



U.S. Department of Energy  
Office of Inspector General  
Office of Audits and Inspections

# Audit Report

The Department of Energy's  
Weatherization Assistance Program  
under the American Recovery and  
Reinvestment Act in the State of  
Missouri



OAS-RA-11-12

August 2011



**Department of Energy**  
Washington, DC 20585

August 22, 2011

**MEMORANDUM FOR THE ACTING ASSISTANT SECRETARY FOR ENERGY  
EFFICIENCY AND RENEWABLE ENERGY**

A handwritten signature in cursive script, reading "George W. Collard".

**FROM:** George W. Collard  
Assistant Inspector General  
for Audits  
Office of Inspector General

**SUBJECT:** INFORMATION: Audit Report on "The Department of Energy's  
Weatherization Assistance Program under the American Recovery and  
Reinvestment Act in the State of Missouri"

**BACKGROUND**

The Department of Energy's (Department) Weatherization Assistance Program (Weatherization Program) received \$5 billion under the American Recovery and Reinvestment Act of 2009 (Recovery Act) to improve the energy efficiency of single family, multi-family, and mobile homes owned or occupied by individuals or families with low incomes. Of the \$5 billion, the Department awarded the State of Missouri a three-year Weatherization Program grant of \$128 million, a significant increase over the \$9 million authorized in 2009.

Missouri's Department of Natural Resources (Missouri) is responsible for administering the Recovery Act grant through 17 local agencies and a municipality (local agencies). Local agencies are responsible for determining applicant eligibility; performing initial home assessments to determine appropriate weatherization measures needed; assigning contractors to weatherize homes; and, conducting final inspections on completed homes. Weatherization services include installing insulation; sealing ducts; and, tuning or replacing heating systems. Missouri planned to use its Recovery Act funding to weatherize approximately 20,150 homes.

Given the significant increase in funding, we initiated this audit to determine if Missouri had adequate safeguards in place to ensure the Weatherization Program was managed efficiently and effectively.

**RESULTS OF AUDIT**

The State of Missouri had not always adequately managed its Weatherization Program. We found problems in the areas of quality of weatherization work, final inspections, resolution of systemic issues and training. Specifically:

- Missouri had experienced recurring problems in the quality of weatherization work performed by contractors for the local agencies. Between July 2009 and June 2010, for example, State monitors determined that approximately 30 percent (156 of 523) of the

homes they re-inspected throughout Missouri required further action because the work was not acceptable. State monitors found issues such as unacceptably high levels of carbon monoxide emitted by furnaces and hot water heaters; furnaces and hot water heaters that had not been vented properly; the lack of pressure release pipes on water heaters; and, failures to properly install insulation and to complete all work order requirements;

- During our observation of final inspections conducted by three local agencies included in our audit (Kansas City Housing and Community Development Department, Community Action Agency of St. Louis County, and Delta Area Economic Opportunity Corporation), we found that 11 of 20 homes (55 percent) failed local agency final inspections. Eight of the homes failed because a furnace or hot water heater was not working properly and/or was emitting carbon monoxide at higher than acceptable rates; and,
- In 3 of the 20 final inspections we attended, problems were identified with the initial assessments conducted on the homes. These problems included calling for insulation that could potentially create a fire hazard without requiring necessary mitigating safety measures and failing to identify a hot water heater that was not properly vented.

Subsequent to our review, the local agencies we visited took appropriate action on the issues noted above, providing us with documentation to verify that they had been resolved and that homes subsequently passed final inspection.

We also found that one local agency, the Community Action Agency of St. Louis County, had used Recovery Act funds to acquire more vehicles than needed to meet its weatherization goals. Although it was aware that the local agency had an excess number of vehicles and asserted that it had prompted the agency to take action, Missouri was unable to provide any evidence that it had required the local agency to reduce the vehicle fleet prior to our audit. After we brought this matter to the attention of State officials, the local agency sold excess vehicles to other local agencies in the State, recouping over \$100,000 that will be available to weatherize additional homes.

