

September 2010

RECOVERY ACT

Opportunities to Improve Management and Strengthen Accountability over States' and Localities' Uses of Funds (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 education, highways, transit systems, and public housing. We selected the programs we reviewed because all have significant funds awarded, as discussed below. For descriptions and requirements of the programs we covered, see appendix XVIII of [GAO-10-1000SP](#).

In conducting our, we contacted state agencies and some localities responsible for implementing the programs. We contacted the state education office and the Springfield local educational agency. We followed up on ongoing Recovery Act projects at the Massachusetts Department of Transportation and Massachusetts Bay Transportation Authority, which included a review of quality assurance procedures for Recovery Act projects. We contacted the Boston Housing Authority, which received Public Housing Capital Fund formula and competitive grant awards.

We also continued to track the use of Recovery Act funds for state and local fiscal stabilization and the oversight of funds. We contacted state officials at the state's central management agency addressing fiscal issues and handling of Recovery Act funds, as well as officials at state oversight agencies. We also met with officials from the City of Boston to discuss its use of Recovery Act funds, including funding from the Energy Efficiency and Conservation Block Grant, and the city's fiscal condition. Finally, we contacted oversight officials in both Massachusetts and Boston to receive an update on their continuing review and audit of various Recovery Act programs.

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

What We Found

- **Recovery Act education programs.** Massachusetts has been awarded over \$1 billion in Recovery Act funds through three major education programs, the largest of which is the State Fiscal Stabilization Fund (SFSF) with an allocation of close to \$994 million. These funds were awarded, in part, to help state and local governments stabilize their budgets by minimizing budgetary cuts in education and other essential services. As of July 16, 2010, the commonwealth had drawn down 80 percent of its SFSF funds. Massachusetts has also made progress on its SFSF oversight efforts by selecting a public accounting firm to conduct SFSF supplemental reviews of 15 local educational agencies (LEA).
- **Highway infrastructure investment.** Massachusetts has begun construction on 78 of 84 Recovery Act highway projects for which funding was obligated prior to the March 2, 2010, obligation deadline. As of August 2, 2010, 9 of the 84 projects have completed construction. Massachusetts continues to lag behind the national average on its reimbursement rate. According to a state official, approximately \$30 million have been deobligated from highway contracts as a result of contracts being awarded below state cost estimates. A state official stated that they plan to have all deobligated funds obligated to other projects by the September 30, 2010, deadline—including one noteworthy project to rehabilitate River Road in Tewksbury, which was washed out in the March 2010 flooding. State officials report that some deobligated suballocated funds may be obligated to other projects outside of their initially intended region.
- **Transit Capital Assistance funds.** Massachusetts and its urbanized areas have expended \$85.6 million of its initial Recovery Act Transit Capital Assistance apportionment on several projects, including some that are nearing completion. An additional \$59.7 million was transferred from the Federal Highway Administration, which included \$24.8 million that originated from funds that were initially apportioned to suballocated regions in the state. These funds will go back to suballocated regions for additional projects at regional transit agencies, including a parking garage at the Wonderland Station in Revere, emergency repairs on the Massachusetts Bay Transportation Authority's (MBTA) Red Line subway, and vehicle and equipment purchases and terminal improvements for the Cape Cod Regional Transit Authority. At the request of the U.S. Department of Transportation, Massachusetts will recalculate its planned transit expenditures to include additional state funds allocated to MBTA which will help the commonwealth meet the September 30, 2010, maintenance-of-effort deadline for transit expenditures. Finally, our

review of MBTA's quality assurance procedures revealed that it uses a construction management firm to perform daily oversight of several of its Recovery Act-funded projects and MBTA has procedures in place to independently verify the firm's performance.

- **Public Housing Capital Fund.** Public housing agencies in Massachusetts received about \$82 million in Public Housing Capital Fund formula grants and about \$73 million in Public Housing Capital Fund competitive grants. All 68 housing agencies that received formula grants obligated all of their grant funds by the required deadline of March 17, 2010, and 63 housing agencies had drawn down a cumulative total of about \$41 million as of August 7, 2010. Of the seven housing agencies that also received about \$73 million in Public Housing Capital Fund competitive grants, five agencies had drawn down a cumulative total of \$6 million as of August 7, 2010. The Boston Housing Authority (BHA) received a \$33.3 million formula grant and over half of the \$73 million in competitive grant funds (about \$40 million) for Massachusetts. For example, BHA received about \$22 million in competitive funds to begin rebuilding its Old Colony development in South Boston as an energy-efficient and green community. The U.S. Department of Housing and Urban Development (HUD) regional office in Massachusetts has conducted quality reviews of Public Housing Capital grant funds and is assisting public housing agencies with meeting Recovery Act requirements.
- **Massachusetts state government's and City of Boston's use of Recovery Act funds.** The Commonwealth of Massachusetts continues to experience budget pressures, although state officials report that tax revenue should trend higher during the current fiscal year. Recovery Act funds continue to support the commonwealth's operating budget for fiscal year 2011, but less than in the previous 2 fiscal years. Also, officials report they are preparing for when Recovery Act funding will no longer be available, mostly through a combination of spending reductions and availability of state "rainy-day" funds. Boston officials told us that while Recovery Act funds have strengthened the city's economy and Boston has experienced some revenue growth in the last year, the city's costs are increasing and layoffs are expected in fiscal year 2011. City officials expressed concern for the fiscal challenges ahead, and they are taking steps to try to mitigate the impact of the loss of Recovery Act funds.
- **Oversight and accountability efforts.** The Massachusetts Office of the State Auditor has several audits under way focused on programs funded by the Recovery Act, including audits of various local housing

authorities, state and community colleges, regional transit authorities, and the Massachusetts Department of Transportation. The state Inspector General has concentrated its Recovery Act efforts on prevention initiatives, as well as on monitoring, reviewing, and investigating a variety of Recovery Act-funded programs. Officials from Boston's City Auditor's office told us that their independent auditor will conduct Boston's Single Audit for fiscal year 2010 (ended June 30), which will include an audit of 10 of the city's Recovery Act-funded projects.

- **Recipient reporting.** The Massachusetts Recovery and Reinvestment Office (MRRO) has redesigned Massachusetts's Recovery Act Web site to facilitate users' ability to track, as well as map, Recovery Act jobs and dollars by ZIP code, town, county, and congressional district. The redesigned Web site also includes a link to Recovery Act data reported by nonstate entities, such as housing agencies and regional transit agencies. The MRRO has begun to use Recovery Act data to monitor spending across state agencies and provide increased oversight to state agencies that have slower rates of Recovery Act spending and obligation.

