



The Commonwealth of Massachusetts
Office of the Inspector General

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May 3, 2010

Mr. Jonathan Carlson
Executive Director
Self Help, Inc.
142 Crescent Street
Brockton, MA 02302

Dear Mr. Carlson:

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 \$875,000 awarded to Self Help, Inc. (SHI) 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 income eligible housing¹ 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.

¹ Income eligibility varies depending on municipality and family size, and is based on Massachusetts Housing Finance Agency (MassHousing) income guidelines.

- 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.

SHI has been awarded the Healthy Homes grant since 2005. For the current grant, SHI estimates it will be able to provide outreach and education services to 1,000 clients, of whom 300 will receive an in-home hazard evaluation. Approximately 190 clients will receive direct in-home remediation services. Additionally, SHI will facilitate job training for 50 individuals in the areas of environmental inspection and hazard abatement for the purpose of future employment in the field.

According to a January 2010 HUD review, SHI met or exceeded its program goals for the October - December 2009 grant period. As a result, SHI received a score of 100 out of 100 and a “low” risk rating by HUD. The OIG recognizes these positive reviews and commends SHI for this achievement.

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

1. The Healthy Homes Program should be included for review by SHI’s outside auditor at least once during the performance period of the grant.

SHI staff indicated to the OIG that the entity receives an annual audit from an outside auditing firm and is subject to federal Single Audit Act requirements. Staff also indicated that last year’s audit did not include the Healthy Homes program in its review. Based on the dollar value of the grant and the increased monitoring and oversight requirements associated with ARRA, it is important that SHI’s outside auditor review the program at least once over the performance period of the grant. The OIG therefore recommends the Healthy Homes program be included in a review by an external auditor at least once during the grant period.

2. SHI should consider volume purchasing for the safety and remediation supplies it provides to clients.

Currently, SHI purchases equipment for the program including items 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, staff stated 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 SHI’s offices. SHI staff stated they believe that they are receiving reasonable price quotes from responsible vendors for this equipment.

The OIG recommends that SHI investigate volume purchasing. SHI may be able to get better pricing by purchasing equipment in bulk, including the bundling of different equipment types. For example, SHI plans to provide remediation services to 190 clients and may be able to get a better price on purchasing 190 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. Since SHI indicated to the OIG that it is in contact with and has assisted the one other Healthy Homes grant recipient in the Commonwealth, it might also consider a cooperative purchase with the other grant recipient who may be purchasing the same type of equipment.

3. SHI 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.

SHI’s Healthy Homes grant budget document allocates \$51,000 for the purchase of Remediation Supplies and Safety Devices. SHI currently purchases these supplies in small quantities. SHI should confirm with its GTR that the total estimated cost of \$51,000 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 Federal Office of Management and Budget (OMB) Circular A-110.

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

4. SHI should make every effort to ensure they are receiving best value from service vendors².

According to SHI staff, quotes for services, such as integrated pest management or air sampling, are not obtained as frequently as quotes for supplies. SHI also indicated that the same few vendors are usually asked for quotes. This recommendation is not meant to apply to the semi-professional remediation services provided by the Brockton YouthBuild Program or the professional remediation services subject to a more formal bid process.

The OIG understands that a full bid process for every home-based intervention would be inefficient. The OIG also understands that based on SHI's service area, the number of qualified service contractors may be limited. However, it is still important that SHI 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.

SHI could consider advertizing a yearly 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, SHI 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.)

5. As a best practice, SHI should have written contracts/agreements with all supply and service vendors.

According to SHI, it does not maintain formal written agreements or contracts with all supply and service vendors. Written contracts would provide SHI basic legal protections and act to clearly define the scope of services, price, compliance requirements and performance indicators and other grant-specific or sound business practice requirements such as insurance, licensing, etc.

