



The Commonwealth of Massachusetts
Office of the Inspector General

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Center for Family, Work, and Community
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Dear Dr. Turcotte:

As you know, the Massachusetts Office of the Inspector General (OIG) reviewed the U.S. Department of Housing and Urban Development (HUD) Healthy Homes grant of approximately \$875,000 awarded to the University of Massachusetts Lowell (UMass) in April 2009 as part of the OIG review of the American Recovery and Reinvestment Act (ARRA). The OIG is reviewing ARRA-related grants to identify potential vulnerabilities for fraud, waste, and abuse and other risks that could negatively impact the accountability, transparency, and anti-fraud mandates contained in the statutory language and interpretive guidance of ARRA. This review should not be construed as an investigation of the program or a comprehensive programmatic review. This review is to assist the recipient in identifying risks and providing recommendations to address these risks.

The Healthy Homes grant is intended to identify and remediate health and safety hazards found in housing with children and elderly residents. It also attempts to prevent serious diseases and injuries relating to mold, asthma inducing factors, and faulty smoke/fire and carbon monoxide detectors. The Healthy Homes grant is specifically designed to:

- Support education and training in:
 - Types of and use of asthma medication;
 - Keeping an allergen-free home;
 - The importance of maintaining working detectors;
 - The remediation of possible safety hazards.
- Support remediation in the form of:
 - Pest control, including integrated pest management services;

- House cleaning;
 - The purchase of cleaning and allergen reduction equipment such as vacuums, air purifiers, and other appliances;
 - Small scale maintenance work such as painting, plastering, and carpentry.
- Support the research and advancement of “healthy homes practices” in the form of developing novel program components in the areas of:
 - Program design/partnering;
 - Identification of high risk communities;
 - Hazard assessment;
 - Education and outreach;
 - Program sustainability.

This is the first time UMass has received a Healthy Homes remediation grant, although between 2002 and 2005, UMass received a Healthy Homes grant to conduct research. For the current grant, UMass estimates it will be able to provide outreach and education services to 575 clients. It plans to assess and provide remediation services to an estimated 160 homes. Additionally, UMass will facilitate job training for 75 individuals in the areas of environmental inspection and hazard abatement for the purpose of future employment in the field.

As previously mentioned, UMass has been a recipient of the Healthy Homes grant for various rounds of the program. Before the current grant, UMass’ funding was primarily for research purposes to study the long term effects of household allergens. As a result of their successful administration of previous rounds of funding, UMass was awarded an expanded Healthy Homes grant that included remediation of homes. This expansion includes work never previously performed by UMass. Under the ARRA funded Healthy Homes remediation grant, UMass works with Lowell Community Health Center and Coalition for a Better Acre, whom UMass refers to as subrecipients. These two subrecipients perform the remediation work under UMass’ oversight while UMass continues its research efforts.

To assist UMass to reduce program risk, the OIG has identified the following areas where there may be an opportunity to increase controls:

- 1. The United States Office of Management and Budget (OMB) considers both new grants and ARRA funded grants to be a high risk for fraud, waste and abuse.**

Because this is the first time UMass has received a Healthy Homes remediation grant which includes a new scope of work for UMass, the program must be considered high risk. High risk grants require greater oversight and consideration should be given to completing a risk assessment of the program.

Risk assessment is a tool that is used to identify vulnerabilities and efficiency issues that may affect the achievement of organizational or programmatic goals. A risk assessment should be conducted in an effort to identify and rate the significance of any potential risks that may not have been identified previously.

Risk assessment resources are available through various public, private, and not-for-profit sources including the Massachusetts State Comptroller and the Community Action Program Legal Services, Inc. (CAPLAW).

2. The Healthy Homes Program should be included for review by UMass' outside auditor at least once during the performance period of the grant.

UMass staff indicated to the OIG that the University as a whole receives an annual outside audit. Staff also indicated that the Healthy Homes program has yet to be reviewed. The OIG recommends that UMass' outside auditor review the program or include the program in its sampling at least once over the performance period of the grant. Even though the dollar value of the program is small relative to total University funding, the additional oversight responsibilities associated with ARRA would make a review by the outside auditor prudent.

3. UMass should consider volume purchasing for the safety and remediation supplies it provides to clients.

UMass should ensure that its subrecipient, Lowell Community Health Center (LCHC), is getting best value for supplies purchased using ARRA Healthy Homes grant funds. Currently, LCHC purchases remediation supplies and safety devices, such as, vacuums, air purifiers, and smoke detectors. According to staff, some equipment is purchased on an as-needed basis after obtaining price quotes from local vendors. For example, they may purchase vacuums "10 at a time" from a vendor like *Home Depot* based on the number of scheduled home visits and availability of storage space at LCHC's offices. LCHC staff stated they believe that they are receiving reasonable price quotes from responsible vendors for this equipment.