Massachusetts Has Used Recovery Act Funds to Stabilize Education and Has Begun Audits of Local Educational Agencies as Part of Its Oversight Plan

Massachusetts has been awarded over \$1 billion in Recovery Act funding through three major education programs, the largest of which is the State Fiscal Stabilization Fund (SFSF)² with an allocation of close to \$994 million.³ These SFSF funds were awarded, in part, to help state and local governments stabilize their budgets by minimizing budgetary cuts in education and other essential services.⁴ Massachusetts also received about \$164 million to be used to help educate disadvantaged youth under Title I, Part A of the Elementary and Secondary Education Act of 1965, as amended (ESEA) and about \$291 million to be used to support special education and related services under the Individuals with Disabilities Education Act, as amended, (IDEA) Part B.⁵ As of July 16, 2010, the commonwealth had drawn down 80 percent of its SFSF funds and about 40 percent of the other funds. See figure 1 for more information on selected funds awarded to Massachusetts.

In addition, Public Law 111-226, enacted on August 10, 2010, provides \$10 billion for the new Education Jobs Fund to retain and create education jobs nationwide.⁶ The fund will generally support education jobs in the 2010 to 2011 school year and be distributed to states by a formula based on population figures. States can distribute their funding to school districts based on their own primary funding formulas or districts' relative share of federal ESEA Title I funds.

²There are two types of SFSF funds—education stabilization funds and government services funds.

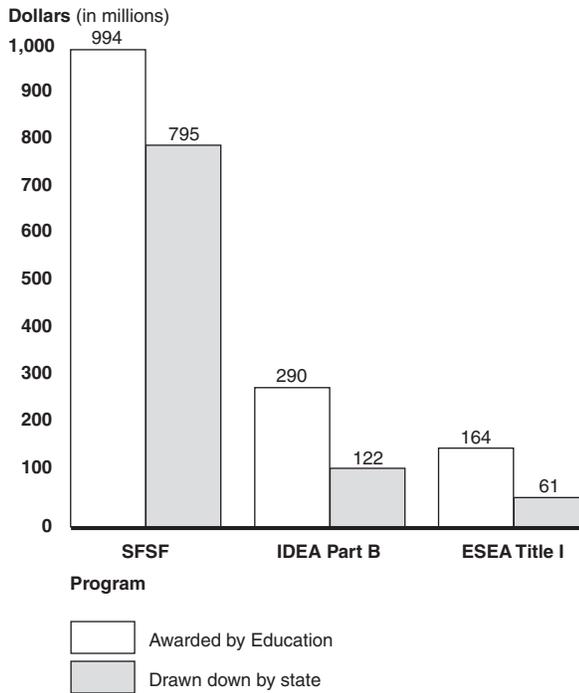
³Massachusetts also received additional Recovery Act funding to support a range of educational activities and services.

⁴The education stabilization funds were awarded in two phases.

⁵Moreover, state educational agencies (SEA) may reserve additional administrative funds to help defray the costs of meeting the additional data collection requirements under the Recovery Act for ESEA Title I, Part A and the grants to states under IDEA Part B. For ESEA Title I, Part A, the maximum additional amount an SEA may reserve is 0.5 percent of the state's fiscal year 2009 Title I, Part A Recovery Act allocation, or \$1 million, whichever is less. Similarly, for IDEA Part B grants to states, the maximum additional amount an SEA may reserve is 0.1 percent of the state's fiscal year 2009 IDEA Part B allocation, or \$500,000, whichever is less. The additional amount a state may reserve also depends on whether the SEA requests and receives a waiver of certain requirements.

⁶Pub. L. No. 111-226, § 101, 124 Stat. 2389 (Aug. 10, 2010).

Figure 1: Allocations and Drawdowns for the Three Recovery Act Education Programs as of July 16, 2010



Source: GAO analysis of Education data.

Massachusetts has made progress on its SFSF oversight efforts. Among other things, the commonwealth has finalized plans to conduct SFSF supplemental audits of select LEAs to verify reported expenditures, identify ineligible expenses, and assess the consistency of reported data.⁷ In July 2010, the state selected a public accounting firm using \$100,000 in SFSF-Government Services funds. Under the supervision of the state education department’s Internal Audit Unit, the accounting firm is expected to conduct these reviews using agreed-upon procedures during August and September 2010. In cases in which the reviews discover ineligible uses of funds and reporting errors, LEAs will be required to develop corrective action plans that may include such things as substitution of eligible expenses for ineligible ones and amendments to previously submitted reports.

⁷In Massachusetts, the Executive Office of Education and the Department of Elementary and Secondary Education work together to coordinate oversight efforts.

The SEA provided the U.S. Department of Education (Education) with an updated SFSF monitoring schedule in early July that reflected its coordination with the Massachusetts Office of the Inspector General. One significant change in the revised plan is that the supplemental audits will focus on fiscal year 2010, not fiscal year 2009, SFSF expenditures. A state official told us this change was made because the Inspector General is currently conducting selected reviews of SFSF fiscal year 2009 funds for many of the same LEAs that had initially been selected for supplemental audits. Another change in the plan is the specific LEAs selected for review. The final list includes the recipients of the 10 largest recipients of SFSF funds in fiscal year 2010, while the original list included the 10 largest from fiscal year 2009. Another five LEAs were selected based on previous audit findings, as planned.

As of August 9, 2010, Massachusetts reported that the SFSF education stabilization funds supported 3,838 jobs, defined in terms of full-time equivalents (FTE), during the recipient reporting period (quarter) ending June 30, 2010.⁸ These SFSF-funded jobs supported public elementary, secondary, and postsecondary education and, as applicable, early childhood education programs and services. These jobs have included administrators, teachers, paraprofessionals, and staff members in school districts across Massachusetts, as well as administrators, faculty members, and staff members at the state and community colleges and the University of Massachusetts campuses.

While SEA officials we contacted told us they found the process of reporting jobs to be manageable, MRRO, which is responsible for the commonwealth's central reporting of jobs, found that the process was complicated by changes to guidance regarding whether to report FTEs not captured in previous quarters in the reporting period ending June 30, 2010. In April 2010, LEAs received \$172 million of the second phase of SFSF funds. Despite the midyear disbursement date, the funds could be applied to salaries incurred anytime in fiscal year 2010. Education officials initially instructed the state to report all FTEs from these previous quarters in the current quarter. However, in early July 2010, Education sent an e-mail to all states explaining that the Recovery Accountability and Transparency Board had changed its interpretation of OMB's December 18, 2009, guidance, and Education was now instructing SEA officials that FTEs

⁸An FTE is a full-time equivalent, which is calculated as the total hours worked divided by the number of hours in a full-time schedule.

should only be reported in the actual quarter they were worked. As a result, Massachusetts officials reported only those FTEs worked in the April 1 to June 30, 2010, recipient reporting quarter, and those FTEs that were reallocated to cover expenses from previous quarters have not yet been reported. Education's new guidance also indicated that OMB is developing a process to make corrections to data reported in previous quarters, and that it is through this process that recipients will report those FTEs generated when funds were reallocated to cover salary expenses from previous quarters. SEA officials told us that the data system used to collect job information from LEAs was flexible enough for them to provide data in compliance with the revised guidance.

