



Memorandum

OFFICE OF INSPECTOR GENERAL

DATE: APR 18 2003
REPLY TO:
ATTN OF: IG-34 (A02PR010) Audit Report No.: OAS-L-03-15
SUBJECT: Audit of the Weatherization Assistance Program
TO: Director, Weatherization and Intergovernmental Program, EE-2K

The purpose of this report is to inform you of the results of our audit of the Weatherization Assistance Program.

INTRODUCTION AND OBJECTIVE

The Weatherization Assistance Program (Program) was established to increase energy efficiency in dwellings owned or occupied by low-income persons to reduce their residential energy expenditures and improve their health and safety. Since its inception in 1976, the Program has reported that approximately 5 million dwelling units owned or occupied by low-income individuals have been weatherized.

The Department of Energy (Department) awards weatherization grants to states and the District of Columbia (states) based on an established formula. States further allocate funds to local agencies that perform or contract for the actual weatherization work. In Program Year 2001, about 900 local agencies received funding that ranged from as low as a few thousand dollars to as high as \$4 million. In addition to Departmental funds, states and local agencies also obtain funding for weatherization from the Department of Health and Human Services' (HHS) Low-Income Home Energy Assistance Program (LIHEAP) and other programs funded by utilities, states, and other sources.

We initiated this audit to determine whether the Program was properly administered and was achieving its goals.

CONCLUSIONS AND OBSERVATIONS

The Department has a long-established infrastructure through which states and local agencies weatherize dwelling units occupied by low-income persons. We noted that improvements have been made over the years to make the use of weatherization funds more efficient and effective. For example, improvements have been implemented in how energy audits of dwelling units are performed to ensure that potential energy savings are identified and prioritized. We did, however, identify two issues that Program officials should consider that may further improve effectiveness of weatherization efforts.

Reporting Administrative Costs

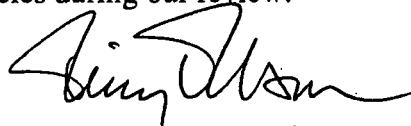
We identified instances where local agencies reported administrative-type expenses as program operating costs. Specifically, we observed that certain organizations inappropriately charged expenses such as administrative staff, office rent, and administrative supplies as direct program costs and thus understated total administrative costs. Public laws and Federal regulations limit the amount of weatherization grant funds that may be used for administrative purposes. If local agencies continue to under report administrative costs, states could ultimately exceed statutory limitations for administrative expenses over the life of the grant.

Departmental officials advised us that it is often difficult for local agencies to operate within the statutory limitations for administrative costs. Congress has provided relief by permitting local agencies to use up to an additional 5 percent of their subgrant for administration if their award is for less than \$350,000. The Program Office should consider increasing its efforts in this area by working with states and local agencies to ensure that administrative costs are minimized and that those incurred are accurately and consistently reported.

Number of Homes Weatherized

We also noted that data regarding the number of homes weatherized was not reported on a consistent basis. For example, data reported by some states related strictly to the number of homes weatherized using Department funds. Other states, however, combined the results of weatherization efforts funded by the HHS LIHEAP with those completed with Departmental funds. Merging performance data for such states distorts program results and could make it appear program efficiencies and energy savings are greater than that actually achieved with available funding.

A response to this report is not required. We appreciate the cooperation of your staff and the staffs at states and local agencies during our review.



Rickey R. Hass, Director
Science, Energy, Technology,
and Financial Audits
Office of Audit Services
Office of Inspector General

Attachment

cc: Audit Liaison, EE-3C
Team Leader, Audit Liaison, ME-2.1

SCOPE

The audit was performed between July 2002 and March 2003 at the Program Office, Washington, DC, and various Department Regional Offices, State Energy Offices, and local agencies. The audit covered the Program's activity for its Program Years 2000 and 2001 and its planned activities for Program Year 2002.

METHODOLOGY

To accomplish the audit objective, we:

- Obtained and reviewed applicable public laws and regulations and approved state plans;
- Reviewed the methodology for allocating Program funds to states and local agencies;
- Held discussions regarding the Program with representatives of Headquarters, Regional Offices, LIHEAP, State Energy Offices, and local agencies;
- At selected local agencies, tested records of weatherization work including eligibility of low-income occupants, energy audit results, costs incurred, and other documentation supporting the weatherization work performed;
- At selected states, reviewed policies, procedures, and practices for monitoring local agencies;
- Tested compliance with statutory limitations for grantee and subgrantee administrative costs; and,
- Reviewed performance measures and reported data describing the number of homes weatherized.

The audit was conducted in accordance with Government Auditing Standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. We relied on computer-processed data to accomplish the audit objective. When appropriate, we performed limited test work of data reliability during our audit and determined that we could rely on the computer-processed data. The Program Office waived an exit conference.

memorandum

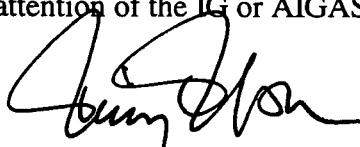
DATE: MAY 07 2003
REPLY TO
ATTN OF: IG-34 (A02PR010)
SUBJECT: Final Report Package for "Audit of Weatherization Assistance Program"
Audit Report No.: OAS-L-03-15
TO: Frederick D. Doggett, Deputy Assistant Inspector General for Audit Services

Attached is the required final report package on the subject audit. The pertinent details are:

1. Actual Staff days: 398
2. Actual Elapsed days: 260
3. Names of OIG audit staff:

Assistant Director: George Collard
Team Leader: Steve Stronczer
Auditor-in-Charge: Chris Narlis