The OIG recommends that LCHC investigate volume purchasing. LCHC may be able to get better pricing by purchasing equipment in bulk, including the bundling of different equipment types. For example, LCHC plans to provide remediation services to 160 clients and may be able to get a better price on purchasing 160 vacuums than only purchasing 10 at a time. If storage space is an issue, then perhaps vendor pricing based on volume can be negotiated for specific time periods such as 6, 12 or 18 months. Purchases can then be made during that period without having to maintain a large in-house inventory. This may save money over the grant term and free staff resources that are devoted to frequent procurement cycles.

LCHC might also consider a cooperative purchase with the other grant recipient, Self Help, Inc., that may be purchasing the same type of equipment.

4. UMass should verify with HUD's Government Technical Representative (GTR) that Federal Acquisition Regulations (FAR) do not apply to the purchase of Safety Devices and Remediation Supplies.

The grant agreement indicates that LCHC will spend \$35,200 for the purchase of remediation supplies and safety devices. LCHC currently purchases these supplies in small quantities. UMass should confirm with its GTR that the total estimated cost of \$35,200 expended by LHCH does not trigger FAR procurement rules for the purchase of these supplies and ensure that it is following proper procurement procedures as prescribed in the OMB Circular A-110.

Also, the recommendation for bulk purchasing in the previous finding may trigger FAR procurement requirements where none existed previously. If LCHC considers bulk purchasing then it should consult with its GTR as well.

5. UMass should make every effort to ensure their subrecipients are receiving best value from service vendors.

UMass should ensure that its subrecipient, Coalition for a Better Acre (CBA), is getting best value from service vendors it contracts with for remediation services, such as integrated pest management and air sampling, using ARRA Healthy Homes grant funds. CBA indicated that the same few vendors are usually asked for quotes on a job by job basis.

The OIG understands that a full bid process for every home-based intervention would be inefficient. The OIG also understands that based on CBA's service area, the number of qualified service contractors may be limited. However, it is still important that CBA receive quotes from as many qualified vendors as possible and be mindful of a wider market. Increased competition may help to ensure best value and provide greater opportunity for businesses to access ARRA-funded contracts.

CBA could consider advertising an annual quote for standalone services, such as integrated pest management and air sampling, to take advantage of lower prices that might be available through volume purchasing. For example, there might be a lower price for pest control services for 50 homes rather than for 10 homes. Even though the specific types of remediation that will be needed for each unit served is not known at the beginning of the grant cycle, CBA could use estimates from past grant cycles and ask vendors to bid based on the estimated volume (with the understanding that the volume of work is not guaranteed.)

6. As a best practice, UMass should require its subrecipients to replace oral agreements with all supply and service vendors with written contracts or purchase orders/ invoices.

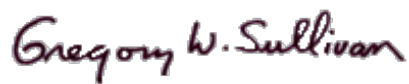
According to UMass subrecipients, they do not maintain formal written agreements or other documentation with all supply and service vendors. Written agreements or purchase orders would provide UMass and its subrecipients with basic legal protections and could act to clearly define the scope of services, price, compliance requirements, performance indicators, and other grant-specific or sound business practice requirements such as insurance, licensing, etc.

7. UMass should develop and train staff on fraud awareness and prevention policies.

Based on conversations with staff from UMass and its subrecipients, it does not appear that UMass has issued fraud awareness and prevention policies or trained staff on such policies. LCHC staff also stated that they are not aware of any anti-fraud policies or procedures within their own organization or from UMass. Only CBA appears to have its own anti-fraud policies that they train staff on and that are applicable throughout their multiple programs, including Healthy Homes. Anti-fraud policies are important for accountability, transparency, and maintenance of a robust control environment. UMass should develop, distribute, and train all employees and subrecipients in anti-fraud policies and fraud awareness and ensure that subrecipients are following these policies and training their staff as well. The OIG would be willing to review and comment on any draft policies or documents UMass may produce. The OIG can also provide anti-fraud training to UMass and its subrecipient staff as well. Please let the OIG know if UMass is interested in obtaining further assistance in this area.

Please do not hesitate to contact us for further assistance with this or other programs or to report evidence of potential fraud, waste, or abuse in the expenditure of public funds. Our point of contact for your agency is Neil Cohen, Deputy Inspector General. Thank you again for the assistance and cooperation of you and your staff during this review.

Sincerely,

A handwritten signature in dark ink that reads "Gregory W. Sullivan". The signature is written in a cursive, slightly slanted style.

Gregory W. Sullivan
Inspector General