Massachusetts Has Begun Construction on the Majority of Its Recovery Act Highway Projects and Has Developed Projects for Deobligated Funds

Work has begun on 78 of 84 of the Massachusetts Recovery Act highway projects for which funding was obligated prior to the March 2, 2010, deadline, according to data provided by the Massachusetts Department of Transportation (MassDOT). As of August 2, 2010, 9 of the 84 projects have completed construction.⁹ The rate by which the Federal Highway Administration (FHWA) has reimbursed Massachusetts Recovery Act highway projects (an indicator of the portion of highway work completed) has increased from 13 percent on May 3, 2010, to 29 percent on August 2, 2010, although it is still below the national average of 44 percent (see table 1). According to FHWA officials, as a result of the time-consuming work in planning these Recovery Act projects, Massachusetts has been delayed in requesting obligation of its annual highway apportionment (for non-Recovery Act projects) and will make the majority of its requests for this fiscal year's obligation in the fourth quarter. As of August 12, 2010, Massachusetts had asked FHWA to obligate only 52 percent of these funds.¹⁰

⁹Projects may have completed the construction phase, but they may not be financially closed out as a result of project close-out paperwork. In addition, as of August 2, 2010, the state has 5 Recovery Act highway projects that have completed construction except for minor finishing touches.

¹⁰In federal fiscal year 2010, Massachusetts was apportioned \$551 million in annual highway formula funds.

Table 1: Massachusetts Recovery Act Federal Aid Highway Amounts and Projects as of August 2, 2010

Total available apportionment	Amount transferred to Federal Transit Administration	Total amount reimbursed	Number of projects	Number of projects with construction complete
\$438 million	\$59.7 million	\$104 million	88	9

Source: GAO analysis of FHWA data.

According to the MassDOT Economic Stimulus Coordinator, Massachusetts has had FHWA deobligate approximately \$30 million in Recovery Act highway funds, as a result of contracts being awarded below state cost estimates. The MassDOT Economic Stimulus Coordinator said that they plan to have FHWA obligate all of the deobligated Recovery Act funds by September 30, 2010, to additional projects and they have developed a list of eight highway projects they will recommend for funding. One noteworthy project on this list is the River Road project in Tewksbury. River Road was washed out as a result of the March 2010 flooding in Massachusetts. The MassDOT Economic Stimulus Coordinator noted that the state and regional planning organization had previously identified the drainage repair and road realignment for River Road as a ready-to-go project on their transportation improvement plan. However, there were no funds available. According to the MassDOT Economic Stimulus Coordinator, the March floods made this project a necessity, and the timing of available deobligated Recovery Act highway funds made the project possible.

Some Suballocated Funds May Be Obligated Outside of Their Initially Intended Region

Massachusetts had approximately \$131 million of its \$438 million Recovery Act highway apportionment dedicated to use in suballocated regions.¹¹ As a result of contract savings on the initial round of highway projects in suballocated regions, as of August 2, 2010, Massachusetts has approximately \$3.5 million in deobligated funds to be applied to these regions. The MassDOT Economic Stimulus Coordinator noted that they were initially uncertain about how to apply deobligated funds in suballocated regions, but they subsequently received instructions from FHWA. According to FHWA officials, funds deobligated from a suballocated region should be used to fund additional projects in a

¹¹The Recovery Act requires that 30 percent of these funds be suballocated, primarily based on population, for metropolitan, regional, and local use.

suballocated region that meets the same population criteria as the region for which they were initially intended.¹²

A senior planning official at MassDOT said that the commonwealth may need to move some of these deobligated funds between suballocated regions. As of August 9, 2010, Massachusetts had two suballocated regions with approximately \$770,000 in deobligated suballocated Recovery Act funds, although that is less than 1 percent of the commonwealth's total suballocated apportionment. According to this senior planning official, in order to maintain spending levels within the initially intended suballocated region, they will try to obligate these funds to projects through line-item modifications.¹³ If this solution is not possible, the commonwealth would look to transfer the deobligated suballocated funds to a Recovery Act project in a suballocated region meeting the same population criteria. According to FHWA officials, if the commonwealth cannot have all deobligated funds obligated to projects within the suballocated regions for which they were initially intended, FHWA will allow flexibility to ensure the best utilization of deobligated Recovery Act funds. However, FHWA officials expect the commonwealth to have all deobligated funds obligated to projects within the suballocated regions for which they were initially allocated.

Massachusetts Meets Multiple Reporting Requirements and Continues to Develop Its Office for Performance Management and Innovation

MassDOT continues to report its Recovery Act highway project recipient reporting numbers through the centralized state reporting system to Federalreporting.gov, as part of the Recovery Act's Section 1512 requirements. As of August 2, 2010, for the April through June 2010 round of reporting, the commonwealth reported 380 Recovery Act highway FTEs. The MassDOT Economic Stimulus Coordinator said that, although they are becoming more comfortable with the commonwealth's centralized approach to the quarterly recipient reporting process, MassDOT has the burden of duplicative Recovery Act reporting

¹²According to FHWA officials, deobligated funds are only used in regions meeting the specific criteria for the suballocated region.

¹³According to a MassDOT official, through line-item modifications for projects funded with both statewide and suballocated Recovery Act funds, total project costs may be shifted between the two sources of funding by deobligating a portion of the statewide funds dedicated to a project and increasing the suballocated funds dedicated to the same project. This allows MassDOT to maintain Recovery Act spending levels within the same suballocated region.

requirements—to the Office of Management and Budget (OMB) and to FHWA’s Recovery Act Data System.¹⁴

As we reported in the May 2010 bimonthly report, MassDOT continues to make plans to develop an Office of Performance Management and Innovation that will serve to establish program goals, measure program performance, and report publicly on progress to improve the effectiveness of transportation design and construction, service delivery, and policy decision making. According to the MassDOT Economic Stimulus Coordinator, at this point, there are no plans to assess the broader economic impact of Recovery Act highway projects, but through the Office of Performance Management and Innovation, MassDOT plans to develop performance measures that will help the agency interpret the economic impact of its capital investments and operations activities, in general. FHWA continues to assist MassDOT with developing its plans for the Office of Performance Management and Innovation. FHWA division officials said that in July 2010 they hosted a CEO Roundtable with MassDOT that included input from other states’ departments of transportation and focused on lessons learned related to the use of performance management to manage their agencies.

