

May 2010

RECOVERY ACT

States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability (Massachusetts)



GAO

Accountability * Integrity * Reliability

Appendix IX: Massachusetts

Overview

This appendix summarizes GAO's work on its most recent review of American Recovery and Reinvestment Act of 2009 (Recovery Act)¹ spending in Massachusetts. The full report covering all of GAO's work in 16 states and the District of Columbia may be found at <http://www.gao.gov/recovery>.

What We Did

GAO's work in Massachusetts focused on (1) the commonwealth's use of Recovery Act funds for selected programs, (2) the approaches taken by Massachusetts agencies to ensure accountability for Recovery Act funds, and (3) impacts of these funds. We reviewed several specific programs funded under the Recovery Act in Massachusetts related to highway, transit system, clean water, drinking water, and housing projects, and education and worker training programs. We selected the programs we reviewed because all have significant funds being expended at this point and several had recent obligation deadlines, as discussed below. For descriptions and requirements of the programs we covered, see appendix XVIII of [GAO-10-605SP](#).

Our work was performed at state agencies responsible for implementing the programs, and also at some localities. We followed up on ongoing Recovery Act projects at two regional transit agencies—the Massachusetts Bay Transportation Authority and the Greater Attleboro Taunton Regional Transit Authority. For our review of public housing, we contacted four public housing agencies in Cambridge, Clinton, Lowell, and Taunton. Our review of state revolving fund spending included visits to two subrecipients—the Massachusetts Water Resources Authority (MWRA) and the town of Spencer. We also visited two local workforce areas with worker training programs—Boston and Bristol.

Finally, we continued to track the use of Recovery Act funds for state and local fiscal stabilization. We visited two Massachusetts cities—Worcester and Everett—to determine the amount of Recovery Act funds each is receiving and how those funds are being used as they deal with their difficult fiscal situations. Both cities are receiving Recovery Act funds under several programs, including funding for public safety expenses. We also followed up with two other cities—Boston and Springfield—which we had visited in fall of 2009.

¹Pub. L. No. 111-5, 123 Stat. 115 (Feb. 17, 2009).

What We Found

- **Recovery Act education programs.** Under the Recovery Act, Massachusetts has been awarded funding through three major education programs, the largest of which is the State Fiscal Stabilization Fund (SFSF) with an allocation of \$994 million. Unlike previous reporting periods, local educational agencies (LEA) did not report any SFSF expenditures or jobs to Recovery.gov for the period ending March 31, 2010, according to state officials. They also said that the state did not receive the second phase of SFSF funding until late March, and as a result, the funds were not available to LEAs until April. During the same reporting period, a community college we contacted said that they used SFSF funds to pay for staff salaries and utility costs, among other things. The rate of draw down of funds varies among the major education programs. As of April 16, 2010, the commonwealth had drawn down more than half of its SFSF funds and less than a third of the other two program funds. Massachusetts has recently expanded its SFSF oversight plan to include a supplemental audit of selected school districts. In addition, the commonwealth has recently applied for another source of Recovery Act funding through the School Improvement Grant (SIG) program, but its submission was delayed in order to integrate federal and state requirements.
- **Highway infrastructure investment.** Massachusetts has met the March 2, 2010, obligation deadline for Recovery Act federal-aid highway funds. A total of \$378.2 million has been obligated for 84 projects—several paving improvement projects as well as projects that may promote economic and business development—and \$59.7 million has been transferred to the Federal Transit Administration (FTA) for eligible projects. On average, bids for highway projects were 15-20 percent below state cost estimates. Massachusetts lags behind the national average on its reimbursement rate, an indicator that it is not expending funds as quickly as most other states. State officials raised concerns about Massachusetts's ability to meet its highway maintenance of effort requirement as a result of construction season timing and an increase after recertifying its required commitment in March 2010.
- **Transit Capital Assistance funds.** The \$290 million in Transit Capital Assistance funds that were apportioned to Massachusetts and urbanized areas in the commonwealth were obligated by the March 5, 2010 deadline. Massachusetts transit agencies are using their Recovery Act funding to finance a variety of fleet enhancements and capital improvement projects designed to enhance customer service and improve safety. In addition, \$59.7 million was transferred from the Federal Highway Administration (FHWA) to FTA for use by several of

the commonwealth's regional transit agencies for their operating costs as well as many of their planned Recovery Act capital expenditures. The two transit agencies we visited used construction management firms to expedite project implementation, although their use requires transit agencies to consider potential increased risks related to higher costs and more remote oversight.

- **Public Housing Capital Fund.** Public housing agencies in Massachusetts were allocated about \$82 million in Public Housing Capital Fund formula grants under the Recovery Act. All public housing agencies in the commonwealth met the March 17, 2010, deadline for obligating 100 percent of these funds, and as of May 1, 2010, housing agencies had expended \$28.5 million. Many housing agencies used the funds to accelerate projects that were already on their 5-year capital plans, ranging from window replacement and landscaping to substantial rehabilitation of multiple units of housing. Some are using Recovery Act funds to permanently transfer state-supported housing units to their portfolios of federally-supported housing. The Massachusetts Department of Housing and Community Development (DHCD) estimates that this process could result in the commonwealth receiving an additional \$10 million in federal operating subsidies annually in the future.
- **Clean Water and Drinking Water State Revolving Funds (SRF).** Massachusetts received about \$185 million in Recovery Act funds through its Clean Water and Drinking Water SRFs and met the Recovery Act's deadline of February 17, 2010, to have its 115 selected projects under contract.² These ranged from rehabilitation of a 70-year old water transmission line to green projects enhancing energy efficiency and producing renewable energy. Massachusetts provided nearly all the Recovery Act funding in the form of "principal forgiveness," meaning that the portion of projects funded with Recovery Act money—about 12 percent of clean water projects and 20 percent of drinking water projects—will not need to be repaid. Further, for green projects, none of the funds will need to be repaid.

²In addition to these funds, the state also received \$1,343,900 in funding for section 604b Water Quality Management Planning. In this report we use the word "project" to mean an assistance agreement, i.e., a loan or grant agreement made by the state revolving fund program to a subrecipient for the purpose of a Recovery Act project.