1. Names of Contractor audit staff, if any: None
2. Coordination with Investigations and Inspections:
Yvette Milam, Investigations and Henry Minner, Inspections
3. Matters to be brought to attention of the IG or AIGAS: None



Rickey R. Hass, Director
Science, Energy, Technology,
and Financial Audits
Office of Audit Services
Office of Inspector General

Attachments:

1. Final Report (3)
2. Monetary Impact Report
3. Audit Project Summary Report
4. Audit Database Information Sheet

MONETARY IMPACT OF REPORT NO.: OAS-L-03-15

- 1. Title of Audit: Audit of Weatherization Assistance Program
- 2. Region/Office: Science, Energy, Technology, and Financial Audits/Princeton Audit Group
- 3. EIGPTS No.: A02PR010
- 1. Type of Audit:


Financial: _____ Performance: X
 Financial Statement _____ Economy and Efficiency _____
 Financial Related _____ Program Results X
 Other (specify type): _____

5.

FINDING		BETTER USED			QUESTIONED COSTS			MGT. POSITION	POTENTIAL BUDGET IMPACT	
(A)	(B) Title	(C) One Time	Recurring			(G) Questioned Portion	(H) Unsupported Portion	(I) Total	(J) C=Concur N=Noncon U=Undec	(K) Y=Yes N=No
			(D) Amount Per Year	(E) No. Yrs.	(F) Total Amount					
	No reported findings									
TOTALS--ALL FINDINGS										

6. Remarks: Audit identified two issues that the Weatherization Assistance Program Office should consider to improve effectiveness of weatherization efforts. Specifically, the Program Office should work with States and local agencies to ensure that administrative costs are minimized, those incurred are accurately and consistently reported, and the number of homes weatherized is reported on a consistent basis.

7. Contractor: _____
 8. Contract No.: _____
 9. Task Order No.: _____

10. Approvals: 
 Division Director/date 5/7/03
 Technical Advisor/Date Shu

Office of the Inspector General (OIG)
 Audit Project Office Summary (APS)

Report run on: May 7, 2003 7:19 AM

Audit#: A02PR010 Ofc: PRA Title: WEATHERIZATION ASSISTANCE PROGRAM

**** Milestones ****

	----- Planned -----			Actual	
	Profile	End of Survey	Revised		
Entrance Conference:	19-JUN-02	25-JUL-02	25-JUL-02	25-JUL-02	
Survey Completed:	19-AUG-02	05-DEC-02	05-DEC-02	05-DEC-02	
Field Work Complete:					
Draft Report Issued:		24-FEB-03	25-APR-03	18-APR-03	
Exit Conference:					
Completed with Report:	24-FEB-03	05-DEC-02	02-MAY-03	18-APR-03	(R)
-----Elapsed Days	250	133	280	267	
-----Staff Days:	250	0		399	
Date Suspended:		Date Terminated:			
Date Reactivated:		Date Cancelled:			
DaysSuspended(Cur/Tot):	0 ()	Report Number:	OAS-L-03-15		
Rpt Title: AUDIT OF THE WEATHERIZATION PROGRAM					

**** Audit Codes and Personnel ****

Aud Type: PRR PROGRAM RESULTS
 Category: EE Not Found AD: 115 STRONCZER
 DOE-Org: HCR HEADQUARTERS, CONSER AIC: 523 NARLIS
 Maj Iss: 022 PROGRAM MANAGEMENT A HDQ-Mon: 421 SCHULMAN
 Site: MRA MULTI-REGION AUDIT ARM: 459 COLLARD

**** Task Information ****

Task No:
 Task Order Dt: CO Tech. Rep:
 Orig Auth Hrs: Orig Auth Costs:
 Current Auth: Current Auth Cost:
 Tot Actl IPR Hr: Tot Actl Cost:

**** Time Charges ****

<u>Emp/Cont Name</u>	<u>Numdays</u>	<u>Last Date</u>
BOOS, B	0.4	19-APR-03
GALLO JR, C	63.0	11-JAN-03
STRONCZER, S	70.3	03-MAY-03
BOZARTH, B	120.1	19-APR-03
NARLIS, C	145.5	19-APR-03
Total:	399.3	

AUDIT DATABASE INFORMATION SHEET

1. Project No.: A02PR010
2. Title of Audit: Audit of Weatherization Assistance Program
3. Report No./Date: OAS-L-03-15, April 18, 2003
4. Management Challenge Area: Performance Management
5. Presidential Mgmt Initiative: President's National Energy Plan recommended increase of \$1.2 billion over ten years for the Weatherization Assistance Program.
6. Secretary Priority/Initiative: Number of homes weatherized is an annual performance indicator in Department's annual performance plan.
7. Program Code: EE
8. Location/Sites: Program Office, Washington, DC, and various Department Regional Offices, State Energy Offices, and local agencies.
9. Finding Summary:

No reported findings. However, audit identified two issues that the Weatherization Assistance Program Office should consider to improve effectiveness of weatherization efforts. Specifically, the Program Office should work with States and local agencies to ensure that administrative costs are minimized, those incurred are accurately and consistently reported, and the number of homes weatherized is reported on a consistent basis.

10. Keywords:

- Weatherization Assistance Program
- Office of Weatherization and Intergovernmental Program
- Office of Energy Efficiency and Renewable Energy
- EE
- Program Office
- Department Regional Offices
- State Energy Offices
- Local Agencies
- Weatherization