While Some Transit Capital Assistance Projects Are Nearing Completion Some Projects Funded with Money Transferred from Recovery Act Highway Funds Are Just Getting Under Way

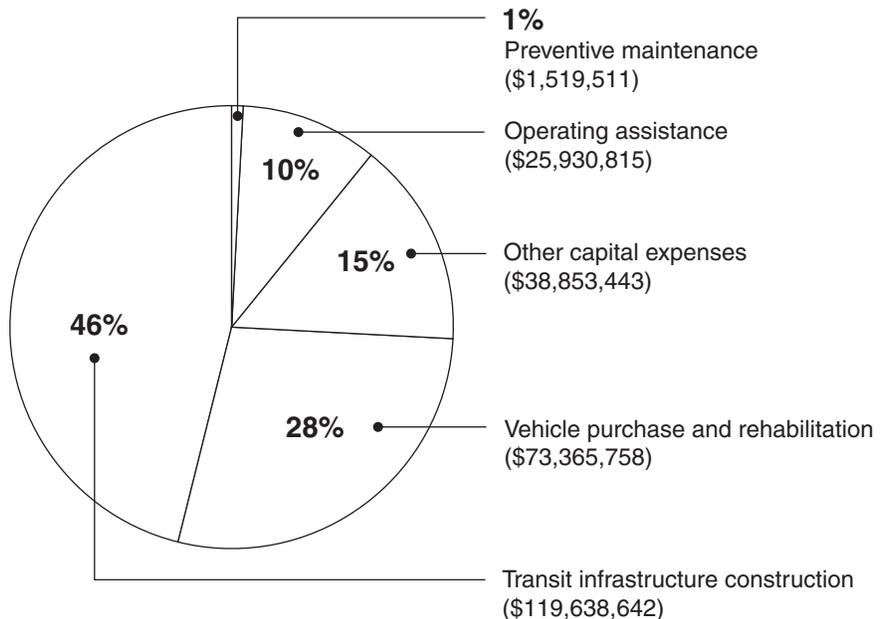
Massachusetts and its urbanized areas have expended \$85.6 million of its initial Recovery Act Transit Capital Assistance apportionment on several projects, including some projects, that are nearing completion.¹⁵ According to the Federal Transit Administration (FTA) data, of the 16 projects funded with the initial apportionment, 1 project has been completed, 6 projects are more than 50 percent complete, and 9 are less than 50 percent

¹⁴Transportation funding recipients must also report certain information to the Department of Transportation under section 1201(c)(1) of division A of the Recovery Act.

¹⁵The Recovery Act appropriated \$8.4 billion to fund public transit throughout the country through existing Federal Transit Administration (FTA) grant programs, including the Transit Capital Assistance Program and the Fixed Guideway Infrastructure Investment program. Under the Transit Capital Assistance Program’s urbanized area formula grant program, Recovery Act funds were apportioned to large and medium urbanized areas—which in some cases include a metropolitan area that spans multiple states—throughout the country according to existing program formulas. Massachusetts’s initial Recovery Act Transit Capital Assistance apportionment of \$290 million includes funds apportioned to other states because some urbanized areas cross state boundaries. For example, the Providence, RI-MA urbanized area includes the Rhode Island Public Transit Authority and two transit agencies located in southeastern Massachusetts—the Greater Attleboro Taunton Regional Transit Authority and the Southeast Regional Transit Authority.

complete.¹⁶ As illustrated in figure 2, the largest portion of the initial Transit Capital Assistance apportionment was obligated for transit infrastructure construction and vehicle purchases and rehabilitation. According to Recovery.gov, as of August 2, 2010, MBTA reported funding 370 FTEs attributed to Recovery Act funds during the most recent quarter, ending June 30, 2010.

Figure 2: Massachusetts Transit Capital Assistance Program Recovery Act Obligations by Project Type as of August 3, 2010^a



Source: GAO analysis of Federal Transit Administration data.

Note: "Transit infrastructure construction" includes engineering and design, acquisition, construction, and rehabilitation and renovation activities. "Other capital expenses" includes items such as leases, training, finance costs, mobility management project administration, and other capital projects.

^aData include projects funded with Massachusetts's initial Transit Capital Assistance Program Recovery Act apportionment and do not reflect projects funded with money subsequently transferred from FHWA.

Several additional projects funded with money transferred from FHWA are just beginning to get under way. As discussed in our previous report,

¹⁶In this instance, "projects" refers to several activities bundled under a single application. FTA encourages transit agencies to combine several projects into one application to expedite the approval process and provide flexibility to grant recipients to move excess funds from one project to another.

Massachusetts requested that FHWA transfer \$59.7 million of Massachusetts's federal-aid highway apportionment to FTA, enabling transit agencies across Massachusetts to use Recovery Act funds for their operating costs, as well as many of their planned capital expenditures.¹⁷ According to an FTA official we spoke with, all of the funds transferred from FHWA have been obligated as of August 3, 2010, and according to FTA data we reviewed, 87 percent of these transferred funds have been obligated for transit infrastructure construction projects. For example, the Southeastern Regional Transit Authority will use transferred funds they received to construct a new terminal on a blighted inner city site in Fall River. This project was delayed because the site was owned by a local utility company and there were substantial environmental permitting challenges to resolve before the land could be purchased for the new terminal. Currently, the transit agency is operating services out of a trailer. In some cases, these additional funds allowed transit agencies to avoid cutting services. For example, additional funds received by the Montachusett Area Regional Transit Authority will allow it to continue operations on its urban "in-town" transportation service in the cities of Fitchburg, Leominster, and Gardner, facilitating access to jobs, training, education, and medical appointments for the citizens of economically depressed areas of north-central Massachusetts.

Of the \$59.7 million that was transferred from FHWA to FTA, \$24.8 million originated from funds that were initially apportioned to suballocated regions. According to MassDOT data we reviewed, these funds were transferred for three transit projects within suballocated regions and include \$22.7 million for a parking garage at the Wonderland Station in Revere, \$1.7 million to fund emergency repairs on the MBTA's Red Line subway, and \$348,846 to fund additional vehicle and equipment purchases and terminal improvements for the Cape Cod Regional Transit Authority.

Massachusetts will recalculate its planned transit expenditures to include additional state funds allocated to MBTA, which will make it easier for the commonwealth to meet the maintenance-of-effort (MOE) requirement for transit expenditures. As part of its review of state MOE certifications, the U.S. Department of Transportation (USDOT) discovered that MassDOT did not include a portion of the state sales tax dedicated to MBTA in its

¹⁷GAO, *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability (Appendixes)*, [GAO-10-605SP](#) (Washington, D.C.: May 26, 2010), MA-11.

calculation of planned state funding for transit programs. According to a USDOT official, because this is a dedicated revenue stream for the purpose of providing funding to transit, MassDOT should have included this funding in its calculation for the commonwealth's 1201(a) certified MOE amount for transit.¹⁸ As a result of its review, USDOT recommended that the commonwealth recertify its MOE to include state funds allocated to MBTA in its transit expenditure calculation. According to the MassDOT Economic Stimulus Coordinator, although this amount will increase the commonwealth's overall spending requirement, the large amount of state funds allocated to MBTA will enable the commonwealth to meet its MOE expenditure requirement for transit spending by the September 30, 2010, deadline. According to a USDOT official, the commonwealth most recently updated its transit expenditure report in February 2010, and USDOT plans to ask states to update their expenditure information again in the fall of 2010 in response to an earlier GAO recommendation that USDOT gather timely information on the progress states are making in meeting the MOE requirement.¹⁹