Weatherization work quality problems resulted from a combination of program weaknesses, including inadequate final inspections conducted by local agencies, ineffective follow-up on systemic issues identified in re-inspections, and incomplete training of local agency and contractor personnel. In particular:

- Although they performed effective inspections of the homes we visited, local agency final inspectors often failed to identify problems, allowing workmanship issues to persist. During the re-inspections of homes weatherized by local agencies, State monitors found that in approximately one out of three cases, local agency final inspectors passed homes that actually required further action. In other words, homes deemed to be completed by local agency officials often had significant problems, such as furnace issues, that had not been resolved;
- Neither the State nor the three local agencies we visited resolved systemic issues that may have caused recurring weatherization work quality problems noted during inspections and re-inspections. Although Missouri had repeatedly identified workmanship issues at local

agencies throughout the State, and had taken some steps to address systemic or frequently recurring problems, these actions had not always resulted in improvements in local agency processes to prevent the same types of issues from occurring at those homes not specifically included in the State's re-inspections. None of the three local agencies included in our audit, for example, had required contractors with recurring problems to submit corrective action plans to prevent problems in the future; and,

- Although the State's 2009 Weatherization Annual Plan had identified the need for statewide training to ensure the performance of quality weatherization work, Missouri had not fully implemented a training program for local agency and contractor personnel.

Missouri made significant progress in implementing its Recovery Act-funded Weatherization Program. As of March 31, 2011, the State reported weatherizing almost 9,900 homes, nearly half of its overall Recovery Act goal. As noted in the body of our report, the State had taken steps to safeguard Recovery Act funds by improving its oversight of the local agencies. For example, the State implemented on-site monitoring at each local agency three times a year, exceeding the Department's requirement of annual monitoring. However, absent an increased focus on correcting systemic issues, quality issues are likely to continue. Weaknesses in Missouri's Weatherization Program can pose health and safety risks to residents, hinder production, and increase costs. Of particular concern, is the high incidence of furnaces or hot water heaters not working properly and/or emitting higher than acceptable levels of carbon monoxide. While the State had required the installation of carbon monoxide detectors to notify residents of unsafe levels, we believe that more actions should be taken to prevent these problems from occurring in the first place.

Similar to issues we identified in a series of reports on weatherization programs in other states, this report offers valuable lessons learned related to identifying and addressing systemic quality problems. As we have observed on a number of occasions, problems in this area limit the effectiveness of weatherization programs and increase the risk of health and safety impacts on recipients of services. Leveraging information developed during each previously completed weatherization audit (See Appendix 2 for a complete list of reports), could help Federal and state officials develop and promulgate best practice suggestions to all weatherization grantees. Incorporation of such practices into existing state programs could be emphasized and verified during periodic monitoring visits. We made a number of recommendations designed to improve the Department's administration of the Weatherization Program.

Subsequent to the completion of our field work, we received an allegation raising concerns about a Missouri local agency not within the scope of our audit. We are evaluating the concerns raised in the allegation for further action.

### MANAGEMENT REACTION

The Department, Missouri, and the three local agencies reviewed provided responses to our draft audit report. The Department noted that it will continue to aggressively monitor progress in the areas identified in our report and will assess the State's progress during quarterly visits.

The State shared our concern with respect to workmanship issues and noted that to address these issues it had increased monitoring of its local agencies; provided additional training; and, identified recurring issues and shared best practices to address them. State officials, for example, pointed out that they re-inspect 10 percent of the homes weatherized by high-risk agencies, rather than the 5 percent re-inspection rate required by the Department. State officials also stated that beginning in August 2010, they provided on-site training to all sub-grantees and provided additional one-on-one follow-up training to auditors and contractors on issues such as: building science, heating and air conditioning, insulation and air sealing, lead safety and occupational safety and health. State officials also noted that they have distributed periodic newsletters that identify recurring problems and suggest "best practices" for mitigating such issues. As a result of their improvements, State officials asserted that they have significantly reduced the rate of additionally required work on weatherized homes from the 30 percent experienced during the period July 2009 to June 2010, to 14 percent during the first 4 months of 2011. The State also expressed concern about our characterization of issues related to carbon monoxide and assessments calling for insulation where fire hazards existed.

