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INSPECTOR GENERAL

The Commonwealth of Massachusetts
Office of the Inspector General

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December 20, 2010

Undersecretary Tina Brooks
Department of Housing and Community Development
100 Cambridge Street, Suite 300
Boston, MA 02114

Dear Undersecretary Brooks:

Thank you for the Department of Housing and Community Development's (DHCD) response of November 5, 2010 regarding the Office of the Inspector General's (OIG) request for information concerning KPMG LLP's August 2009 "Readiness Assessment" for compliance with the requirements under the American Recovery and Reinvestment Act (ARRA).

As a follow up to your November 2010 letter, the OIG would like to offer the following comments:

In response to the KPMG issue, "Federal Performance Measures," DHCD stated that its Chief Legal Counsel had prepared a "comprehensive package for contracts...based upon the language disseminated by the Comptroller's Office on August 11, 2009...and that "the appropriate performance measures are now contained in all subrecipient and vendor contracts or attachments." As KPMG recommended, we encourage DHCD to include all ARRA stipulated performance measures in subrecipient and vendor contracts and reiterate in subsequent communications the necessity for subrecipients and vendors to subscribe to these measures since performance measures are a vital determinant of the impact of ARRA-funded programs.

Regarding the KPMG issue, "Fraud, Waste, and Abuse (Prevention, Detection, and Response)" KPMG recommended a number of steps for DHCD to take to establish and formalize a fraud, waste, and abuse program to "help ensure antifraud controls address program fraud issues and concerns." DHCD's response included that it was, "...in the process of hiring an ARRA Oversight Manager whose responsibilities will include monitoring the implementation of any KPMG recommendations not yet in

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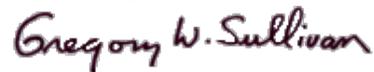
place...include[ing] formalizing third party due diligence standards and guidance, proactive forensic data analysis, and on-going management of antifraud controls.” The OIG stresses the importance for DHCD to establish an on-going agency-wide effort consisting of periodic staff training, risk assessments, compliance reviews, selected audits or reviews, and other prevention and detection protocols. This program could be managed by in-house staff with the cooperation and support of both state and federal oversight agencies. In this way, your agency will not be forced to rely upon the knowledge of individual employees or disparate practices to detect and prevent fraud, waste, and abuse.

The OIG takes this opportunity to remind DHCD that a comprehensive anti-fraud program is crucial for the prevention and detection of fraud, waste, and abuse. Ongoing maintenance and communication of this program are essential tools in ensuring it is a vibrant part of your agency’s internal controls and oversight framework.

The OIG encourages DHCD to continue to implement and maintain the recommendations put forth in KPMG’s “Readiness Assessment.”

If you have any questions or concerns, please contact Deputy Inspector General Neil Cohen at (617)722-8819. Again, thank you for your assistance and cooperation in this matter.

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

cc: Doug Rice, MA Recovery and Reinvestment Office
Peter Scavotto, Office of the State Comptroller