MBTA Has Procedures to Independently Verify the Performance of Construction Management Firms

As we reported previously, MBTA is using a construction management/project management (CM/PM) firm to supplement their internal project management staffing resources in order to handle the influx of Recovery Act funded projects.²⁰ This CM/PM firm provides a variety of project and construction management support services and is largely responsible for the day-to-day oversight of several of MBTA's Recovery Act projects. According to CM/PM firm officials we spoke with and documentation from the firm we reviewed, the CM/PM firm is responsible for daily on-site project monitoring and for preparing a variety of oversight documents, including daily inspection reports, weekly staffing reports, and weekly resident engineer status reports. These reports capture the conditions, equipment usage, number of workers, and status of work performed each day. With the exception of the invoices submitted by the CM/PM firm, all quality assurance documentation is available to MBTA

¹⁸Under section 1201(a) of the act, states 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.

¹⁹GAO, *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability*, [GAO-10-604](#) (Washington, D.C.: May 26, 2010), 242.

²⁰[GAO-10-605SP](#), MA-12.

project managers through the firm's online media asset management system. According to MBTA officials, this allows busy MBTA project managers to monitor project status on an ongoing basis to ensure that expenditures are kept within contract limits and project performance goals are met.

In addition to reviewing project documentation submitted by the CM/PM firm, MBTA takes steps to independently verify the firm's performance through on-site surveillance and invoicing procedures that ensure compliance with contract specifications. In addition to the oversight provided by the CM/PM firm, MBTA verifies the firm's performance by staffing an MBTA supervisor and trade foremen to the job site each day to provide daily supervision of the workforce and ensure that the project timelines are met. According to our review of MBTA invoicing procedures and an examination of invoice transactions related to one of MBTA's Recovery Act projects, invoices submitted by the firm were reviewed by multiple MBTA officials, including the project manager and a contract administration auditor who reconciled expenses with contract specifications.

Local Housing Agencies in Massachusetts Have Implemented Formula-Funded Projects, and Some Have Begun Spending Competitive Grant Funds

Public housing agencies in Massachusetts received about \$82 million in Public Housing Capital Fund formula grants and had expended about \$41 million as of August 7, 2010. Additionally, seven public housing agencies received about \$73 million in Public Housing Capital Fund competitive grants, six agencies had obligated \$13 million of these funds, and five agencies had expended \$6 million as of August 7, 2010.

Local Housing Agencies Obligated All Formula Funds and Started Spending to Improve Some Housing Developments

Of the 253 public housing agencies in Massachusetts, 68 collectively received \$81.9 million in Public Housing Capital Fund formula grants under the Recovery Act as of August 7, 2010. HUD provided these grants directly to housing agencies to improve the physical condition of their properties and for management improvements. As of August 7, 2010, the Massachusetts public housing agencies had obligated 100 percent of the \$81.9 million. Additionally, 63 of these agencies had drawn down or

expended 50 percent of the obligated funds, as of August 7, 2010. According to Recovery Act requirements, public housing agencies are required to expend 60 percent of obligated funds by March 17, 2011. HUD officials said that they are on track to meet this deadline.

The Boston Housing Authority (BHA) received the largest Public Housing Capital Fund formula grant allocation in Massachusetts for projects involving such things as bathroom and plumbing replacements, boiler replacements, roof replacements, and adding security to elevators and lobbies. We contacted BHA regarding its Public Housing Capital Fund formula grants for the Walnut Park Project and the Mary Ellen McCormack Project, which have repair work currently in progress. BHA officials told us they are on time and on budget for these projects. The Walnut Park project involves repair work to the building, a 20-story concrete structure built in 1971, and the estimated cost is approximately \$1 million. Agency officials are using contractors to do repair work at the Walnut Park site. The work at the Mary Ellen McCormack project has been ongoing since February 2009 and involves completely modernizing the bathrooms of 152 units at an estimated cost of \$3,976,000. As of June 1, 2010, BHA has expended a total of \$208,828 on these two projects.

Some Public Housing Agencies in Massachusetts Have Begun Spending Competitive Grant Funds

HUD awarded 15 competitive grants to seven housing agencies in Massachusetts. Housing agencies across the country could apply for these funds to support specific priority investments in four categories.²¹ As of August 7, 2010, six of these housing agencies had obligated about \$13 million of the \$73 million awarded, and five recipient agencies had drawn down a cumulative total of \$6 million from the obligated funds. We selected BHA to visit because it received both Public Housing Capital Fund formula grants and competitive grants.

Although HUD expects all public housing agencies in Massachusetts to meet the September 2010 deadline for obligating their competitive grant funds, BHA told us that they experienced challenges related to mixed financing, accelerated time frames, and complexity of the permitting process relative to demolition and rebuilding of housing. According to BHA officials, mixed financing requires additional work because officials

²¹The four categories include: (1) improvements addressing the needs of the elderly and/or persons with disabilities, (2) public housing transformation, (3) gap financing for projects that are stalled due to financing issues, and (4) creation of energy-efficient, green communities.

must not only identify supplemental sources of funding for these projects, they must also find developers to plan the site according to specific federal criteria. Furthermore, Recovery Act funds must be obligated and spent in a very tight time frame, while the housing agency is also conducting its other work. Additionally, BHA officials noted that there are challenges associated with the complexity of the permitting process. For example, they must get approval for the demolition of the old buildings, which means they must obtain a “land use” approval before they begin the demolition, and additional permits to begin construction of the site.

Another challenge faced by some public housing agencies has been the specific Recovery Act provision requiring them to use only American iron, steel, and manufactured goods in certain construction and repair projects. BHA officials told us that they had overcome the challenges posed by the purchasing requirements of the Buy American provision by requesting waivers. One BHA official we interviewed explained that many appliances are made outside of the United States and there is often a need to get a waiver for them. This issue is not a problem for smaller projects because, under HUD policy, the Buy American requirement is inapplicable where the size of the contract funded with Recovery grant assistance is less than \$100,000.²² With respect to mixed-finance projects, the Buy American requirement does not apply to a public housing agency that uses a private developer for the project and merely serves as a lender of funds having no ownership interest in the project.

Old Colony Competitive Grant Will Help Boston Housing Authority Replace Distressed Housing with Energy-Efficient, Green Community

BHA received \$22,196,000 in Public Housing Capital Fund competitive funds to begin rebuilding its Old Colony development to create an energy-efficient and green community in South Boston. Built in 1940, BHA describes the 845-unit development as the most physically distressed site in its federal portfolio, with outdated structures and inefficient systems that have an annual energy and water cost of over \$4,000 per unit. Ultimately, BHA proposes to redevelop the entire Old Colony site, but this first phase will be funded as a stand-alone initiative with Public Housing Capital Fund competitive funds along with other public and private funds.²³ The BHA has selected the developer, completed the design, and

²²U.S. Department of Housing and Urban Development, Office of Public and Indian Housing, PIH Notice 2009-31.

