215	WEST BRIDGEWATER	48	0
178	SHELBURNE	46	0	216	WEST BROOKFIELD	54	0
179	SHREWSBURY	163	99	217	WEST NEWBURY	26	0
180	SOMERSET	135	0	218	WEST SPRINGFIELD	359	0
181	SOMERVILLE	774	584	219	WESTBOROUGH	110	0
182	SOUTH HADLEY	156	0	220	WESTFIELD	441	0
183	SOUTHBOROUGH	67	0	221	WESTFORD	87	0
184	SOUTHBRIDGE	176	0	222	WESTPORT	48	0
185	SOUTHWICK	68	40	223	WEYMOUTH	405	70
186	SPENCER	190	0	224	WHITMAN	182	0
187	SPRINGFIELD	578	1,809	225	WILBRAHAM	84	0
188	STERLING	40	0	226	WILLIAMSTOWN	46	0
189	STOCKBRIDGE	59	0	227	WILMINGTON	85	0
190	STONEHAM	281	0	228	WINCHENDON	119	127

<u>No.</u>	<u>LHA</u>	<u>Total Number of</u>	
		<u>State</u> <u>Conv.</u> <u>Units*</u>	<u>Federal</u> <u>Conv.</u> <u>Units</u>
229	WINCHESTER	119	0
230	WINTHROP	437	0
231	WOBURN	415	100
232	WORCESTER	562	2,438
233	WRENTHAM	81	0
234	YARMOUTH	48	0
235	BERKSHIRE COUNTY **	30	0
236	DUKES COUNTY **	8	0
237	FRANKLIN COUNTY **	98	0
238	HAMPSHIRE COUNTY **	40	0
	TOTAL	<u>45,601</u>	<u>37,441</u>

Legend:

*: 200-C, 667-C, 705-C, and 167/689 State-Aided
Conventional Housing

** : Regional Housing Authority

Source: Department of Housing and Community Development

APPENDIX B

Local Housing Authorities Visited and Conventional Units Administered

<u>Authority</u>	<u>Total Number of State Conventional Units ³</u>
Barnstable	257
Beverly	485
Braintree	195
Cambridge	245
Canton	249
Dedham	319
Fall River	423
Fitchburg	570
Framingham	821
Gardner	349
Gloucester	530
Haverhill	446
Holyoke	80
Lowell	198
Middleborough	190
New Bedford	800
Newburyport	166
Peabody	509
Pittsfield	558
Quincy	938
Salem	676
Springfield	578
Taunton	216
Woburn	415
Worcester	562
Yarmouth	<u>48</u>
Total	<u>10,823</u>

³ State-aided Conventional Housing : 200-C, 667-C, 705-C, and 167/689

APPENDIX C

Summary of Waiting List Applicants for State Low-Income Housing

November 30, 2010

Number of Applicants on Waiting List

<u>LHA</u>	<u>Elderly Housing Applicants</u>	<u>Family Housing Applicants</u>	<u>Total Applicants</u>
Barnstable	457	508	965*
Beverly	228	300	528*
Braintree	378	85	463
Cambridge	1,388	1,967	3,355*
Canton	152	144	296*
Dedham	218	1,068	1,286*
Fall River	122	1,435	1,557*
Fitchburg	40	42	82*
Framingham	403	3,247	3,650
Gardner	130	1,620	1,750*
Gloucester	252	595	847*
Haverhill	300	892	1,192*
Holyoke	81	1,074	1,155
Lowell	475	1,416	1,891
Middleborough	13	20	33*
New Bedford	199	659	858*
Newburyport	101	310	411*
Peabody	479	465	944*
Pittsfield	158	132	290*
Quincy	1471	339	1,810*
Salem	294	214	508*
Springfield	214	321	535*
Taunton	5,522	568	6,090*
Woburn	401	857	1,258*
Worcester	431	1,128	1,559*
Yarmouth	180	-0-	180*

*LHA has significant unit vacancies in excess of DHCD guidelines.

APPENDIX D

Schedule of Vacant Units in Excess of DHCD Guidelines

<u>LHA</u>	<u>Program</u>	<u>No. of Vacant Units</u>	<u>Total Days Vacant</u>	<u>Days in Excess of DHCD Guidelines</u>	<u>Average Turnaround Time</u>	<u>Unearned Potential Rental Income</u>
Barnstable	667	27	1,082	515	40	\$5,667
	705	12	649	397	54	1,940
Beverly	200	23	1,142	659	50	7,524
	667	57	3,509	2,312	62	24,738
	705	1	24	3	24	41
Cambridge	200	25	1,948	1,423	78	48,154
	667	28	2,123	1,535	76	32,838
	705	4	154	70	39	2,241
Canton	200	3	209	146	75	1,111
	667	59	3,960	2,721	67	20,207
	705	1	37	16	37	79
Dedham	200	25	2,214	1,689	89	19,562
	667	42	3,690	2,808	88	32,936
Fall River	200	206	26,571	22,245	129	203,645
	667	126	12,959	10,313	103	96,010
	705	9	963	774	107	8,913
Fitchburg	200	155	11,686	8,431	75	290,639
	667	154	21,542	18,308	140	201,218
	705	2	547	505	274	4,184
Gardner	200	17	1,328	971	78	7,762
	667	124	12,455	9,851	100	78,393
	705	4	159	75	40	601
Gloucester	200	41	2,851	1,990	70	19,673
	667	9	347	158	39	1,676
	705	1	116	95	116	1,331
Haverhill	200	12	586	334	49	4,117
	667	39	1,811	992	46	10,258
	705	12	556	304	46	4,658
Middleborough	667	22	1,639	1,177	75	13,653