6. SHI should require employees to specifically account for and record the time worked for each funding source.

The grant agreement does not contain specific language that addresses how employee time must be reported and accounted for. However, unless a substitute system has been approved by HUD, SHI must ensure that their tracking of time is in compliance with OMB Circular A-122 (A-122). The grant advises recipients to

² This recommendation is not meant to apply to the semi-professional remediation services provided by the Brockton YouthBuild Program or the professional remediation services subject to a more formal bid process.

comply with A-122. A-122 directs that reports of employee time be maintained for award funds used to pay wages or salaries, and for wages and salaries treated as both direct and indirect costs. It further directs that, "The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services were performed) do not qualify as support for charges to the award."

SHI does maintain employee time records. However, some employees work under multiple grants or funding sources. As a result, time records reflect total time worked but it is difficult to determine actual time worked under each specific grant. Instead, a formula based on the estimated time outlined in SHI's grant proposal allocates time worked. For example, if 40 hour per week "employee A" is funded by the Healthy Homes grant program at 50 percent, it is assumed that 50 percent of "employee A's" time or 20 hours have been spent on the Healthy Homes program in that week.

For accountability and compliance purposes, SHI should consider requiring employees to specifically account for and record the time worked for each funding source. Whenever practicable, this time accounting should reflect the grant-specific service being performed. For example, two hours for training, two hours for outreach etc.

Not only does this provide for an audit trail, but could also be used to better measure grant performance and can be used to reconcile proposed budget items under the grant to actual expenditures.

7. SHI should report a personnel change and variation from its original grant proposal to its GTR immediately.

The grant included funding for the employment of a pediatric nurse practitioner at SHI's partner organization, the Brockton Neighborhood Health Center (BNHC). The nurse practitioner's responsibilities under the grant included assisting during home visits, assessing the medical state of children and elderly clients, and educating clients on the use of asthma medication.

SHI proposed that during the 30 month grant cycle, the nurse practitioner would provide case management for 125 children and coordinate child health care with other physicians and health care providers. Including recruitment, materials and supply costs, the total cost associated with the nurse practitioner was estimated to be \$206,875. The HUD Healthy Homes grant would fund \$50,000 of this total estimate.

SHI informed the OIG that BNHC currently does not employ a nurse practitioner. SHI staff stated to the OIG that they do not believe this will have a negative effect on their grant performance schedule because SHI staff has recently completed training

through the “Easy Breathing” program and has acquired a license to implement the program in health centers and hospitals. SHI stated that they are considering using the funds originally budgeted for the nurse practitioner for implementation of the “Easy Breathing” program in various locations within SHI’s service area.

SHI indicated to the OIG that they will be discussing this potential change to the original work plan with their GTR. The OIG recommends that SHI officially report this situation to their GTR immediately. The grant agreement directs that all key personnel and work plan changes must be reported to HUD. SHI should obtain HUD’s approval for this program change.

8. SHI should continue to develop and train staff on fraud awareness and prevention policies.

SHI staff indicated to the OIG that they did not have agency-wide anti-fraud policies but that they are in the process of developing them. Anti-fraud policies are important for accountability and transparency and for maintaining a robust control environment. These policies should be distributed to all employees and SHI should provide regular training in, review of, and enforcement of these policies.

The OIG commends SHI’s initiative to develop detailed policies and its plan to train all staff on the policies once they are completed. The OIG would be willing to review and comment on any draft policies or documents SHI may have in production. The OIG can also provide anti-fraud training to SHI staff as well. Please let the OIG know if further assistance is needed in this area.

9. SHI should periodically complete its own Risk Assessment for the Healthy Homes Program.

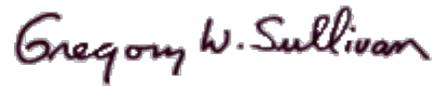
Risk Assessment is a tool that is used to identify vulnerabilities and efficiency issues that may affect the achievement of organizational or programmatic goals.

SHI should consider periodically completing its own risk assessment of the Healthy Homes and other programs 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).

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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