²³BHA proposes to obtain additional funding from other sources, such as the Commonwealth of Massachusetts Affordable Housing Trust Fund and Community Based Housing Fund, Low Income Housing Tax Credit funds, and City of Boston funds.

begun the relocation of current residents of the Old Colony housing units to be demolished, according to its planned schedule. See figure 3 for graphics depicting the current site and proposed site.

Figure 3: Images of the Old Colony Development (Current and Proposed)



Source: Boston Housing Authority.

Although the scope of this project has increased from its original 96-unit proposal to 116 units, the budget and timeline have not changed since the project was approved. However, BHA has negotiated certain terms of the grant award with HUD in order to meet the grant award requirements. For example, BHA obtained a waiver from HUD from certain specific green energy criteria. BHA officials have said that they plan to use alternatives that will be equally energy-efficient as those listed in the Enterprise Green Criteria used in HUD's Notice of Funding Availability. Additionally, because of the complexity of the Old Colony project financing arrangements, BHA was concerned that they may not be able to obligate the entire award amount by the September 2010 deadline. As a result, BHA sought to be allowed to use an alternative obligation date, using the developer agreement date in place of the financing closing date. HUD has agreed that, upon review and approval of the developer agreement and financing documents, BHA would be allowed to use the developer agreement date.

Massachusetts Has Identified Projected Near-Term and Long-Term Impact of Recovery Act-Funded Projects

BHA officials have stated that the Recovery Act has provided funds to jump start capital, maintenance, and energy-efficiency upgrades across BHA, as well as to improve services for elder residents. Additionally, Recovery Act-funded initiatives have employed hundreds of people, putting local companies to work doing heating and electrical upgrades, repairs to buildings, and a wide range of capital improvements. To determine the extent to which Recovery Act funds have helped the local economy, the City of Boston has conducted an analysis of both near-term and long-term economic impacts of Recovery Act-funded projects. This analysis describes the near-term impact in terms of jobs created and income generated by retained jobs, new expenditures, and construction activities. In addition, the city has identified long-term economic impacts of Recovery Act-funded projects. These are considered sustainability benefits, and are measured over time in terms of energy-cost savings, emissions reductions, water preservation, travel-time savings, safety, and accelerated development value for some of Boston's Recovery Act investments. Examples of these sustainability benefits of BHA investments include modernization of multifamily residential buildings, roof replacements, new hot water heater systems, and new construction of energy-efficient, green residential properties. According to the city's analysis, there is a strong return on investment with an aggregate benefit-cost ratio of 9.2—meaning that benefits are 9.2 times larger than costs—over a discounted payback period of 2 years. BHA officials continue to rely on the current system for reporting hours to meet the Section 1512 job-reporting requirements, with contractors reporting and certifying the number of labor hours used in Recovery Act work.

HUD Has Conducted Reviews on Public Housing Formula Grants and Assisted Public Housing Agencies in Meeting Recovery Act Requirements

HUD officials in the Boston regional office have completed reviews on housing agencies that had obligated less than 90 percent of their formula grant funds as of February 26, 2010, and have begun the process of reviewing obligations for competitive grants. Of the 16 formula grant reviews HUD conducted for Massachusetts public housing agencies, officials identified four cases in which they found that additional technical assistance would be needed. For example, according to HUD's quality-review records, one public housing agency could not provide documents to support that the refrigerator contract was executed on or before the deadline of March 17, 2010. In another example, HUD's quality-review records indicate that the public housing agency awarded a contract without competition, and the public housing agency must justify this to HUD or face recapture of funds.

Officials explained that smaller housing agencies need more assistance because they sometimes lacked the capacity that the larger housing agencies have. Larger housing agencies, such as those in Boston and Cambridge, have financial experts, attorneys, and other specialized staff that aid in the understanding of Recovery Act requirements. HUD officials also told us that they have spent a lot of time working with the smaller housing agencies to help them understand the Recovery Act procurement requirements. As a result of these efforts, officials expect that the next round of quality reviews will have fewer procurement issues.

Massachusetts Redesigns Its Recovery Act Data Web Site and Begins to Use Data for High-Level Management of State Agencies' Use of Recovery Act Funds

In May 2010, the Massachusetts Recovery and Reinvestment Office (MRRO) redesigned the Massachusetts Recovery Web site to facilitate users' ability to track jobs and Recovery Act dollars by ZIP code, town, county, and congressional district for all Recovery Act projects implemented through state agencies. The MRRO manages the Massachusetts Recovery Web site, which serves as the primary communication and reporting tool to ensure greater transparency for the commonwealth's implementation of Recovery Act programs.²⁴ The Massachusetts Recovery Web site offers users the ability to view Recovery Act jobs on a quarterly basis through the FTE numbers calculated using OMB's FTE calculation and by headcount, or the total number of individuals paid with Recovery Act funds. The MRRO has chosen to provide both the headcount value as well as the FTE numbers because headcount numbers indicate the number of individuals employed with Recovery Act dollars.

Recovery Act jobs and dollars spent may also be viewed via the new Web site's mapping feature. This feature allows users to view FTEs, headcount, and awarded and expended amounts mapped by ZIP code, town, county, or congressional district. As part of an effort to report on the Recovery Act's total impact on the commonwealth, the Massachusetts Recovery Web site has a link to Recovery.gov data for all Recovery Act awards in Massachusetts.²⁵ This includes data from state and nonstate agencies. MRRO officials only have access to nonstate entity data, such as housing agencies and most regional transit agencies, through the Recovery.gov

²⁴The MRRO was established as the commonwealth's office to collect spending and jobs data for all Recovery Act projects managed through state agencies. The MRRO also takes steps to ensure the completeness and accuracy of data and project descriptions submitted by state agencies and other prime recipients as part of the recipient reporting process.

²⁵Recovery.gov is the official Web site for Recovery Act funds.

Web site. According to MRRO officials, they plan to keep these data separate from state agency data on the Massachusetts Recovery Web site, as they cannot guarantee the quality of the nonstate entity data. MRRO officials noted that further Web site changes may be coming after they conduct a usability test based on how the media, public, and legislators use the site.