The local agencies we reviewed responded that their relatively small Weatherization Programs had become much larger with the advent of the Recovery Act. Consequently, the agencies made several procedural and production adjustments as the Program progressed.

While we acknowledge the improvements made by the State to its Weatherization Program, we remain concerned that neither the State nor the local agencies included in our review track and monitor deficient contractors, and that the State had not developed a comprehensive training program. Two of the three local agencies we reviewed, for example, continued to require further action at rates approximating 30 percent after re-inspection despite the State's increase in inspections of weatherized homes. Additionally, State officials told us their "on-site" training was not formal and involved meetings to discuss re-inspection results and provide guidance on addressing the results. Officials at two of three local agencies that we reviewed told us that there was a need for a uniform, statewide training program. Accordingly, increased attention is needed to identify and train contractors, inspectors, and assessors that repeatedly under-perform.

Additionally, although the State had taken action to mitigate the risk of carbon monoxide by requiring the installation of carbon monoxide detectors, the efficacy of the detectors depends on their proper installation. In at least one case, the mitigation effort was unsuccessful since the local agency determined the detector was not operational after weatherization work had been completed. Regarding the issue of initial assessments calling for insulation installation where fire hazards existed without specifying mitigating safety measures, we noted that it was impossible for the assessor to determine whether the installation of the insulation was cost-effective as required by the Department since required safety measures were not specified and priced. After considering Missouri's objections, we revised our report to include additional information about these issues; however, our overall conclusions remained the same.

Managements' comments and our responses are discussed in more detail in the body of the report. Managements' comments are included in Appendix 3 in their entirety.

#### Attachment

cc: Deputy Secretary  
Associate Deputy Secretary  
Acting Under Secretary of Energy  
Deputy Assistant Secretary for Energy Efficiency, EE-20  
Chief of Staff

**REPORT ON THE DEPARTMENT OF ENERGY'S WEATHERIZATION ASSISTANCE PROGRAM UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT IN THE STATE OF MISSOURI**

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**TABLE OF CONTENTS**

**Weatherization Efforts**

Details of Findings .....1  
Recommendations.....7  
Management and Auditor Comments .....8

**Appendices**

Objective, Scope and Methodology .....13  
Related Reports .....15  
Management Comments .....17

# The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Missouri

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## Weatherization Efforts

The State of Missouri's Weatherization Assistance Program (Weatherization Program) provided 17 local agencies and 1 municipality (local agencies) American Recovery and Reinvestment Act of 2009 (Recovery Act) funds to perform weatherization work on the homes of low-income individuals. Missouri's Department of Natural Resources (Missouri) is responsible for the management and oversight of weatherization work performed by local agencies and is to ensure that the work is appropriately completed in accordance with Recovery Act requirements.

Missouri made significant progress in implementing its Recovery Act-funded Weatherization Program. As of March 31, 2011, the State reported weatherizing almost 9,900 homes, nearly half of its overall Recovery Act goal. However, in our review of three local agencies, Community Action Agency of St. Louis County (St. Louis), Delta Area Economic Opportunity Corporation (Delta), and Kansas City Housing & Community Development Department (Kansas City), we found problems with the quality of weatherization work, final inspections, follow-up on inspection results and training that, in our opinion, had not been adequately addressed and resolved. The local agencies represented 24 percent of the State's total Recovery Act funding for the Weatherization Program and 22 percent of the total units expected to be completed.