- **Workforce Investment Act of 1998 (WIA) Dislocated Worker Program.** Massachusetts was allotted about \$21 million in WIA Dislocated Worker funds. The commonwealth distributed 60 percent of these funds to the local workforce areas and retained the balance. As of March 31, 2010, the commonwealth had drawn down at least \$7.5 million of its Recovery Act allotment. Guided by the commonwealth, local areas have used most of their Recovery Act funds to place more workers in training. From the date the commonwealth started using Recovery Act WIA funds through January 31, 2010, about 2,300 dislocated workers received training under Recovery Act or regular WIA funds. Local areas have taken steps to address the U.S. Department of Labor's (Labor) Recovery Act priorities, such as training for green jobs.
- **Massachusetts government's and cities' use of Recovery Act funds.** The commonwealth of Massachusetts continues to experience budget pressures resulting from multi-year revenue shortfalls along with caseload growth in some of its programs. Because of the unexpected levels of revenue decline, Massachusetts accelerated the use of Recovery Act funds that freed up funds for other uses, but has taken steps to prepare for when Recovery Act funds are no longer available. Cities we visited also discussed fiscal difficulty and reported using Recovery Act funds to prevent layoffs of teachers, police, and firefighters. They reported preparing for the challenges they face as Recovery Act funds end; some pointed to new sources of funds, including hotel and meals taxes and careful use of Recovery Act funds on projects that would not require sustained funding.
- **Oversight and accountability efforts.** The Massachusetts Office of the State Auditor has several Recovery Act audits underway and is incorporating Recovery Act-related work into all its regular audits, including the state's Single Audit. Similarly, the state Inspector General is focusing efforts on investigating Recovery Act programs. Localities we spoke with utilize the Single Audit process to audit Recovery Act funds, although SFSF funds were the only Recovery Act funds that these local entities reported addressing during the recently completed 2009 audits. Areas addressed so far related to the WIA Youth Program and to SFSF.

Massachusetts Expands Oversight of a Large Education Program and Applies for Recovery Act Funding from Another Program

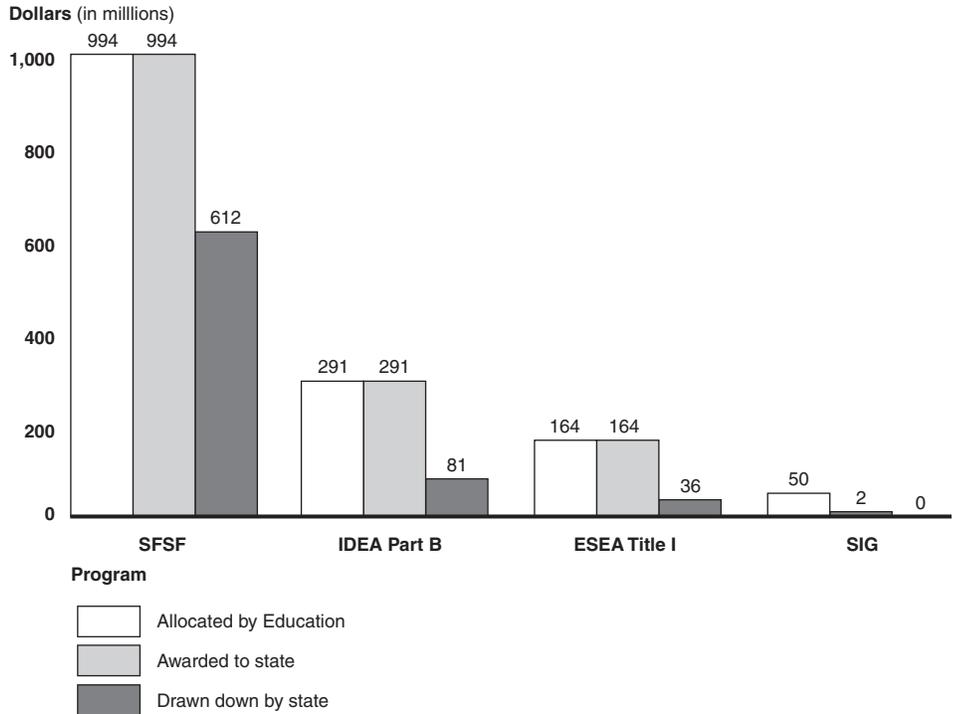
Through the Recovery Act, Massachusetts has been awarded education-related funds through three major programs:

- SFSF, which is divided into education stabilization and government services funds;
- Title I, Part A of the Elementary and Secondary Education Act of 1965, as amended (ESEA); and³
- Individuals with Disabilities Education Act, as amended, (IDEA) Parts B and C.

In addition to these funds, Massachusetts has been allocated funding through the Recovery Act for SIG. The U.S. Department of Education (Education) recently made available 5 percent of the commonwealth's SIG allocation for planning purposes, the maximum amount allowed for administration, technical assistance, and evaluation. (See fig. 1 for more information on select funds awarded to Massachusetts.)

³Moreover, state educational agencies may reserve an additional percentage of Recovery Act ESEA Title I, Part A funds (0.3 or 0.5 percent, depending on whether the state educational agency requests waivers of certain requirements) to help defray the costs associated with data collection and reporting requirements under the Recovery Act.

Figure 1: Financial Information on Four Recovery Act Education Programs as of April 16, 2010



Source: GAO analysis of Education and state reported data.

Unlike previous reporting periods, LEAs did not have SFSF funds available and so did not report any SFSF expenditures or jobs to Recovery.gov for the period ending March 31, 2010, according to state officials. They also said that the commonwealth did not receive the second phase of SFSF funding until late March, and as a result, the funds were not available to LEAs until April. One LEA told us that it plans to reallocate some of these funds to cover salary expenses for staff who worked during the previous reporting periods. State officials acknowledged this approach and said that they expect a significant increase in the number of jobs reported during the period ending June 30, 2010. Meanwhile, other entities did report SFSF expenditures for the period ending March 31, 2010. Officials from a community college we contacted said that they used SFSF education stabilization funds to pay for staff salaries and utility costs, among other things. Further, some SFSF government service funds were used to support staff at local fire departments and state police services.

Massachusetts Expands its SFSF Oversight Plans

The Massachusetts Executive Office of Education expanded its SFSF oversight efforts to include a supplemental audit of select LEAs. In December 2009, we reported that the office planned to primarily use the Single Audit to monitor SFSF expenditures.^{4,5} However, state officials said that the U.S. Department of Education recently made it clear that oversight efforts beyond the Single Audit were necessary. According to the draft monitoring plan the Massachusetts Executive Office of Education submitted on March 12, 2010, the commonwealth has several SFSF oversight activities planned, including a supplemental audit that aims to verify reported expenditures, identify ineligible expenses, and assess the consistency of reported data. According to state officials, this new audit will provide a more detailed review of SFSF funded transactions than the Single Audit process. State officials said that they plan on engaging a public accounting firm to conduct on-site reviews of at least 15 LEAs. Selected LEAs include recipients of the 10 largest SFSF grants, which represent more than a third of the SFSF funds provided to LEAs, and some other LEAs with previous audit findings. Federal education officials are currently reviewing Massachusetts' monitoring plan, and said they do not have a schedule for completing their review of state monitoring plans and will contact states whose plans are considered inadequate.

