



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

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NO. 2010-0635-3R

**INDEPENDENT STATE AUDITOR'S REPORT
ON THE
CLINTON HOUSING AUTHORITY'S USE OF
AMERICAN RECOVERY AND REINVESTMENT
ACT FUNDS
MARCH 1, 2009 TO AUGUST 31, 2010**

**OFFICIAL AUDIT
REPORT
FEBRUARY 15, 2011**



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February 15, 2011

2010-0635-3R

Thomas McLaughlin, Chairman
Clinton Housing Authority
58 Fitch Road
Clinton, Massachusetts 01510

Dear Chairman McLaughlin:

Enclosed is an audit report for your review. This audit of the Clinton Housing Authority covers the audit period March 1, 2009 through August 31, 2010. This is one of a number of audits commenced and largely completed during the tenure of my predecessor, State Auditor A. Joseph DeNucci. Should you desire more information relative to this audit, please contact me.

I look forward to fostering a cooperative relationship between our respective offices. If my staff or I may be of assistance at any time, please do not hesitate to call upon us. I know we both share the goal of making government work better.

Sincerely,

A handwritten signature in black ink, appearing to read "Suzanne M. Bump".

Suzanne M. Bump

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The Clinton Housing Authority (CHA) is authorized by and operates under, the provisions of Chapter 121B of the Massachusetts General Laws. The CHA was awarded an American Recovery and Reinvestment Act (ARRA) grant from the Department of Housing and Urban Development for capital improvements in the amount of \$212,486 for the installation of new windows at their public housing project. As of August 31, 2010, the Clinton Housing Authority has expended the full amount of the grant. CHA also received two additional grants funded by the ARRA program. The Authority received approval to replace 14 furnaces at its Veterans housing project through the Department of Housing and Community Development weatherization program at a total cost of \$51,730. CHA also awarded \$488,723 from the Town of Clinton's Community Block Grant for the upgrade of the electrical system at its Elderly housing project.

In accordance with Chapter 11, Section 12, of the General Laws, we have conducted an audit of certain activities of the CHA for the period March 1, 2009 to August 31, 2010. The objectives of our audit were to conduct a review of certain federal stimulus funds received and expended by the CHA and to review the management control system for measuring, reporting and monitoring the effectiveness of its programs and to evaluate compliance with laws, rules and regulations applicable to ARRA.

Based on our review, we have concluded that, except for the matters discussed in the Audit Results section of this report, during the 18-month period ended August 31, 2010 the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

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IMPROVEMENTS NEEDED IN ARRA REPORTING

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During our audit of the CHA's ARRA reporting, we found that the CHA overstated its Section 1512 jobs created/retained number for each of the quarterly reporting periods beginning with the September 30, 2009 period and ending with the June 30, 2010 period. The CHA reported on each quarterly report filed beginning with the September 30, 2009 report through the June 30, 2010 report that 3.0 jobs were jobs created/retained for a total of 12 jobs created/retained during the project. We recalculated the jobs number using the standard Full-time Equivalents (FTE) work schedule reported to us by the vendor and the number of hours worked during the quarter ending December 31, 2009 and found the FTE jobs reported should have been 1.5 jobs and should only have been reported on the September 30, 2009 quarterly report. By reporting 3.0 jobs each quarter, the Authority reported 12 jobs being created under this ARRA grant; however, only 1.5 jobs were actually created/retained.

Also, we reviewed the December 31, 2009 1512 quarterly report and found that the Authority stated its expenses were \$192,959. We reviewed the expenditures for the ARRA grant and found that the Authority had incurred an additional \$19,527 in expenses during that quarter and therefore should have reported a total of \$212,486 as of December 31, 2009.

INTRODUCTION

Background

The Clinton Housing Authority (CHA) is authorized by and operates under the provisions of Chapter 121B of the Massachusetts General Laws. The Authority oversees 100 federal public housing units, 169 elderly state units, 34 family state units and eight special needs housing units and nine state rental vouchers.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the General Laws, we have conducted an audit of certain activities of the CHA for the period March 1, 2009 to August 31, 2010. The objectives of our audit were to conduct a review of certain federal stimulus funds received and expended by the CHA and to review the management control system for measuring, reporting and monitoring the effectiveness of its programs and to evaluate compliance with laws, rules and regulations applicable to the American Recovery and Reinvestment Act (ARRA).

Our audit scope was limited to federal stimulus funds the CHA received under the ARRA. During our audit period, the CHA was awarded an ARRA grant from the Department of Housing and Urban Development for capital improvements in the amount of \$212,486 for the replacement and installation of windows at the public housing project. As of August 31, 2010 the CHA has expended the full amount of the grant. CHA also received two additional grants funded by the ARRA program. The Authority received approval to replace 14 furnaces at its Veterans housing project through the Department of Housing and Community Development (DHCD) weatherization program at a total cost of \$51,730. CHA also was awarded \$488,723 from the Town of Clinton's Community Block Grant for the upgrade of the electrical system at its Elderly housing project. The following table details the federal stimulus funds awarded, received and expended during the audit period.

