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

**OFFICIAL AUDIT
REPORT
AUGUST 13, 2010**

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INTRODUCTION

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The Boston Housing Authority (BHA) is organized under the authority of Chapter 121B of the Massachusetts General Laws. The BHA is governed by housing regulations issued by the United States Department of Housing and Urban Development and the Massachusetts Department of Housing and Community Development (DHCD).

The BHA's primary mission is "to provide stable, quality affordable housing for low and moderate income persons; deliver service with integrity and mutual accountability; and create an environment to transform from dependency to economic self-sufficiency." BHA manages over 13,000 public housing units that are scattered in the city of Boston, of which 11,181 units are funded by HUD while 2,345 units are funded by DHCD. In addition to providing public housing, the BHA provides affordable housing through several rental assistance programs, such as the housing choice vouchers (federal Section 8) program and the state-funded Massachusetts rental units voucher program. Furthermore, through its assistance program, BHA administers approximately 11,000 rental assistance vouchers allowing an estimated 25,000 people to receive rental assistance.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of BHA's use of American Recovery and Reinvestment Act (ARRA) funds for the period April 1, 2009 to March 31, 2010. The objectives of our audit were to review BHA's controls over and monitoring of ARRA funds received and expended. Also, we reviewed ARRA expenditures to determine whether funds were expended for their intended purpose.

Our tests in the above-mentioned areas disclosed no material weaknesses. Based on our review, we have concluded that during the 12-month period ended March 31, 2010, the Boston Housing Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

EXHIBIT I

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Summary of ARRA Grants Amount, Received, and Disbursed and Reported Number of Jobs Created

INTRODUCTION

Background

The Boston Housing Authority (BHA) is organized under the authority of Chapter 121B of the Massachusetts General Laws. Chapter 88 of the Acts of 1989 gave the Mayor of Boston the power to appoint an administrator with the authority to manage and control operations at the BHA. In addition, the legislation authorized the Mayor to appoint the Boston Housing Authority Monitoring Committee, which is comprised of nine members, including five public housing tenants. The Committee's mission is "to periodically review matters relating to the management and performance of the BHA and to report thereon to the Mayor." The BHA is governed by housing regulations issued by the United States Department of Housing and Urban Development and the Massachusetts Department of Housing and Community Development (DHCD).

The BHA is comprised of 19 departments, including, in part, community services, fiscal, occupancy, leased housing, risk management, and management information services. The BHA operates from a central office in Boston and manages 64 development sites throughout the city. As of March 31, 2010, the BHA was staffed by approximately 885 employees. According to the BHA's website, the Authority is the largest landlord in Boston and the largest public housing authority in New England, providing housing in various city neighborhoods for approximately 27,000 residents.

The BHA's primary mission is "to provide stable, quality affordable housing for low and moderate income persons; deliver service with integrity and mutual accountability; and create an environment to transform from dependency to economic self-sufficiency." BHA manages over 13,000 public housing units that are scattered in the city of Boston, of which 11,181 units are funded by HUD while 2,345 units are funded by DHCD. In addition to providing public housing, the BHA provides affordable housing through several rental assistance programs, such as the housing choice vouchers (federal Section 8) program and the state-funded Massachusetts rental units voucher program. Furthermore, through its assistance program, BHA administers approximately 11,000 rental assistance vouchers allowing an estimated 25,000 people to receive rental assistance.

During our audit period, the BHA was awarded five American Recovery and Reinvestment Act (ARRA) grants for capital improvements in the amount of \$73,540,974. As of March 31, 2010, the Boston Housing Authority had expended \$25,047,105 of the grant award. (Exhibit I).

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the General Laws, we have conducted an audit of BHA's use of ARRA Funds received for the period April 1, 2009 to March 31, 2010. The objectives of our audit were to review BHA controls over and monitoring of ARRA funds received and expended. Also, we reviewed ARRA expenditures to determine whether these funds were expended for their intended purposes.

Our audit was conducted in accordance with applicable generally accepted 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.
- Administrative 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.
- Site inspections to determine whether the work was completed.
- Procedures for evaluating the programmatic impact of ARRA funds received.
- Verification of whether the Authority has applied for, or plans to receive additional ARRA funds in the future.
- Direct or indirect expenses incurred under the above-mentioned grants to determine whether they were reasonable, allowable and allocable under the terms of the grant award.

Our tests in the above-mentioned areas disclosed no material weaknesses. Based on our review, we have concluded that during the 12-month period ended March 31, 2010, the Boston Housing Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

EXHIBIT I

Summary of ARRA Grants Amount, Received, and Disbursed and Reported Number of Jobs Created