Massachusetts Applied for SIG Recovery Act Funding, but Its Submission Was Delayed

The commonwealth has recently applied for SIG Recovery Act funding, but its application was delayed in order to address differences between federal and state requirements. In order to receive nearly \$50 million in formula-based funding, the commonwealth recently provided Education with its SIG application, which lays out the information low-performing schools must provide when requesting SIG funding. However, according to state officials, the content and timing of recent state legislation

⁴GAO, *Recovery Act: Status of States' and Localities' Use of Funds and Efforts to Ensure Accountability (Appendixes)*, [GAO-10-232SP](#) (Washington, D.C.: Dec. 10, 2009).

⁵Single Audits are prepared to meet the requirements of the Single Audit Act, as amended, and provide a source of information on internal control and compliance findings and the underlying causes and risks. The Single Audit Act requires states, local governments, and nonprofit organizations expending \$500,000 or more in federal awards in a year to obtain an audit in accordance with the requirements set forth in the act. A Single Audit consists of (1) an audit and opinions on the fair presentation of the financial statements and the Schedule of Expenditures of Federal Awards; (2) gaining an understanding of and testing internal control over financial reporting and the entity's compliance with laws, regulations, and contract or grant provisions that have a direct and material effect on certain federal programs (i.e., the program requirements); and (3) an audit and an opinion on compliance with applicable program requirements for certain federal programs.

complicated and ultimately delayed completion of this application by more than a month.⁶ Both the state legislation and SIG program require that LEAs develop reform strategies for low-performing schools to implement in an effort to improve student achievement; however, the information LEAs must submit in each case varies. For example, state officials told us that the measurable annual goals required by SIG differ somewhat in number and substance from those required by the state legislation. In order to minimize the burden on LEAs, state officials integrated these varying approaches into a streamlined process for LEAs to follow whereby LEAs must only come up with one plan that would meet both state legislative and SIG requirements. According to state officials, this time and resource-intensive effort combined with the short time frame between the legislation's passage and Education's application deadline resulted in delayed submission of the commonwealth's application to Education.

Massachusetts Met Obligation Deadline for Recovery Act Highway Funds, but Questions Remain Regarding the Maintenance of Effort Requirement

Massachusetts has met the March 2, 2010, Recovery Act highway obligation deadline. As of this date, \$378 million of its \$438 million apportionment has been obligated to 84 projects—the majority of which are pavement improvement projects. Massachusetts continued to recommend projects that may promote economic and business development. For example, the commonwealth recommended that \$15 million be obligated to make roadway access and signal improvements to the Assembly Square Mall, in Somerville, Massachusetts. The remaining \$59.7 million of the highway apportionment was transferred to the Federal Transit Administration (FTA) for use by several of the commonwealth's regional transit authorities for their operating costs as well as many of their planned Recovery Act capital expenditures. The rate by which the Federal Highway Administration (FHWA) has reimbursed Massachusetts for Recovery Act highway projects (an indicator of the portion of highway work completed) has increased from 8.1 percent on October 31, 2009, to 13 percent on May 3, 2010—below the national average of 29 percent (see table 1).

⁶2010 Mass. Acts Chap. 12, sec. 3.

Table 1: Massachusetts Recovery Act Federal Aid Highway Amounts as of May 3, 2010

Total available apportionment	Amount obligated	Amount transferred to FTA for use by regional transit agencies	Reimbursement rate
\$438 million	\$378.2 million	\$59.7 million	13%

Source: GAO analysis of FHWA data.

According to Massachusetts Department of Transportation (MassDOT) and FHWA Region I officials, on average, bids on the final round of advertised projects continued to come in 15 to 20 percent below state cost estimates, resulting in contracts being awarded below state cost estimates. As a result of these contract savings, MassDOT estimates that approximately \$24 million will need to be deobligated and has begun to develop a list of additional Recovery Act projects to which it may apply these contract savings to meet the September 30, 2010, obligation deadline. The MassDOT Economic Stimulus Coordinator told us that MassDOT will not have difficulty ensuring any contract savings are obligated by the deadline and funds may support roadwork on major, federal-aid eligible arteries in municipalities across the commonwealth.

Massachusetts May Face Challenges Meeting Maintenance of Effort Spending Goals

As a result of construction season timing and an increase after recertifying its maintenance of effort (MOE) commitment, the MassDOT Chief Financial Officer told us that, although it is too early to make a determination, the state may face challenges in meeting its MOE spending goals by the September 30, 2010, deadline.⁷ In March 2010, Massachusetts recertified its MOE commitment to include \$300 million in state highway aid to local governments for state fiscal years 2010 and 2011. Although MassDOT officials feel they have committed to enough nonfederally funded projects to meet the MOE requirement, they explained that uneven spending caused by weather and the seasonal construction schedule throughout a year may result in the commonwealth not meeting the requirement. Massachusetts’s typical seasonal construction schedule may be affected by the winter construction shut down or a rainy spring. According to the MassDOT Chief Financial Officer, in calendar year 2009

⁷States were required to certify that they will maintain the level of spending that they had planned to expend between the date of enactment, February 17, 2009, and September 30, 2010.

approximately 40 percent of the commonwealth's highway expenditures took place in the fourth quarter (October to December). If this pattern is repeated, a significant portion of the commonwealth's highway construction expenditures would occur after the September 30, 2010, MOE deadline, and as a result, the commonwealth may not meet its MOE requirement. FHWA Region I officials have said that they continue to track the commonwealth's MOE spending and monitor their progress toward meeting the deadline.

Although Its Focus Is Not Recovery Act Impact, MassDOT Measures Agency Performance

MassDOT and FHWA Region I officials said that they did not develop performance measures, other than a measure of jobs created, to assess the impact of Recovery Act highway projects. However, MassDOT monitors overall agency performance with periodic scorecard reports related to its different divisions. As part of the commonwealth's reorganization of MassDOT, the agency has begun to develop an Office for Performance Management. According to the MassDOT Economic Stimulus Coordinator, this office is in a nascent stage, but it will eventually focus on measuring the impact of MassDOT's entire portfolio of work. According to FHWA Region I officials, although not required by the Recovery Act, FHWA will be able to provide the number of highway miles improved with Recovery Act funding. Additionally, FHWA Region I officials told us they are working to assist the new MassDOT Office for Performance Management by bringing in best practices for performance management from other states' departments of transportation; it will focus on using asset management and budget health as tools to help manage MassDOT.

