



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report-Issued December 31, 2012

Housing Assistance Corporation's Use of Certain American Recovery and Reinvestment Act Funds

For the period September 21, 2009 through June 30, 2012



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INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS

Housing Assistance Corporation (HAC) on Cape Cod was founded in 1974 as a 501(c)(3) nonprofit organization. HAC delivers housing and employment services that help Cape and Islands residents secure homes that are safe, stable, and healthy. HAC is governed by a Board of Directors, which is composed of 12 elected members. The Board of Directors is responsible for HAC's overall policymaking and fiduciary responsibilities, including the appointment of a Chief Executive Officer (CEO). The CEO is responsible, along with other administrative staff, for HAC's day-to-day management. HAC's Board of Directors oversees 35 programs that include a wide range of housing assistance for low-income persons; weatherization and energy rehabilitation; development of affordable housing for seniors, families, and individuals; and counseling and education to help consumers with housing problems. HAC also offers real estate services to individuals seeking a chance to become homeowners. HAC currently has 128 full-time employees.

During the period September 21, 2009 through June 30, 2012, HAC received a total of \$3,261,175 in American Recovery and Reinvestment Act of 2009 (ARRA) Weatherization Assistance Program (WAP) funds from the Department of Housing and Community Development (DHCD). The funds were passed through DHCD, the prime recipient of U.S. Department of Energy (DOE) funds, to HAC, the sub-recipient. HAC used the funds to supplement an existing DOE-funded weatherization program. The WAP enables low-income families and households on the Cape and Islands to make their homes more energy efficient and thus warmer in the winter and cooler in the summer.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain HAC activities for the period September 21, 2009 through June 30, 2012. The objectives of our audit were to determine whether ARRA funds awarded to HAC from DHCD for the WAP were used for their intended purposes and in compliance with program requirements, and to evaluate whether HAC complied with ARRA accounting and reporting requirements.

Highlight of Other Matters

- We determined that during our audit period, the ARRA funds awarded to HAC from DHCD for WAP were used for their intended purposes and were properly accounted for and expended in compliance with program requirements. However, HAC still needs to develop and include in its Financial Procedures Manual a Fraud, Waste, and Abuse Policy Statement as recommended by DHCD.

Recommendations of the State Auditor

- HAC should develop a formal, written Fraud, Waste, and Abuse Policy Statement and include it in its Financial Procedures Manual.

Agency Progress

Subsequent to the end of our audit fieldwork, HAC officials informed us that the agency had drafted a Fraud, Waste, and Abuse Policy Statement that was going to be included in its Financial Procedures Manual.

OVERVIEW OF AUDITED AGENCY

The Housing Assistance Corporation (HAC) on Cape Cod was founded in 1974 as a 501(c)(3) nonprofit organization. HAC delivers housing and employment services that help Cape and Islands residents secure homes that are safe, stable, and healthy. HAC is governed by a 12-member Board of Directors, which is responsible for HAC's overall policymaking and fiduciary responsibilities, including the appointment of a Chief Executive Officer (CEO). The CEO is responsible, along with other administrative staff, for HAC's day-to-day management. The Board of Directors oversees 35 programs that include a wide range of housing assistance for low-income persons; weatherization and energy rehabilitation; development of affordable housing for seniors, families, and individuals; and counseling and education to help consumers with housing problems. HAC also offers real estate services to individuals seeking a chance to become homeowners. HAC currently has 128 full-time employees.

During the period September 21, 2009 through June 30, 2012, HAC received a total of \$3,261,175 in American Recovery and Reinvestment Act 2009 (ARRA) Weatherization Assistance Program (WAP) funds from the Department of Housing and Community Development (DHCD). The funds were passed through DHCD, the prime recipient of U.S. Department of Energy (DOE) funds, to HAC, the sub-recipient. HAC used the funds to supplement an existing DOE-funded weatherization program. The WAP enables low-income families and households on the Cape and Islands to make their homes more energy efficient. For the federally funded WAP and additional ARRA funds, HAC is responsible for documenting eligibility of recipients, performing structural assessments, providing weatherization materials and services, and conducting final inspections on completed home projects. Some of the weatherization measures taken to improve home energy efficiency include the installation of blown-in insulation to attics and walls, sealing of leaks, patching of holes, and caulking and weather-stripping of windows and doors. HAC provided weatherization assistance for 602 units using ARRA funds during our audit period.