As of March 31, 2010

| <u>Grant Number</u> | <u>Program Name</u> | <u>Program Description</u> | <u>Reporting Period</u> | <u>Grant Award</u> | <u>Amount Received</u> | <u>Amount Disbursed</u> | <u>Reported Number of Jobs Created</u> |
|---------------------|--|--|-----------------------------|--------------------|------------------------|-------------------------|--|
| MA 06S00250109 | Public Housing Capital Fund Recovery Grant, Public Housing Modernization | Redevelopment of the Washington Street housing site, Energy Performance Contract for Lighting, heating and water systems at housing site. Upgrade and modernize over 800 bathrooms at Charlestown, Mary Ellen McCormack and Old Colony housing sites. Boiler Replacements at six public housing sites. Installation of security cameras at five family developments and in elevators and lobbies at 24 elderly developments. | Feb. 17 thru Sept. 30, 2009 | \$33,329,733 | \$3,753,484 | \$3,753,484 | 48.13 |
| | | | Oct. 1 - Dec. 31, 2009 | | 9,640,428 | 9,640,428 | 172.89 |
| | | | Jan. 1 - Mar. 31, 2010 | | <u>11,242,775</u> | <u>11,242,775</u> | <u>164.82</u> |
| | | | Subtotal | | <u>\$24,636,687</u> | <u>\$24,636,687</u> | <u>385.84</u> |
| MA00200012409G | Public Housing Capital Fund Recovery Competitive Grant | Redevelop a portion of the Old Colony housing site. Demolition of 165 units and construction of 145 affordable rental units. Phase one will be funded and implemented as a standalone initiative with Capital Fund Recovery Competitive (CFRC) funds along with the public and private funds. The new units will be comprised of 53 one-bedroom units, 89 two-bedroom units, 17 three-bedroom units, and 8 four-bedroom units. | Feb. 17 thru Sept. 30, 2009 | \$22,196,000 | - | - | 0 |
| | | | Oct. 1 - Dec. 31, 2009 | | - | \$ 1,502 | 0 |
| | | | Jan. 1 - Mar. 31, 2010 | | <u>\$ 114,471</u> | <u>115,973</u> | <u>4.68</u> |
| | | | Subtotal | | <u>\$ 114,471</u> | <u>\$ 117,475</u> | <u>4.68</u> |

Summary of ARRA Grants Amount, Received, and Disbursed and Reported Number of Jobs Created

As of March 31, 2010

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|---------------------|--|--|-----------------------------|--------------------|------------------------|-------------------------|--|
| MA00200010609R | Public Housing Capital Fund Recovery Competitive Grant | Create a model green public housing renovation demonstration at its Cathedral Development in the South End neighborhood of Boston. Buildings C, E and F. The BHA intends to reclaim 56 units across these three buildings through an innovative greening program to establish a cost-effective, replicable model for sustainable public housing rehabilitation. Improvements at the building and the surrounding site will include: a new high efficiency hot water heating system, white roofing, a rainwater collection system, new storm and sewer service lines, new energy efficient windows, solar thermal and/or electric panels, designed recycling areas and designated bike rack areas, new kitchens and baths incorporating green sustainable fixtures, finishes and coverings, energy-efficient lighting, enhanced insulation, and utility service improvements. | Feb. 17 thru Sept. 30, 2009 | \$ 10,992,156 | - | - | 0 |
| | | | Oct. 1 - Dec. 31, 2009 | | - | \$ 16,385 | 0.5 |
| | | | Jan. 1 - Mar. 31, 2010 | | \$ 137,536 | 137,536 | 2.2 |
| | | | Subtotal | | \$ 137,536 | \$ 153,921 | 2.7 |
| MA00200024509R | Public Housing Capital Fund Recovery Competitive Grant | To create a comprehensive services center for frail elders at the Amory Street Elderly/Disabled development. Renovate an existing 10,000 square foot community space into a full-service Center. Renovate an existing small office building as an additional Program for all-inclusive care for The Elderly (PACE) training facility, and relocate BHA's offices displaced by the Center. | Feb. 17 thru Sept. 30, 2009 | \$ 4,062,717 | - | - | 0 |
| | | | Oct. 1 - Dec. 31, 2009 | | - | - | 0 |
| | | | Jan. 1 - Mar. 31, 2010 | | \$ 49,350 | 49,350 | 1.17 |
| | | | Subtotal | | \$ 49,350 | \$ 49,350 | 1.17 |

Summary of ARRA Grants Amount, Received, and Disbursed and Reported Number of Jobs Created

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|---------------------|--|--|-----------------------------|---------------------|------------------------|-------------------------|--|
| MA 00210711909R | Public Housing Capital Fund Recovery Competitive Grant | Create a model green public housing renovation demonstration at the Bromley Park Development in the Jamaica Plain neighborhood of Boston. Provide: white roofing, a rainwater collection system, new storm and sewer service lines, new energy efficient windows, solar thermal and/or electric panels, designated recycling areas and designated bike rack areas, new kitchens and baths incorporating green sustainable fixtures, finishes and coverings, energy-efficient lighting, enhanced insulation, and energy-efficient heating and utility service improvements. Upgrade fire alarm to meet all current code requirements. | Feb. 17 thru Sept. 30, 2009 | <u>\$ 2,960,368</u> | - | - | - |
| | | | Oct. 1 - Dec. 31, 2009 | | \$ 6,500 | \$ 6,500 | - |
| | | | Jan. 1 - Mar. 31, 2010 | | <u>83,172</u> | <u>83,172</u> | <u>1.88</u> |
| | | | Subtotal | | <u>89,672</u> | <u>89,672</u> | <u>1.88</u> |
| | | | | <u>\$73,540,974</u> | <u>\$25,027,716</u> | <u>\$25,047,105</u> | <u>396.27</u> |