MassDOT Hires New Engineers for Recovery Act Field Oversight, but Project Planning and Contracting Oversight Staff Capacity May Be Strained

The Recovery Act Federal-Aid Highway apportionment for Massachusetts has funded 84 new highway projects for the commonwealth. According to FHWA Region I officials, they have concerns about MassDOT highway staff capacity and are monitoring its staff resources, especially with regard to MassDOT's recent reorganization. An FHWA staffing review from 2003 expressed concerns over Massachusetts's state highway construction and materials staffing levels and training. According to MassDOT officials, in June 2009, MassDOT was approved to hire 100 full-time equivalents to conduct oversight and field inspection work related to construction of Recovery Act projects. As of April 1, 2010, according to the MassDOT Economic Stimulus Coordinator, MassDOT has officially hired 89 new employees to be placed in its highway district construction offices, with the majority of hires being entry-level civil engineers. According to the MassDOT Economic Stimulus Coordinator, Recovery Act project planning and contracting takes place at the MassDOT central office, and they have

not made any additional Recovery Act hires for this work. All of the central office project planning and contract oversight staff perform Recovery Act work in addition to their normal duties. The MassDOT Economic Stimulus Coordinator told us that a second round of stimulus money would present staff capacity challenges, as the volume of work related to planning and contract oversight at MassDOT's central office has increased as a result of the Recovery Act projects, the Accelerated Bridge Program and the state's regular federal-aid highway apportionment.⁸

Massachusetts Transit Agencies Met the 1-Year Obligation Deadline, but Use of Construction Management Firms May Pose Challenges

In March 2009, \$290 million in Recovery Act Transit Capital Assistance funds was apportioned to Massachusetts and urbanized areas in the state. FTA concluded that by the March 5, 2010, deadline, 100 percent of this apportionment had been obligated. Massachusetts transit agencies are using their Recovery Act funding to finance a variety of fleet enhancements and capital improvement projects designed to enhance customer service and improve safety. For example, the Massachusetts Bay Transportation Authority (MBTA) is using its \$181 million in initial Recovery Act Transit Capital Assistance funding to purchase new paratransit vans, expand bicycle parking, improve bus stop and train station amenities, and increase safety throughout the MBTA system. In addition, MBTA was able to use additional funding from money transferred from the commonwealth's federal-aid highway apportionment to fund projects that would not have been done without the Recovery Act funds. These projects include the installation of new wheel chair accessible ramps at the Wedgemere Commuter Rail Station in Winchester, Massachusetts and emergency repairs to the deteriorating floating slab system on the portion of the Red Line subway serving the cities of Cambridge and Somerville, Massachusetts.⁹

In addition to the Recovery Act Transit Capital Assistance apportionment, \$59.7 million of Massachusetts's federal-aid highway apportionment was transferred from FHWA to FTA. The transfer of these additional funds enabled several transit agencies to use Recovery Act funds for their operating costs as well as many of their planned Recovery Act capital

⁸ In May 2008, the commonwealth introduced the \$3 billion Accelerated Bridge Program to reduce the commonwealth's growing backlog of structurally deficient bridges.

⁹ A floating slab consists of a concrete slab supported by rubber-like material or steel-coil springs designed to reduce noise and vibration levels. Deterioration of a floating slab system has the potential to become a significant safety hazard.

expenditures. After transit agencies had submitted their Transit Capital Assistance applications, they were granted the authority to use up to 10 percent of their Recovery Act apportionment for operating expenses.¹⁰ These operating expenses were funded by reducing the funds originally committed for capital expenses by 10 percent. For example, the Greater Attleboro Taunton Regional Transit Authority (GATRA), one of the transit agencies we spoke with, told us that they made line-item reductions to capital expenditures in their original grant in order to fund operating expenses. According to these officials, the flexibility to amend the original grant to include operating expenses has helped them avoid cutting both staff and service. In addition, these officials told us that the portion of the transferred funds that they will receive will be used to backfill some of the line-item reductions in their original grant and will allow them to replace buses that have been in operation since 1994.

**Massachusetts Transit
Agencies Used
Construction Management
Firms to Supplement and
Expedite Project
Implementation**

In order to handle the influx of Recovery Act funds and the requirement that projects funded under the act be implemented quickly, Massachusetts transit agencies used construction management/project management (CM/PM) firms to supplement their internal project management staffing resources. According to transit officials, there are several advantages in using private consulting firms to provide CM/PM services, including that they are a source of additional expertise and provide transit agencies with the flexibility to supplement internal staff on a temporary basis in response to increased workloads. For example, the spike in capital spending resulting from the Recovery Act exceeded MBTA's capacity to manage this work without additional resources. As a result, MBTA used a CM/PM firm to provide project and construction management support for several of its Recovery Act projects because officials determined it was not prudent to "staff up" for the 2 years that Recovery Act projects would be ongoing. Smaller transit agencies, which typically do not have the capacity to manage capital projects, also used CM/PM firms to manage their Recovery Act projects.

Our previous work on states' increased use of contractors to oversee highway projects found that state officials generally perceive contracting

¹⁰Under the Supplemental Appropriations Act, 2009, recipients and subrecipients of the Transit Capital Assistance Urbanized Area Program funds and the Transit Capital Assistance Nonurbanized Area Program funds may use up to 10 percent of the amount apportioned for operating expenses. Pub. L. No. 111-32 § 1202 (June 24, 2009).

out to be more expensive than using internal staff to oversee projects.¹¹ Similarly, transit officials we spoke to on this work believe that using CM/PM firms to manage their Recovery Act projects is likely to be more costly than managing these projects internally. Officials from FTA and MBTA told us that they believed this to be true for transit projects, as well, although they were not aware of any formal assessment comparing the cost of projects managed by private firms with projects managed internally. While government employees are always ultimately responsible for the oversight of federally-funded projects, they may be increasingly further removed from the day-to-day project oversight when they use private firms to do this work. Although transit agencies' use of CM/PM firms in response to temporary spikes in demand for construction services seems appropriate, in order to ensure the best use of Recovery Act funds, it is important that transit agencies that hire these firms give appropriate consideration to the identified areas of potential risk, such as those related to the increased cost and the adequacy of oversight of projects managed more remotely.

Although Not Required by FTA, Transit Agencies Use Qualitative Measures to Assess the Impact of Recovery Act Funding

MBTA and GATRA are able to provide a qualitative assessment of improvements to local transit systems that resulted from the increase in federal transit spending, but other than measuring jobs created, they have not developed metrics specifically for measuring the impact of Recovery Act funds. GATRA and MBTA officials said that other than measuring jobs created and project status, FTA does not mandate additional measures beyond the requirements for all formula grant programs. MBTA is measuring Recovery Act impact in terms of jobs, contracts awarded and expenditures, but officials also report that the projects funded under the act provide significant benefits to their customers, while addressing safety issues. GATRA officials told us that they have qualitative evidence of the positive impact on customer service and the overall efficiency of their operations, but they do not have a set of metrics for quantifying these results. For example, renovations made to the Attleboro Commuter Rail Station have addressed critical safety and liability issues and are expected to reduce utility bills.

¹¹GAO, *Federal Aid Highways: Increased Reliance on Contractors Can Pose Oversight Challenges for Federal and State Officials*, [GAO-08-198](#) (Washington, D.C.: Jan. 8, 2008).