<u>Program/Purpose</u>	<u>Amount of Award</u>	<u>Contract Term</u>		<u>Revenue Received</u>	<u>Expenses Reported</u>
		<u>Start</u>	<u>End</u>		
Capital Fund Formula Grant					
<i>Window Replacement</i>	\$212,486	8/17/09	2/17/10	\$212,486	\$212,486
DHCD-Weatherization Grant					
<i>Furnace Replacement</i>	51,730	2/9/10	8/18/10	51,730	51,730
Town of Clinton-Community Block Grant					
<i>Electrical Upgrade</i>	<u>488,723</u>	2/9/10	-	<u>144,780</u>	<u>144,780</u>
Total	<u>\$752,939</u>			<u>\$408,996</u>	<u>\$408,996</u>

Our audit was conducted in accordance with applicable government auditing standards for performance audits and, accordingly, included such audit tests and procedures, as we considered necessary.

To achieve our audit objectives, we reviewed the following:

- Federal stimulus funds awarded to the Authority;
- Expenses charged to the ARRA grant award to determine whether funds were expended for intended purposes and were reasonable;
- Internal control procedures developed and utilized by the Authority to ensure accountability for the administration and expenditure of ARRA funds;
- Procedures for making payments to contractors to verify compliance with established rules and regulations;
- Cash management and drawdown procedures to determine whether the Authority complied with ARRA requirements;
- The Authority's ARRA reports to determine whether they were in compliance with reporting requirements;
- Site inspections to determine whether the work was completed; and
- Verification of whether the Authority has applied for, or plans to receive additional ARRA funds in the future.

Based on our review, we have concluded that, except for the matters discussed in the Audit Results section of this report, during the 18-month period ended August 31, 2010, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

IMPROVEMENTS NEEDED IN ARRA REPORTING

During our audit of the Clinton Housing Authority's (CHA) American Recovery and Reinvestment Act (ARRA) reporting, we found that the CHA overstated its Section 1512 jobs created/retained number for each of the quarterly reporting periods beginning with the September 30, 2009 period and ending with the June 30, 2010 period. The Office of Management and Budget (OMB) provided guidance on job estimation in its memorandum M-10-08 dated December 18, 2009. Section 5.2 of the memorandum states that "the Section 1512 reports contain only estimates of jobs created and jobs retained." A job created is defined as a "new position created and filled, or an existing unfilled position that is filled, that is funded by the Recovery Act." A job retained is defined as "an existing position that is now funded by the Recovery Act." Using the definitions above, recipients must estimate the total number of jobs that were funded in the quarter by the Recovery Act. The memorandum provides the method for calculating the job creation and retention for the quarter being reported. Specifically it states, "The estimate of the number of jobs created or retained by the Recovery Act should be expressed as "full-time equivalents" (FTE). In calculating a FTE, the number of actual hours worked in funded jobs are divided by the number of hours representing a full work schedule for the kind of job being estimated. These FTEs are then adjusted to count only the portion corresponding to the share of the job funded by Recovery Act funds."

The Authority installed windows at its federal housing complex paid for by ARRA funds during the period November 1, 2009 to December 31, 2009. The Director stated that she calculated the jobs impact by estimating the number based on the payroll information provided by the window contractor, not based on a formula. The CHA reported on each quarterly report filed beginning with the September 30, 2009 report through the June 30, 2010 report that 3.0 jobs were jobs created/retained for a total of 12 jobs created/retained during the project. We recalculated the jobs number using the standard FTE work schedule reported to us by the vendor and the number of hours worked during the quarter ending December 31, 2009 and found the FTE jobs reported should have been 1.5 jobs and should only have been reported on the September 30, 2009 quarterly report. By reporting 3.0 jobs each quarter, the Authority reported 12 jobs being created under this ARRA grant; however, only 1.5 jobs was actually created/retained. By using an estimate rather than the vendor's standard FTE rate and reporting the jobs on each quarterly report rather than in the

quarter the expense was incurred, the Authority overestimated its jobs created/retained for the project, by 10.5 jobs.

Also, we reviewed the December 31, 2009 1512 quarterly report and found that the Authority reported that its expenses were \$192,959. We reviewed the expenditures for the ARRA grant and found that the Authority had incurred an additional \$19,527 in expenses during that quarter and should have reported a total of \$212,486 as of December 31, 2009. We discussed the matter with the Executive Director who stated that she reported the \$19,527 on the March 31, 2010 quarterly report because she did not actually pay the vendor until February 17, 2010. The Authority maintains its financial records on an accrual basis of accounting and should have recognized the expenditure when it was incurred not when it was paid. Since expenditures are reported on the 1512 report as cumulative expenditures, the amount reported on the March 31, 2010 was correct.

Recommendation

In any future ARRA reporting, the CHA should use the OMB's formula for calculating jobs created/retained. The jobs created/retained should only be reported in the quarter when the payroll expense was incurred. Also, the reported expenditures should be reported when the expenses were incurred and not when they were paid.

Auditee's Response

The Authority's Executive Director responded, in part:

The CHA will use the OMB's formula for calculating jobs in the future. It should be noted that the reporting system does not allow you to decrease the jobs created/retained after you complete your initial report. The CHA will also report expenditures when they are incurred.