The MRRO Uses Recovery Act Expenditure Data as a Management Tool for State Agencies

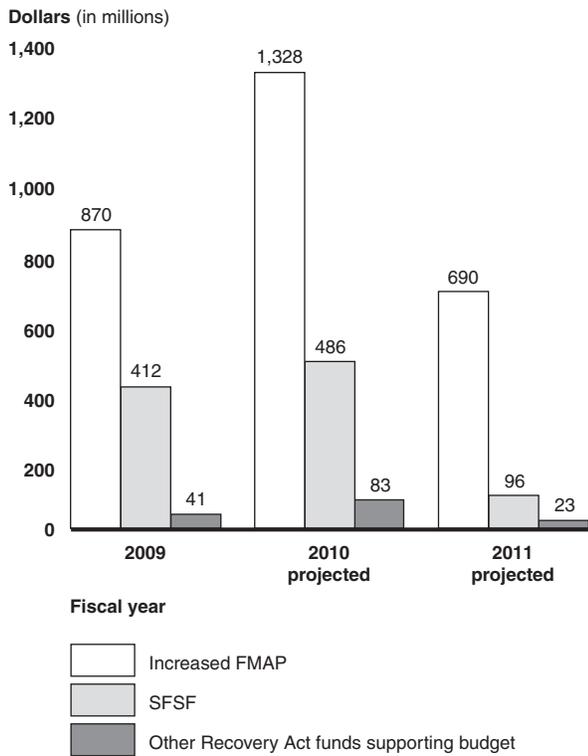
The MRRO currently uses Recovery Act data to monitor spending across state agencies and develops management priority lists based on weekly spending, which the MRRO uses to track whether state agencies are spending Recovery Act funds at an appropriate rate. According to the MRRO Deputy Director, they established benchmarks, which are modified over time for the rates at which they would like to see state agencies spend Recovery Act funds. Using the benchmarks, they categorize state agencies and provide increased oversight to those with slower spending and obligations. Each week, the MRRO reviews the list and asks slow-spending agencies to identify and explain why they fall into this category.²⁶ The MRRO Director and Deputy Director stated that this level and frequency of monitoring and feedback are new features for many state agencies. According to these MRRO officials, some state agencies had an initial adjustment period to this quick turnaround time for reporting data, receiving feedback, and then offering follow-up progress on improving spending and obligation rates. These MRRO officials stated that, based on the data-collection efforts, state agencies now provide forecasts on their spending related to Recovery Act projects. However, according to the MRRO Director, Recovery Act data are not currently being used for long-term, state-level management or economic development planning purposes.

²⁶The benchmark for being categorized as slow-spending was less 15 percent of funds expended as of July 2010.

Recovery Act Funding Continues to Help Support the Governments of Massachusetts and Boston, Though Fiscal Challenges Remain

The commonwealth continues to experience spending and revenue pressures, although recent trends point to higher revenue figures for the current fiscal year. Spending pressures continue from caseload driven programs such as Medicaid and Transitional Aid to Families with Dependent Children. Total revenue collections were slightly higher than budgeted for the fiscal year that ended on June 30, 2010, but projected revenue figures had been reduced since the start of the fiscal year. According to a senior budget official, the commonwealth expects tax revenue (which includes income, sales, and corporate taxes) to trend higher during fiscal year 2011 based upon revenue collections during the last several months of fiscal year 2010, as well as expectations of economists that state officials consult. For state fiscal year 2011, Recovery Act funding will again help support the commonwealth's operating budget; however, the amount used to support the budget is less than during fiscal years 2009 and 2010. SFSF and increased Federal Medical Assistance Percentage (FMAP) remain the largest sources of Recovery Act funding to support the state budget (see fig. 4).

Figure 4: Recovery Act Funds Used to Support State Budget, by State Fiscal Years



Source: GAO analysis of information provided by Massachusetts officials.

Note: Dollar amounts shown under increased FMAP do not include funds from the recent bill which extended some increased FMAP funding through June 30, 2011.

The commonwealth continues to prepare for when Recovery Act funding will no longer be available through a combination of spending reductions and availability of state “rainy-day” funds. According to a senior budget official, the commonwealth will continue to hold down spending during fiscal year 2011 by, for example, instituting an agency cap on the number of FTE staff positions, having agencies finalize their spending commitments earlier in the year, and more closely scrutinizing transfers between budget accounts.²⁷ Also, for fiscal year 2011, unrestricted, general government local aid was reduced by 4 percent. Furthermore, the final fiscal year 2011 budget included use of roughly \$200 million of the state’s

²⁷According to a senior official, during fiscal year 2011 the commonwealth plans to reduce the number of staff supported by the operating budget by as many as 1,000 FTEs.

rainy-day fund.²⁸ Officials estimate that the commonwealth will have a balance of \$556 million in its rainy day fund at the end of fiscal year 2011 to contribute to closing a likely \$1.3 billion gap as they prepare for fiscal year 2012. A senior budget official noted that Massachusetts is better prepared than most states for the end of Recovery Act funding because of its healthy rainy-day fund balance.

Most Recovery Act funds expected to come to Massachusetts have already been received. As of August 20, 2010, Recovery Act funding anticipated to go to or through state government totals \$6.0 billion, with \$4.4 billion drawn down from the U.S. Treasury. According to a state official, recent Recovery Act funding streams include a \$15 million grant for the state’s education department for a statewide longitudinal study of education performance, as well as funds for Broadband use. Also, Massachusetts was awarded a grant for \$250 million in the second phase of Education’s “Race to the Top” competitive grant program.

In addition to speaking to state officials, we again visited with officials from the City of Boston to review its use of Recovery Act funds (see table 2).²⁹

Table 2: Boston—Characteristics of City Government for Fiscal Year 2011

Fiscal year	Population	Unemployment rate (percentage)	Operating budget	FTE government employees
2011	645,169	9.0	\$2.33 billion	17,549 ^a

Sources: U.S. Census Bureau and U.S. Department of Labor, Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics (LAUS) data; and Boston budget documents, fiscal year 2011.

Notes: Population data are from the latest available estimate, July 1, 2009. Unemployment rates are preliminary estimates for June 2010 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revisions.

^aThis is an estimate by Boston officials of full time equivalent (FTE) positions, including externally funded FTE’s, as of January 1, 2011. This estimate does not include grant-funded employees of the Boston Public Health Commission.

²⁸This figure includes a rainy-day fund withdrawal of \$106 million and the omission of an annual deposit into the fund.

²⁹The Recovery Act funds for Boston referred to in this section cover funds which are administered by the city government and not the full scope of Recovery Act funds that benefit Boston’s residents, such as unemployment insurance and Medicaid.

Boston officials told us that they have used Recovery Act funds to strengthen the city's economy, improve housing, expand youth opportunities, and increase public safety and public health. As an example, two additional Recovery Act grants received by Boston in recent months include over \$12 million in Recovery Act public health funding directed toward initiatives for the prevention of obesity and tobacco use.³⁰ Though Recovery Act funds will not prevent layoffs in fiscal year 2011 altogether, city officials stated that these funds will allow Boston to avoid layoffs of critical employees in both the school and police departments.