Local Housing Agencies Met Obligation Deadline for Formula Funds, and Some Are Using These Funds to Federalize State Housing

Sixty-eight housing agencies in Massachusetts were allocated a total of \$81.9 million in Public Housing Capital Fund formula grants under the Recovery Act.¹² All 68 housing agencies obligated 100 percent of their formula funds by March 17, 2010, the deadline to obligate all funds and avoid recapture by the federal government. As of May 1 2010, 57 of the 68 housing agencies had drawn down \$28.5 million in formula grants. We contacted local housing agencies in four Massachusetts communities—Cambridge, Clinton, Lowell, and Taunton—as well as the Department of Housing and Urban Development’s (HUD) Boston field office and DHCD.

Housing Agencies Met Obligation Deadline, Often by Accelerating Already Planned Projects

All housing agencies met the deadline, although they had just 1 year to obligate 100 percent of their Recovery Act Public Housing Capital Fund formula grants, compared to the 2-year time frame for obligating regular Capital Fund grants. According to officials from HUD’s Boston field office, many housing agencies were able to obligate their funds quickly because they are using Recovery Act funds primarily to accelerate projects that were already on their 5-year capital plans and required little additional development. Of the housing agencies we visited, two used Recovery Act funds mainly to accelerate already planned projects that required minimal additional planning. For example, Clinton Housing Authority officials said they are using their entire Recovery Act allocation to speed up the completion of a multiphase window replacement project that had already been started with regular Capital Fund grant dollars and required no additional planning. While the Cambridge Housing Authority opted to use Recovery Act funds for a large project on its capital plan, that project had not yet been designed and required considerable additional work to develop. Officials told us they accelerated this project to take advantage of the fact that projects funded entirely by the Recovery Act are procured under federal rather than state procurement law. They said Massachusetts procurement requirements are more onerous than federal requirements, and include, for example, time-consuming separate sub-bids for specific trades.

The Buy American provision in the Recovery Act was cited as a challenge by two of the housing agencies we contacted, but not necessarily one that

¹²In addition, a total of \$72.7 million in competitive grants was awarded to seven housing agencies in Massachusetts.

delayed the obligation of Recovery Act funds. Lowell Housing Authority officials, for example, said it could be difficult to find materials and products that are purely U.S.-made, as many products are assembled in the United States but include some component parts that were produced overseas.¹³ Cambridge Housing Authority officials said they are having trouble finding energy efficient heating systems and refrigerators that are made in the United States, and may apply for a waiver from the requirement.

Federalization of State Housing Will Result in Higher Federal Spending in the Future, although Several Factors Limited the Extent of Federalization

Eighteen housing agencies in Massachusetts are taking advantage of a provision in the Recovery Act allowing the use of Recovery Act funds to permanently transfer state-supported housing units to the agencies' portfolios of federally-supported housing—a process known as federalization. According to DHCD, housing agencies in Massachusetts are federalizing about 3,600 of the approximately 55,000 units of state-supported housing units in the commonwealth. Federal legislation passed in 1998 prohibited housing agencies from increasing their total counts of federally-supported public housing units.¹⁴ The Recovery Act lifted this restriction specifically with regard to the use of Recovery Act funds.

HUD indicated, in guidance issued in the spring and summer of 2009, that the Recovery Act lifted the prohibition on adding new units of federally supported housing when only Recovery Act and no other federal housing funds are used. A housing agency in Massachusetts—a state that funds public housing—identified that by lifting the restriction on increasing their total number of federal housing units, the Recovery Act allowed housing agencies to transfer state-supported housing to their portfolios of federal housing. Officials from DHCD and two local housing agencies told us federalization is a good option because the federal government provides higher and more stable funding for public housing than the commonwealth. Additionally, several housing officials said the majority of residents will see no negative consequences as a result of federalization.¹⁵

¹³According to HUD notice PIH 2009-31, component or subcomponent parts may be from other countries as long as the components and subcomponents are assembled into manufactured goods in the United States.

¹⁴Pub. L. No 105-276, title V, 112 Stat. 2461 (Oct. 21, 1998).

¹⁵Some housing agency officials told us that a small portion of residents of state-funded housing will pay higher rents after their units are federalized because the federal and state governments have different deductions from the income that is counted in calculating rent.

Federalization will result in higher future levels of federal subsidies for public housing in Massachusetts, although the total additional commitment is not yet clear. DHCD officials estimate that federalization will bring an additional \$10 million annually in federal operating subsidies to the commonwealth, as well as additional capital subsidies that cannot be easily estimated. DHCD officials said the commonwealth plans to maintain its current level of state spending for public housing, with state funds being distributed across a smaller number of state units.

HUD's headquarters office and Boston field office developed procedures for federalizing state housing, after this opportunity had been identified. First of all, HUD determined that the Recovery Act allows housing agencies to add state housing developments to their federal portfolios by using Recovery Act funds to rehabilitate these developments.¹⁶ HUD then set two main conditions that housing agencies had to meet to federalize: (1) the state units must meet HUD's Uniform Physical Condition Standards after they have been rehabilitated with Recovery Act funds and (2) housing agencies must spend an average of \$2,000 per unit or more in Recovery Act funds to rehabilitate a state housing development. Officials from HUD's Boston field office inspected all housing developments that housing agencies proposed to federalize, to assess the condition of these developments relative to the federal standards. (See fig. 2 for an example of one housing agency's federalization project.)

¹⁶The regulations governing this process are at 24 CFR 941.

Figure 2: Federalization of State Housing Development in Taunton

The Taunton Housing Authority is using its \$615,072 allocation of Recovery Act capital funds to federalize 232 units of state-supported housing in three housing developments for the elderly. For example, the Taunton Housing Authority will federalize its Fitzsimmons Arms development by using Recovery Act funds to replace an aging boiler and heating units with more up-to-date, energy efficient models.



Boiler to be replaced



Heating unit to be replaced

Source: GAO.

Despite the benefits they perceived from federalization, housing agencies faced challenges that prevented some from acting on this opportunity. These challenges stemmed partly from the timing of when housing agencies learned about this opportunity. DHCD sent a memo to all housing agencies in the commonwealth in August 2009, informing them that federalization was a possibility. However, according to HUD officials, many housing agencies had already obligated all or most of their Recovery Act funds by the time they heard about federalization, and were unable to reprogram their funds. Taunton Housing Authority officials told us they were able to federalize primarily because they heard very early on about federalization—before DHCD’s memo—and immediately stopped their originally planned obligation of Recovery Act funds. Furthermore, the short time frame between the HUD Boston field office’s issuance of guidance on federalization (October 28, 2009) and the deadline for submitting proposals (November 23, 2009) made it difficult for housing agencies to prepare applications, according to one HUD official and one housing agency we spoke with. Finally, state officials told us that some housing agencies did not have state housing developments that could be relatively quickly and easily brought into compliance with HUD Uniform Physical Condition Standards, because of the unstable state subsidies for

housing.¹⁷ Clinton Housing Authority officials, for example, cited problems such as lead paint and out-of-date heating systems as being among the reasons they could not federalize state-supported housing within the allowed time frame.