In order to comply with ARRA requirements and provide transparency on stimulus projects for which Commonwealth agencies distribute funds, the Massachusetts Recovery and Reinvestment Office (MRRO) gathers summary information and reports on what stimulus projects are funded and how stimulus funds are being spent. MRRO reported that HAC was awarded \$3,261,175 in ARRA funds from DHCD, which is the prime recipient of DOE funds for the WAP. MRRO also reported

award expenditures totaling \$3,261,175 for the final quarter ending June 30, 2012. The following table summarizes awards and expenditures reported by MRRO.

Housing Assistance Corporation
Summary of ARRA Awards and Expenditures
As of June 30, 2012

Program	Award	Expenditures
Weatherization Assistance Program	<u>\$3,261,175</u>	
Weatherization Projects		\$2,577,500
Administration Costs		<u>683,675</u>
Total		<u>\$3,261,175</u>

A portion of ARRA funds was budgeted to partially pay for the salaries of 11 HAC employees. In addition, ARRA funds were budgeted to pay a portion of HAC's monthly health insurance premiums. Budgeted amounts were for allowable expenses under the terms of the ARRA program awards.

A requirement of ARRA funding is the submission of quarterly reports that help identify the impact of ARRA funds received and expended, including statistics on the creation and/or retention of personnel or full-time equivalent (FTE) positions. Information reported to MRRO indicated that the WAP administered by HAC saved or created 105 part- or full-time jobs for the period ended June 30, 2012.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Housing Assistance Corporation (HAC) on Cape Cod for the period September 21, 2009¹ through June 30, 2012. The objectives of our audit were to determine whether American Recovery and Reinvestment Act of 2009 (ARRA) funds awarded to HAC for the Weatherization Assistance Program (WAP) were used for their intended purposes and in compliance with program requirements, and to evaluate whether HAC was complying with ARRA accounting and reporting requirements.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve our audit objectives, we reviewed the following:

- U.S. Department of Energy (DOE), Massachusetts Department of Housing and Community Development (DHCD), Office of the State Comptroller (OSC), and Massachusetts Recovery and Reinvestment Office (MRRO) rules, regulations, and directives to determine compliance with any ARRA-specific guidelines.
- Internal control plans to determine whether HAC has controls in place to ensure that federal stimulus funds are adequately safeguarded against loss, theft, and abuse.
- Bank statements to ensure that ARRA funds received were promptly recorded and properly accounted for in a separate bank account.
- Expenditures of ARRA funds to determine that they were reasonable, allowable, and allocable under the terms of the ARRA awards. A statistical sampling approach was used to test ARRA expenditure compliance.
- Recordkeeping procedures to determine whether ARRA expenditures were properly authorized, supported by adequate documentation, and accounted for separately within the accounting records.
- Payroll records of contractors to ensure compliance with the Davis-Bacon Act.

¹ The audit period start date was determined to be the beginning project date established by DHCD.

- The adequacy and timeliness of HAC's federal stimulus reports to determine whether they were in compliance with reporting requirements.
- Cash management practices to ensure that HAC limited the time between its request for and use of federal stimulus funds.
- ARRA WAP project addresses and HAC-owned real estate addresses to verify that ARRA funds were not expended to enhance properties owned by HAC.

We obtained grant award allocation and expenditure information from systems maintained by the DOE, MRRO, OSC, DHCD, and HAC. We compared this information with other source documents and interviewed knowledgeable HAC officials about the data. We determined that the data were sufficiently reliable for the purposes of this report. At the conclusion of our audit, the results of our audit were discussed with HAC officials, and any comments made by these officials were considered in the drafting of the final report.

Based on our audit, we have concluded that, for the period September 21, 2009 through June 30, 2012, the ARRA funds awarded to HAC from DHCD for WAP were used for their intended purposes and were properly accounted for and expended in compliance with program requirements.

OTHER MATTERS

The Housing Assistance Corporation (HAC) on Cape Cod is subject to annual fiscal monitoring reviews by the Department of Housing and Community Development (DHCD). Although DHCD's fiscal monitoring reviews during calendar years 2010 through 2012 acknowledged HAC's proactive approach of adopting some internal controls specific to the American Recovery and Reinvestment Act of 2009, such as Davis-Bacon Act requirements, in its Financial Procedures Manual, the HAC was criticized for not developing a Fraud, Waste, and Abuse Policy Statement.

During the conduct of our audit field work, we found that HAC's Financial Procedures Manual still did not contain a Fraud, Waste, and Abuse Policy Statement. However, HAC officials indicated that they were in the process of implementing a Fraud, Waste, and Abuse Policy Statement that, when approved by its legal counsel and Board of Directors, would be incorporated into its Financial Procedures Manual.