In the last 5 months, city officials have made very few grant applications and their focus has been on implementing and managing Recovery Act resources, one of which is the Energy Efficiency and Conservation Block Grant (EECBG).³¹ According to Boston officials, the strategy for implementing the city's \$6.5 million EECBG award focuses, in part, on providing residents and small businesses with the financial resources needed to make homes and workplaces more energy-efficient. In mid July 2010, as part of its EECBG initiative, Boston officials told us they entered into a \$1.8 million contract with a vendor to perform weatherization work on existing residential homes of residents with 60 to 120 percent of state median income.³² Officials said they also contracted with various utilities using \$990,000 of Recovery Act funds to leverage existing utility-sponsored energy-efficiency programs and that this will provide participating small businesses with up to 30 percent of the cost of selected energy-efficiency improvements. City officials' stated goal of their EECBG initiative is to reduce Boston's greenhouse gas emissions by 40,000 metric tons annually.

City officials reported that Boston experienced some growth in revenue in the last fiscal year, and are expecting in fiscal year 2011 a 4.3 percent increase in property tax revenues, a 4.9 percent increase in licenses and permits revenues, as well as a full year of additional revenues from

³⁰These initiatives are the Communities Putting Prevention to Work Obesity Prevention project and Communities Putting Prevention to Work Tobacco Prevention & Control project. See appendix XVIII of [GAO-10-1000SP](#) for more information on the Communities Putting Prevention to Work initiative.

³¹The EECBG, which is administered by the Department of Energy, provides Recovery Act funds through competitive and formula grants to local and state governments for projects to improve energy-efficiency and reduce energy use. For more information on the EECBG, see appendix XVIII of [GAO-10-1000SP](#).

³²According to city officials, Boston's Weatherization Assistance Program funds weatherization work targeted to residents with 0 to 60 percent median income.

Boston's new Meals Tax and its increased Hotel Tax. However, officials expressed concern for the fiscal challenges ahead. State aid revenues have again dropped, with net state aid decreasing by 9 percent for fiscal year 2011. In addition, Boston's costs are increasing in fiscal year 2011—pensions and debt service will increase 2.9 percent, while health insurance costs are increasing by 6.4 percent. Two percent of the fiscal year 2011 budget, \$45 million, comes from the city's reserves, and according to officials, this use of reserves is not sustainable. Officials anticipate approximately 230 layoffs in fiscal year 2011 from a variety of city departments and the Boston public schools. With the end of the Recovery Act funds, city officials told us they foresee additional cuts in state aid and future public school closings. Officials told us they are taking steps to try to mitigate the impact of the loss of Recovery Act funds by controlling hiring, taking advantage of natural employment attrition, evaluating their city's available assets, and looking for ways to consolidate city infrastructure. As an example, officials anticipate they will consolidate some of the public schools in Boston that are operating under capacity. City officials are also working on a plan to adjust for the loss in fiscal year 2012 of approximately \$20 million in Recovery Act funding that currently supports school department operations.

Oversight Officials Continue to Review and Audit a Variety of Recovery Act Programs

The Massachusetts Office of the State Auditor (OSA) has several audits under way focused on programs funded by the Recovery Act, including audits of various local housing authorities, state and community colleges, regional transit authorities, and MassDOT. Recently completed OSA audits of weatherization programs, block grants, and a local housing authority that received Recovery Act funding did not identify or report findings. The OSA audit of the WIA Youth Program found that in three cases, the actual number of youths being reported as participating in the program was overstated, that the calculation of job numbers needed to be monitored more closely, and that compliance with participation levels needed to be reviewed.³³ In response to OSA's findings, the responsible state agency agreed to implement OSA's suggested improvements regarding monitoring controls. The OSA has completed a statewide Recovery Act expenditure analysis and is using this analysis as part of its audit planning. According to data from the Federal Audit Clearinghouse, which is responsible for

³³Massachusetts Office of the State Auditor, *Review of Career Center of Lowell*, 2010-0003-3R1 (June 16, 2010); *Review of South Coastal Career Centers*, 2010-0003-3R2 (June 16, 2010); and *Review of Brockton Area Workforce Investment Board*, 2010-0003-3R3 (June 16, 2010).

receiving and distributing Single Audit results, it received Massachusetts's Single Audit reporting package for the year ending June 30, 2009, on May 3, 2010. Although this was about a month after the deadline specified by the Single Audit Act, the First Deputy Auditor has stated that the commonwealth is on track to meet the 2010 audit's deadline. The 2009 audit—the first Single Audit for Massachusetts that included Recovery Act programs—identified significant deficiencies related to controls over programs that received Recovery Act funds, including SFSF and Medicaid.³⁴ OSA, together with an independent auditor, has begun work on the state's 2010 fiscal year Single Audit.

The Massachusetts Office of the Inspector General (OIG) has a broad mandate to detect and prevent fraud, waste, and abuse in government spending. It has concentrated its Recovery Act efforts on prevention initiatives, as well as on monitoring, reviewing, and investigating programs. While the OIG is prohibited from discussing the specifics of its ongoing work, its general areas of Recovery Act project review include the following:

- Reviews of procurement activity by MBTA, recipients of Edward Byrne Memorial Justice Assistance Grant (JAG) funds, and recipients of fiscal year 2009 SFSF funding.
- Fraud risk assessment reviews of the Weatherization Assistance Program and the Lead Hazard and Neighborhood Stabilization Program.
- A compliance review of EECEBG recipients and assistance to the state Department of Energy Resources to develop EECEBG oversight capacity.
- Investigations in coordination with two federal inspector general offices regarding fraud complaints, as well as addressing complaints relating to HUD, Department of Labor, and Department of Justice grants.

The OIG continues to provide procurement, fraud prevention, and risk assessment training to state, municipal, and not-for-profit groups. Also, the

³⁴Massachusetts 2009 Single Audit identified a total of 35 significant internal control deficiencies related to compliance with Recovery Act and non-Recovery Act federal program requirements, of which 7 were classified as material weaknesses.

OIG, as well as the OSA, are members of Massachusetts's STOP Fraud Task Force which coordinates the Recovery Act-related efforts of many of the state's oversight authorities and develops fraud policy for state agencies and state vendors.

Officials from Boston's City Auditor's office told us that they awarded a contract to an independent auditor to conduct Boston's Single Audit for fiscal year 2010. According to officials, the Single Audit will include an audit of 10 of the city's Recovery Act-funded projects. Officials stated that the independent auditor is also developing a computerized worksheet in which Recovery Act fund recipients will submit their reporting data in a standardized format that will be centrally stored at the City Auditor's office. According to city officials, this will make the managing of subrecipients and the reporting process easier and more efficient. Officials plan to offer training on this new worksheet and have it operational by the September reporting period. This system will eventually centralize the reporting of all of Boston's grants, not just those with Recovery Act funding.

State Comments on This Summary

We provided a draft of this appendix to the Governor of Massachusetts, the Massachusetts OSA, and the Massachusetts OIG, and provided excerpts of the draft to other entities including the City of Boston, BHA, and MBTA. 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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