Recovery Act Funding Supports Improvements for Clean and Safe Drinking Water

The Massachusetts Department of Environmental Protection, working in collaboration with the Massachusetts Water Pollution Abatement Trust, has selected 115 clean water and drinking water projects to receive about \$178 million in Recovery Act funds through its SRF (see table 2).¹⁸

Table 2: Recovery Act Funding for Massachusetts SRF Projects

Type of projects	Recovery Act funds		“Green” projects	
	Dollars	Number of projects	Dollars	Number of projects
Clean water projects	\$127,735,008	61	\$54,287,508	11
Drinking water projects	50,127,360	54	12,580,834	10
Total	\$177,862,368	115	\$66,868,342	21

Source: GAO analysis of U.S. Environmental Protection Agency and Massachusetts data.

The Clean Water and Drinking Water SRF programs generally provide low interest loans for water quality protection projects. Massachusetts provided nearly all the Recovery Act funding in the form of “principal forgiveness,” meaning that the portion of projects funded with Recovery Act money—about 12 percent of clean water projects and 20 percent of drinking water projects—will not need to be repaid. Further, for green projects, none of the funds will need to be repaid.¹⁹

¹⁷In a 2006 audit report, the Massachusetts Office of the State Auditor found that inadequate funding by the state has contributed to significant deterioration in the conditions of state-supported housing developments.

¹⁸According to Massachusetts officials, of the \$185 million received in Recovery Act funds, over \$7 million is being used for program administration with the remainder spent on projects.

¹⁹“Green” projects are those that promote green infrastructure (which can reduce, capture, and treat stormwater runoff at its source before it reaches the sewer system) and energy or water efficiency. Green projects also include demonstrations of new or innovative ways to manage water resources in a sustainable fashion.

State officials and officials at two sites we visited reported several benefits they expected from Recovery Act-funded projects.²⁰ Benefits of projects we reviewed are described in table 3.

Table 3: Uses and Amount of Recovery Act Funding at Sites Visited

Entity	Project description	Recovery Act funding
MWRA	Lower Hultman Aqueduct: Rehabilitation in order to restore it to safe operation after more than 70 years of service without an overhaul. This project will result in two independent, reliable, and fully interconnected water transmission lines.	\$3,602,688
MWRA	DeLauri Wind Turbine Project: Installation of new wind turbine at a wastewater pumping facility intended to utilize renewable power resources. As a green project, estimated to provide 100 percent of the energy needs of the pump station.	4,750,000
Town of Spencer	Drinking Water System: Construction of new 500,000 gallon water tank, installation or replacement of 2.75 miles of water main and various treatment plant improvements, such as a new monitoring system to prevent future public health emergencies. Malfunction of this system in 2007 led to the release of a hazardous amount of sodium hydroxide (lye) into the town's water supply.	1,495,872

Source: MWRA, Town of Spencer and U.S. Environmental Protection Agency data

For example, officials told us that Recovery Act funding accelerated their ability to support green projects which would not have been funded otherwise. Massachusetts placed a special emphasis on green projects—described by officials as providing benefits through renewable energy and energy efficiency. Of the 21 green projects, 14 had already been identified as part of an earlier state energy pilot. Recovery Act funding also supported the undertaking of multimillion dollar projects with multiple benefits. For example, MWRA officials described the Lower Hultman Aqueduct Project, which will rehabilitate a 70-year old water transmission line, as critical to public health and homeland security. In addition to the direct benefits of these projects, municipalities benefited from reductions in payments on loans. For example, the MWRA estimates that because of the loan forgiveness funded by Recovery Act money, it will save \$41 million in debt service payments, including interest costs.

Massachusetts officials told us that federal requirements and new state legislation posed challenges in meeting Recovery Act SRF deadlines or may pose challenges going forward. For example, state officials cited the Recovery Act's requirement that each state prioritize funds for use on projects that are ready to proceed to construction within 12 months of

²⁰We visited the town of Spencer, a new SRF recipient, which received funds for one project, and the MWRA, which received funding for multiple projects.

enactment of the act (by February 17, 2010) and compliance with the Recovery Act's Buy American requirements. According to Massachusetts officials, confusion over the U.S. Environmental Protection Agency's Buy American guidance meant that some SRF projects had to redo project specifications to include American pipes after already purchasing Canadian pipes. The agency developed a process for recipients to provide documentation supporting a waiver to the Buy American provision in the Recovery Act. This provision generally requires the use of U.S.-produced iron, steel, and manufactured goods in public works projects.²¹ As a result, to construct the wind turbine at the DeLauri Pump Station, MWRA had to document why the turbine needed to be purchased from China, and described additional MWRA efforts needed to support the waiver. Other issues that may pose challenges relate to requirements in Massachusetts statutes. For example, officials said that a state statute requires that on any Recovery Act public works project spending more than \$1 million, the use of on-site apprentices must account for 20 percent of labor hours.²² MWRA anticipated that some contractors would find complying with this requirement a challenge. State officials also said that agreements on funding were delayed by the need to change a Massachusetts statute that had previously set limits on financial assistance.²³

Both state and local officials noted that new controls have been established for accountability of Recovery Act funding. Massachusetts environmental officials said they have developed tools for monitoring fraud, waste, and abuse, such as a checklist to document that proper fiscal and contract management procedures are being followed. In addition, the Massachusetts Department of Environmental Protection has designated a compliance officer to help implement its fraud, waste, and abuse policy. The Water Pollution Abatement Trust also hired a compliance officer to

²¹Section 1605 of the Recovery Act permits the provision of a waiver by the head of an appropriate agency, here EPA, under certain circumstances. Pub. L. No. 111-5, 123 Stat. 115.

²²2009 Mass. Acts ch. 30, § 33 (An Act Mobilizing Economic Recovery in the Commonwealth).

²³2009 Mass. Acts ch. 30, § 12 (An Act Mobilizing Economic Recovery in the Commonwealth). According to a Massachusetts official, before passage of this act, the Massachusetts Water Pollution Abatement Trust was not authorized to provide any principal forgiveness, grant, or loan interest rate except 2 percent for 20-year terms, but the act authorized the trust to adapt the financing structure to conform to the Recovery Act requirements.

assist with the review of single audits required for SRF loan recipients receiving principal forgiveness.

Localities Used Recovery Act Funds to Train More Dislocated Workers, and Addressed Some New Program Priorities

Massachusetts received \$21.2 million in WIA Dislocated Worker Recovery Act funds, through the same statutory formula used to distribute regular WIA Dislocated Worker Program funds. The Massachusetts Executive Office of Labor and Workforce Development (EOLWD) distributed 60 percent of this allotment to the 16 local workforce areas, with the remaining funds set aside for rapid response activities to address layoffs and plant closings, and other statewide activities (see table 4). As of March 31, 2010, the commonwealth had drawn down at least \$7.5 million of its Recovery Act funds.²⁴

Table 4: Massachusetts' Uses of its WIA Dislocated Worker Funds

State activity	Amount
Distributed to local areas	\$12,734,068
Rapid response activities	5,305,862
Statewide activities	3,183,517
Total allotment^a	\$21,223,447

Source: GAO survey of 50 states and the District of Columbia, conducted March to April 2010.