### Quality of Weatherization Work

Our audit identified problems with the quality of weatherization work within the State. Specifically, Missouri had experienced recurring problems in the quality of weatherization work and initial home assessments. In particular, in Missouri's Weatherization Program a large percentage of homes required further work, in some cases due to poor contractor performance, after contractors had completed work. Department of Energy (Department) regulations require that a final inspection be conducted by the local agency before the work on a home is accepted as complete. Additionally, the regulations require the State to re-inspect at least five percent of the homes weatherized by each local agency. Due to its concerns with quality of work issues, Missouri increased its re-inspections beyond the 5 percent requirement to 10 percent at certain high-risk local agencies, including the 3 local agencies we reviewed.

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Between July 2009 and June 2010, State monitors determined that approximately 30 percent (156 of 523) of the homes they re-inspected for the State's 18 local agencies required further action because the work was not acceptable. State monitors found issues such as unacceptably high levels of carbon monoxide emitted by furnaces and hot water heaters that had been worked on by contractors; furnaces and hot water heaters that had not been vented properly; the lack of pressure release pipes on water heaters; and, failures to properly install insulation and complete tasks specified in work orders.

During our observation of final inspections of 20 homes conducted by Kansas City, St. Louis, and Delta, we found that 11 of the homes (55 percent) failed local agency final inspections. The final inspections were conducted after contractors had completed all weatherization measures for the homes. Specifically:

- At St. Louis, 6 of the 11 homes we visited failed final inspection. Four of the homes failed because a furnace or hot water heater was not working properly and/or emitting carbon monoxide at higher than acceptable levels, increasing the risk to residents. Two of the six homes failed because contractors had not properly sealed air leaks;
- At Kansas City, four of the five homes we visited failed final inspection. Three of four homes failed because a furnace or hot water heater was not working properly and/or emitting carbon monoxide at higher than acceptable levels. The fourth home failed the inspection because not all air infiltration measures called for in the work order were installed by the contractor; and,
- At Delta, one of the four homes failed final inspection because a water heater was not drafting properly, a condition that could result in the emission of carbon monoxide at higher than acceptable levels.

Subsequent to our review, the local agencies we visited took appropriate action to resolve the issues that resulted in the failed inspections. Each of the local agencies provided us with documentation to verify that issues had been resolved and that homes subsequently passed final inspection.



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In addition to the issues identified with contractor work, three of the final inspections noted problems with the initial assessments conducted by local agencies. Specifically:

- At St. Louis, for 2 of the 11 homes, assessors had prescribed insulation for attics that had live knob and tube wiring, a type of wiring commonly used over 80 years ago, without prescribing required safety measures. Installing insulation in such instances without the required safety measures could potentially create a fire hazard. The contractor in each instance had noted the presence of live knob and tube wiring and had not installed the insulation. Missouri officials pointed out that it is appropriate to install insulation in attics with live knob and tube wiring provided certain safety measures are incorporated. However, in certain cases the cost of the additional safety measures may make the insulation work no longer cost-effective. As previously discussed, the assessors had not prescribed required safety measures for the insulation and, therefore, had not determined whether the installation of insulation together with required safety measures were cost-effective as required by the Department. In one of the two homes, an agency assessor had also performed a de-pressurized blower test even though the home may have contained asbestos. The de-pressurized blower test could have potentially spread asbestos throughout the house. The Missouri plan states that blower door tests should not be performed when asbestos is present.
- At Delta, an assessor had failed to identify improper venting of a hot water heater at one home. The final inspector noted this assessment error and appropriate remedial action was recommended and completed.

### **Program Weaknesses**

Quality issues in initial assessments and weatherization work resulted from a combination of program weaknesses including inadequate final inspections conducted by local agencies, ineffective follow-up on systemic issues identified in re-inspections, and insufficient training of local agency and contractor personnel.