<u>LHA</u>	<u>Program</u>	<u>No. of Vacant Units</u>	<u>Total Days Vacant</u>	<u>Days in Excess of DHCD Guidelines</u>	<u>Average Turnaround Time</u>	<u>Unearned Potential Rental Income</u>
New Bedford	200	109	9,473	7,184	87	68,751
	667	76	7,783	6,187	102	59,210
	705	31	3,365	2,714	109	25,973
Newburyport	200	10	451	241	45	1,733
	667	2	89	47	45	259
Peabody	200	18	1,670	1,292	93	25,562
	667	72	4,923	3,411	68	70,956
	705	4	522	438	131	9,172
Pittsfield	200	93	10,544	8,591	113	50,294
	667	139	9,428	6,509	68	64,624
	705	21	1,331	890	63	8,099
Quincy	200	38	1,379	581	36	6,358
	667	1	25	4	25	45
	705	1	24	3	24	34
Salem	200	20	513	93	26	1,049
	667	42	1,066	184	25	1,878
	705	6	141	15	24	148
Springfield	200	75	3,434	1,859	46	16,471
	667	32	1,208	536	38	4,658
	705	7	288	141	41	2,544
Taunton	667	5	148	43	30	394
Woburn	200	23	808	325	35	4,862
	667	52	3,262	2,170	63	25,379
Worcester	200	141	7,902	4,941	56	39,775
	667	10	551	341	55	2,745
Yarmouth	667	<u>8</u>	<u>917</u>	<u>749</u>	115	<u>7,977</u>
Total		<u>2,276</u>	<u>188,102</u>	<u>140,306</u>		<u>\$1,642,719</u>

APPENDIX E

DHCD's Response to Audit Issues

We provided a draft copy of this report to Department of Housing and Community Development (DHCD) officials for their review and response and took their following comments into consideration in preparing our final report.

1. *Noncompliance with DHCD Eligibility and Selection Procedures*

DHCD did not respond to this issue.

2. *Improvements Needed in Tenant Rent Determinations*

DHCD did not respond to this issue.

3. *Noncompliance with DHCD Regulations Regarding Excessive Vacancies, Vacancy Reporting, and Unauthorized Off-Line Units*

Vacancies and Off-Line Units:

Facilities Management Specialist

In June 2009, DHCD implemented a new approach to providing technical assistance to local housing authorities for maintenance delivery services, including the turning over of vacant units. The Facilities Management Specialists (FMS) unit is comprised of one manager and three staff members, who provide technical assistance, in the field, to local housing authorities to assess maintenance systems, develop maintenance procedures in collaboration with each housing authority and address serious property maintenance needs, including prolonged vacancies. Over the past few years the FMS unit has assisted numerous local housing authorities to turnover and re-occupy units.

Formula Funding Initiative

The Department of Housing and Community Development (DHCD) initiated a Formula Funding (FF) Program in June 2010 to ensure swift and equitable distribution of capital funds awarded for the renovation and preservation of state-aided public housing units. Each LHA's FF award is a proportional needs-based share of DHCD's capital funding as determined by the state-wide Capital Planning System (CPS) inventory of expired building and site components, a web-based tool developed by DHCD and now maintained by each housing authority.

To access FF, LHAs must submit for DHCD approval a five (5) year Capital Improvement Plan (CIP) that describes their capital investment program to preserve and modernize their state-aided public housing units. After the first CIP is approved, each LHA must submit an updated CIP together with its annual operating budget submission. This approach will permit LHAs to document how they are taking a coordinated approach to deploying capital, operating and maintenance resources to manage their entire state-

aided public housing portfolio and effectively use capital dollars to keep units on-line and occupied.

Executive Order 539 – Commission for Public Housing Sustainability and Reform:

Governor Patrick has established a study commission chaired by the Undersecretary for Housing and Community Development that will make a comprehensive review of public housing and develop recommendations for the sustainability and reform of public housing authorities and the portfolio of state aided public housing. Several areas to be reviewed by the Commission speak directly to the audit findings. In part the commission will consider:

- *Statutory and regulatory requirements that are overly burdensome or unduly constraining on the operations of public housing authorities;*
- *Enhanced reporting and auditing procedures that will ensure the integrity of the state aided public housing system.*

The Commission must complete its report to the Governor and makes its recommendation within 60 days of its first meeting.

Affordable Housing Trust Initiative:

The Department allocated two million dollars (\$2,000,000) to housing authorities to provide them with the resources to bring vacant units back online. Through this initiative we estimate that 174 long-term vacancies will be re-occupied.

LHA Training:

The Department is poised to begin implementation of new local housing authority trainings which are being developed in cooperation with Massachusetts NAHRO [the National Association of Housing and Redevelopment Officials].

4. Noncompliance with DHCD Regulations Regarding Tenant Lease Addenda and Overhousing of Tenants

DHCD did not respond to this issue.

The DHCD response concluded by stating:

The Department is confident that the initiatives described here (above) will serve to resolve the findings noted in your audit report. In addition, the Department will follow up with each individual housing authority cited, to provide necessary assistance to correct the individual findings.