^aMassachusetts reported that it also opted to transfer \$200,000 from its WIA Adult Recovery Act program allotment and use these funds for services to dislocated workers.

Local Workforce Areas Used Recovery Act Funds to Increase the Number of Dislocated Workers Receiving Training

With the infusion of Recovery Act funds as well as increased demand for services, the number of dislocated workers trained in the commonwealth between July 1, 2009 and December 30, 2009 was 56 percent higher than in the corresponding period in the previous year, according to the EOLWD.²⁵ The EOLWD reported that from the date the commonwealth started using Recovery Act Dislocated Worker funds through January 31, 2010, about

²⁴These are cash drawdowns from the U.S. Department of Health and Human Services' Payment Management System. Under the procedures for using these funds, funds are to be drawn down no more than 3 days in advance of paying bills. According to Labor, drawdown data for March 2010 may be significantly understated as a result of complications with the transition to a new accounting system. Labor is taking steps to correct these issues and expects to release accurate data by the end of May 2010.

²⁵This comparison includes dislocated workers trained with regular and Recovery Act WIA funds.

2,300 dislocated workers received training through Recovery Act or regular WIA Dislocated Worker funds. Local workforce areas used their funds for training in accordance with state guidance, as EOLWD instructed local areas to spend at least 60 percent of their Dislocated Worker allocations for training and to spend their funds quickly. The local areas had expended over half of their funds by January 31, 2010, according to EOLWD.

The two local workforce areas we visited—Bristol and Boston—used at least 60 percent of their funds for training, and both addressed a high demand for training. The Bristol local area in southeastern Massachusetts had expended more than 90 percent of its \$1,100,223 allocation by January 31, 2010, and had enrolled 143 dislocated workers in training in whole or in part with its Recovery Act funds. Officials said the workforce area enrolled twice as many adults and dislocated workers in training as in a typical year; many in the area enter training for a Commercial Driver's License or in the health care field. Bristol also used Recovery Act funds to hire new staff to help serve the increased number of visitors to career centers and to reach out to employers. Boston had expended about two-thirds of its \$919,400 allocation by January 31, 2010, and had enrolled 100 dislocated workers in training in whole or in part with Recovery Act funds. Boston enrolled about 15 percent more dislocated workers in training during this program year compared to the previous program year. Boston officials said that the Recovery Act funds were critical to maintaining services for dislocated workers because the city saw a reduction in its regular Dislocated Worker funds for program year 2010 and that the city had obligated all of its regular Dislocated Worker funds that had been set aside for Individual Training Accounts (ITAs) by April 2009.

In terms of training approaches, EOLWD officials told us that while local workforce areas are primarily using Recovery Act funds for ITAs—through which individuals purchase training from, for example, community colleges and community-based organizations—seven are using some of their funds to contract for group training classes. A total of 122 dislocated workers are enrolled in contracted training through Recovery Act funds, according to EOLWD. Dislocated Worker funds provided through the Recovery Act may be used to provide training through contracts, which are authorized only in limited circumstances for regular WIA funds. Boston is using about one quarter of its Recovery Act training funds for contracts, for example for classes in health care and in English as a Second Language. A Boston official told us that contracts are helpful because they allow the local area to customize training classes for specific populations. Bristol used all of its training funds for ITAs. Officials said

that given the high demand for funds there was not enough time to develop training contracts.

Local Workforce Areas Took Some Steps to Address Labor’s Recovery Act Priorities

Local areas have taken some steps to address the priorities emphasized by Labor in implementing the Recovery Act. For example, the local areas we visited have attempted to train for and place participants in green jobs, with mixed success. Bristol officials told us that enrolling participants in green jobs training has been challenging because there is no firm definition of a green job. Regarding supportive services, such as child care and housing, EOLWD officials said there has been little demand for such services, especially given the availability of benefits such as Unemployment Insurance. Officials at one Boston career center told us they do not have the resources to provide extensive supportive services to clients; primarily they provide public transit passes.

Recovery Act Funding Continues to Help Massachusetts State Government and Selected Localities with Fiscal Relief

Massachusetts state government continues to experience budget pressures driven primarily from multi-year revenue shortfalls, as well as caseload growth in some programs. Since the beginning of the Recovery Act, the commonwealth has addressed its fiscal year budget gaps through a combination of Recovery Act funds, spending reductions, use of “rainy day” funds, and the addition of new revenue sources such as an increase in state sales tax. Because of the unexpected magnitude of revenue decline, Massachusetts accelerated the use of Recovery Act funds, particularly the SFSF funds, which freed up funds for other purposes. For fiscal year 2011, the Governor’s plan proposes using less Recovery Act funding to close its projected budget gap than was used during fiscal year 2010. According to a senior state official, relying less on Recovery Act funds is important to the state’s bond issuing agencies, as well as to prepare for future budgets which will not include Recovery Act funds.²⁶ In addition, the Governor’s plan includes \$608 million in increased FMAP funds based upon the state’s expectation that Congress and the President will extend the temporary increase in the FMAP under the Recovery Act.²⁷

²⁶The Governor’s budget also includes a proposal to help prepare the state for future revenue volatility by smoothing out capital gains receipts and depositing capital gains revenue over a fixed dollar amount (\$1 billion) into its “rainy day” fund.

²⁷State officials noted that if by June 1, 2010, Congress has not acted to extend the increased FMAP provision, the Governor plans to revise his fiscal year 2011 budget.

Overall, most of the \$6 billion Massachusetts officials expect to receive through the Recovery Act has been awarded. According to state documents, as of May 7, 2010, Massachusetts state government has been awarded \$5 billion in Recovery Act funds and has drawn down \$3.4 billion of this amount. Among the largest categories of Recovery Act funding have been increased Medicaid FMAP, SFSF, and highways and transit funding. State officials reported they anticipate future Recovery Act funds coming to the state through a Department of Energy grant for appliance rebates as well as additional money for Broadband expansion. Furthermore, Massachusetts hopes to receive funding for education through the “Race to the Top” grants.

We also visited the cities of Boston, Everett, Springfield, and Worcester (see table 5) to review their use of Recovery Act funds.²⁸

Table 5: Characteristics of Selected Local Governments

Local government	Population	Unemployment rate (percentage)	Fiscal Year 2010 operating budget	Full-time equivalent government employees
Boston	609,023	8.1 %	\$2.40 billion	17,661 ^a
Everett	37,353	9.9	132 million	1,088
Springfield	150,640	13.7	529 million	5,125
Worcester	175,011	10.4	491 million	5,165

Sources: U.S. Census Bureau; U.S. Department of Labor; and Boston, Springfield, Worcester, and Everett budget documents.