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## Local Agency Final Inspections

Although they performed effective inspections of the homes we visited, local agency inspectors often failed to identify problems, allowing quality issues to persist. During the re-inspections of homes weatherized by local agencies, State monitors found that in approximately one of three cases, local agency final inspectors passed homes that actually required further action. In other words, homes deemed to be completed by local agency officials often had significant problems that had not been resolved. This is especially troubling given that the State re-inspects only 5 to 10 percent of weatherized homes, thus homes not re-inspected by the State likely have workmanship issues not discovered by local agency final inspections.

At the three local agencies included in our audit, final inspections we observed were thorough. Local agency inspectors we accompanied identified significant issues and failed 11 of the 20 homes inspected. However, State-monitoring data from July 2009 to June 2010 documented that, like other local agencies in the State, these local agencies often passed homes that required further action. Specifically:

- At St. Louis, 20 of 60 homes re-inspected by the State during this period, or 33 percent, required further work even though they had previously passed the local agency's inspection;
- At Kansas City, 25 of 57 homes re-inspected, or 44 percent, required further action; and,
- At Delta, 12 of 28 homes re-inspected, or 43 percent, required further action.

State officials pointed out that the high rates of homes requiring further action after State re-inspection may be attributable to the State requiring follow-up actions that may not have been required in the past, such as painting or priming installed wood. To its credit, beginning in January 2010, Missouri had increased the frequency of technical monitoring to three times a year, in excess of the annual monitoring required by the Department. This increased monitoring may have had a positive effect on the quality of local agency final inspections. Specifically, for the 4-month period ending June 2010, the rate of homes requiring further action after State re-

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inspection had fallen to 22 percent statewide. The rates for this 4-month period had fallen to 17 percent for St. Louis, 29 percent for Delta, and 33 percent for Kansas City. However, we remain concerned about the excessive rate at which local agency inspectors had failed to identify needed improvements that were subsequently identified by the State. Additionally, absent an increased focus on addressing systemic issues, workmanship issues are likely to continue.

#### Follow-up on Inspection Results

Neither the State nor the three local agencies we visited adequately followed-up on commonly recurring issues noted during home inspections and re-inspections. Missouri had repeatedly identified quality issues at local agencies throughout the State and had taken some steps to resolve recurring problems. For example, Missouri had increased the frequency of its technical monitoring visits and had begun issuing periodic newsletters that discussed recurring problems and suggested best practices. However, Missouri had not tracked and monitored contractors and local agency personnel responsible for weatherized homes that required further work. Rather, as it re-inspected weatherized homes, Missouri detailed the deficiencies noted in the contractors' work, or in local agency assessments and final inspections, and directed local agencies to correct the deficiencies for the specific homes cited. Appropriately, Missouri followed-up with the local agencies to ensure that those specific deficiencies had been corrected. While the current system appeared to successfully identify and correct issues at the 5 to 10 percent of homes selected for re-inspection, it did not necessarily improve the local agencies' processes to prevent the same types of issues from occurring at those homes not specifically included in the State's re-inspections.

Additionally, although Missouri relied on each local agency to track contractors, assessors, and inspectors who had failed to perform adequately and to take appropriate action, we found that the local agencies had not always effectively tracked performance. We found, for example, that while St. Louis and Kansas City had processes in place to track the quality of contractor work, they did not consistently use them to improve the performance of contractors by requiring them to submit proposed corrective action plans for recurring problem areas. Local agencies also did not appear to be effectively utilizing

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the State's monitoring reports to improve the quality of their assessments and final inspections, as subsequent State monitoring reports showed that some previously noted significant problems continued to occur. Missouri officials acknowledged the importance of following up with local agencies to ensure that deficiencies were not repeated.

