



The Commonwealth of Massachusetts

Office of the Inspector General

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Mayor Dean Mazzarella
City of Leominster
25 West Street
Leominster, MA 01453

Dear Mayor Mazzarella:

As you know, the Massachusetts Office of the Inspector General (OIG) reviewed a sample of American Recovery and Reinvestment Act (ARRA) grants issued by the U.S. Department of Energy. The OIG has included the City of Leominster (City) in its review sample of Energy Efficiency and Conservation Block Grant (EECBG) recipients. EECBG is a program intended to help deploy energy efficient and conservation technologies across the country. The City received a direct grant from the U.S. Department of Energy in the amount of \$175,500.

The City used part of the grant to convert a boiler at City Hall from oil to gas fuel. Since the City had completed this conversion at the time of our review the OIG limited its review to this expenditure. The City informed the OIG that it spent \$39,211 in grant funds for the conversion.

The OIG is reviewing ARRA-related grants to identify potential vulnerabilities to 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. Our review of the provided documents should not be construed as an audit, investigation, or a comprehensive programmatic review. The OIG intends these reviews to assist recipients of ARRA funding to identify and address risks.

For the boiler conversion, the City used a pre-existing "Minor Heating Service" contract procured in 2009 under M.G.L. c.149 – the public building procurement statute. The contract scope included "all minor heating work, annual maintenance, routine service calls as well as emergency services as requested by any City Department."

Use of an "on-call" service contract for a boiler conversion costing \$39,211 is illegal and a violation of M.G.L. c. 149 §44A. Large capital improvements over \$10,000 but less than \$25,000 require three quotes. Under M.G.L. c. 149 projects estimated to

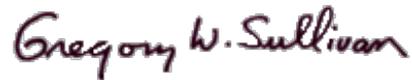
cost more than \$25,000 require sealed bids in accordance with the procedures set forth in M.G.L. c.30 §39M. The \$39,211 boiler conversion was sizeable and beyond the scope of an on-call contract for labor.

An on-call contract is not for significant capital improvements, and should be for a limited number of hours of work at an hourly rate. For example, the City could bid an hourly rate for 150 hours of electrical work over the course of a year. A \$39,211 project is well beyond what should be undertaken pursuant to such a contract. As a best practice, it should be stated on the face of such contracts that the contract shall not be used for expenditures of \$10,000 or more.

The OIG consulted on the use of service contracts for the procurement and installation of boilers with the Attorney General's Fair Labor Division, which interprets and enforces Chapter 149, and they concur in principle with the OIG's position.

I appreciate your cooperation with this review. Please do not hesitate to contact the OIG with any questions or concerns you may have regarding this review.

Sincerely,

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

Gregory W. Sullivan
Inspector General