Notes: Population data are from the latest available estimate, July 1, 2008. Unemployment rates are preliminary estimates for March 2010 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revisions.

^aTotal full-time equivalent count includes 1,132 grant-funded employees.

The four selected cities have used Recovery Act funds to prevent layoffs of teachers, police, and firefighters, and were used in some cases on one-time investment purchases. For example, Everett used \$3 million in Phase II SFSF funds to pay 61 teachers’ salaries. Springfield used \$4.4 million in IDEA money to pay education costs, including special education teachers’ salaries, rather than draw from the city’s stretched education budget.

²⁸City Recovery Act funds referred to in this section cover funds which are administered by city government and not the full scope of Recovery Act funds that benefit city residents, such as unemployment insurance and Medicaid. This section includes sources of Recovery Act funds which substitute for declines in city operating revenues. Other city-administered Recovery Act funds provide expanded services and include funds for community development, homelessness, and energy efficiency.

Worcester officials also reported using \$15 million in Recovery Act funds to prevent significant teacher layoffs. In the area of public safety, three of the four cities were able to use either the Community Oriented Police Services Hiring Recovery Program grant or the Edward Byrne Memorial Justice Assistance Grant (JAG), or both, to prevent some police officer layoffs. Everett also used a \$91,202 JAG grant to improve police department efficiency by hiring a part-time crime analyst, while Boston used a Fire Service Staffing Grant of almost \$1.4 million to pay for firefighter overtime and maintain fire service staffing levels. In addition to public safety and education funding, some localities used Recovery Act funds to make one-time purchases that represent an investment in the city's future operations. Everett, for example, used a \$149,300 Department of Energy block grant to purchase solar trash receptacles, which officials calculate will cut Everett's fuel costs and lower maintenance costs. Springfield officials told us that Recovery Act funds allowed them to complete some pending projects sooner, including a new computer database of student education information.

Although all of the selected cities expressed concern about further reductions in state aid, Boston reported that its present budget is stable. Officials in Boston reported that they increased the hotel tax by 2 percent and added a new meals tax of 0.75 percent. In Springfield, officials characterized their 2010 fiscal year operating budget as on track, however, it had increased its use of local reserves by \$2.5 million, for a total of \$12.5 million, to close the budget gap for fiscal year 2011 (which begins July 1, 2010). Both Worcester and Everett reported experiencing various spending pressures, including increased health insurance premiums for city workers. While there were no mid-year cuts to state aid in fiscal year 2010, officials in some of the cities we spoke to anticipate the state will further reduce aid during fiscal year 2011. According to state budget officials, the legislature is considering up to a 4 percent cut in aid to local governments for the coming fiscal year. For Boston this could amount to approximately \$25 million less for the city. In Worcester and Springfield state aid comprises about 55 and 60 percent of the cities' budgets respectively, according to local officials. A Worcester official recalled that a 25 percent cut in aid in fiscal year 2009 had a significant impact on the city's operating budget.

The cities we spoke to are preparing for the challenges posed by the end of Recovery Act funds in a variety of ways. Some of the cities have raised, or are considering raising, taxes and fees to increase revenues. Boston officials expect increased hotel and meals tax rates to add \$28.4 million to the fiscal year 2011 budget, while officials in Everett are considering

increasing city fees and charges for permits. Springfield and Everett will continue to look for new sources of grant funding. Springfield, for example, hired an outside grant writing consultant to address its lack of grant writing capacity. In Worcester, to cut costs in advance of the end of Recovery Act JAG funding, which is paying for the salaries of 24 police officers through January 2011, city officials restructured their police department by eliminating unfilled managerial positions and positions soon to be vacant due to retirement. In anticipation of the limited duration of Recovery Act dollars, Springfield officials stated that they restricted their use of some of their Recovery Act funds to one time purchases that would not require sustained funding. Springfield's \$1.26 million Recovery Act JAG grant, for example, was spent entirely on technology upgrades; none was spent on personnel.

State and Local Officials Have a Variety of Recovery Act Program Audits Underway

The Massachusetts Office of the State Auditor (OSA), with authority to audit state agencies, has several audits underway specifically focused on Recovery Act-funded programs. OSA, which according to officials has been affected by state furloughs and hiring reductions, has incorporated Recovery Act related questions into its audit work, including the Single Audit. The 2009 state Single Audit covered Recovery Act FMAP and SFSP funds and had one procedural finding. OSA's audits of Recovery Act funds include programs funding weatherization, housing, highways, transit, higher education, and youth employment. Though most audits are ongoing, OSA is completing its audit of the WIA Youth Program, which will address participants' eligibility and the number of jobs reported under this program.

The Massachusetts Office of the Inspector General (OIG) is focusing its efforts on investigating Recovery Act programs for fraud, waste, and abuse. OIG officials say they are at different stages in their review of Recovery Act programs, but have had delays partly due to some federal agencies' slow sharing of information. In December 2009, OIG officials, as instructed by the U.S. Department of Justice's Office of Justice Programs, filed a Freedom of Information Act request to get needed information, including JAG grant applications. The OIG reported that after a delay it received the final transmission of the documents it requested from the Department of Justice on April 30, 2010. In addition to its oversight role, the OIG has undertaken Recovery Act educational efforts, including training on proper procurement methods and fraud prevention.

All localities we spoke with plan to conduct Recovery Act oversight through the Single Audit process. Boston officials stated that the city's

2009 Single Audit included an audit of \$23.3 million in SFSF funds from the commonwealth and the audit indicated that Boston complied with the requirements of the grant. The only Recovery Act funds reviewed in the 2009 Single Audit for Everett and Worcester were SFSF grants to schools. In Worcester, auditors found expenses from before the eligible period incorrectly charged to the SFSF grant. The city made an adjusting entry to accurately reflect only eligible fourth quarter expenses and submitted an amended financial report. Springfield's Single Audit for 2009 also included only Recovery Act SFSF grants to schools and the audit indicated the city had complied with the requirements of these grants. Boston officials are studying their options regarding auditing the spending of Recovery Act funds. They expect that their fiscal year 2010 Single Audit will cover most of Recovery Act-funded programs.

State Comments on This Summary

We provided a draft of this appendix to the Governor of Massachusetts, the Massachusetts OSA, the Massachusetts OIG, the Massachusetts Joint Committee on Federal Stimulus Oversight, and the Massachusetts Senate Committee on Post Audit, and provided excerpts of the draft to other entities including cities, local housing agencies, and regional transit agencies we visited. The Governor's office that oversees Recovery Act implementation, in general, agreed with our draft report. State and local officials provided clarifying and technical comments, which we incorporated where appropriate.

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