### Training

Based upon our discussions with State and local agency officials, we determined that a contributing factor to weatherization work quality problems may have been the lack of uniformly trained contractors, assessors, and inspectors. Although the State's 2009 Weatherization Annual Plan had identified the need for statewide training to ensure the performance of quality weatherization work and had detailed efforts to provide additional training in a compressed timeframe, Missouri had not fully provided the planned training due to contracting issues. Missouri, however, had identified numerous weatherization training courses that were available and made that information known to the local agencies. Despite its efforts, we noted that Missouri had not:

- Tracked training actually taken by local agency and contractor personnel;
- Established minimum qualifications and training requirements for weatherization contractors as a prerequisite to bid on weatherization jobs, except in regard to "lead-safe" and occupational safety and health training; and,
- Established minimum qualifications and training requirements for local agency assessors and inspectors, except that each local agency was required to have at least one employee who was certified by the Building Performance Institute (BPI) and weatherization crews must have "lead-safe" and occupational safety and health training. Missouri instituted the BPI certification requirement in 2005, 4 years before the Recovery Act funding increased the size of the program from \$9 million to \$128 million. The State did not expand the requirement for BPI certification to correspond to the large influx of weatherization work resulting from the Recovery Act.

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In response to our draft report, two agencies expressed the need for a uniform, statewide training program. Delta acknowledged that more lead-time in planning and training would have benefited employees, the State, and the public, and expressed its interest in working with the State and the Department to develop a comprehensive training program for the Weatherization Program. Further, Kansas City officials stated they would like to see a State-sponsored training program that would bring all aspects of the energy conservation process together.

### **Excess Vehicles**

We found that one local agency, St. Louis, had acquired more vehicles with Recovery Act funds than it needed to meet its weatherization goals. Between November 2009 and January 2010, the local agency had spent nearly \$400,000 to purchase 24 vehicles. During our June 2010 fieldwork in St. Louis, we noted that over the 5-month period from January 2010 through June 2010, the vehicles had been driven a total of about 32,000 miles, or less than an average of 100 miles each per week. Although St. Louis had obtained approval from both Missouri and the Department prior to the acquisition of the vehicles, it had justified vehicle purchases on projected staffing and usage needs that were not realized. Missouri officials told us that they were aware that the local agency had an excess number of vehicles and asserted that they had prompted St. Louis to take action. Missouri, however, was unable to provide any evidence that it had required the local agency to reduce the vehicle fleet prior to our audit. During our audit, the agency sold 6 excess vehicles to other local agencies in the State, recouping \$101,500 that will be available to weatherize additional homes. In response to our draft report, Missouri officials stated that they will continue to monitor local agencies' vehicle usage.

### **Impact of Missouri's Weatherization Program Problems**

The weaknesses we identified, if uncorrected, could pose health and safety risks to residents, hinder production, and increase program costs. Additionally, these weaknesses increase the risk of fraud, waste and abuse.

### **RECOMMENDATIONS**

To address the deficiencies we observed during our audit, we recommend the Acting Assistant Secretary for Energy Efficiency and Renewable Energy:

1. Take immediate action to ensure that Missouri:
  - a. Analyzes its technical monitoring reports and makes such changes as necessary to allow it to

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identify and recommend corrective actions for systemic problems with regard to those contractors, inspectors, and assessors who repeatedly under-perform; and,

- b. Implements appropriate weatherization training and certification for contractors and local agency assessors and inspectors.
2. Take action to ensure that Missouri requires its local agencies to:
- a. Improve the final inspection and assessment processes by examining completed and inspected homes, analyzing results, and taking corrective action on any deficiencies noted; and,
  - b. Implement a formal follow-up process to develop and ensure implementation of corrective action plans addressing needed contractor improvements.

## **MANAGEMENT AND AUDITOR COMMENTS**

The Department, Missouri, St. Louis, Delta and Kansas City provided responses to our draft audit report, which are included in Appendix 3. After reviewing the comments, we made appropriate changes to our report to address those concerns and to clarify our findings and conclusions. Below is a summary of their key comments and our response to their comments.

### Management Comments (Department)

The Department concurred with our recommendations and provided an action plan for implementing them. The Department stated that, in response to its concerns and corrective action plans, Missouri had made a number of improvements in how it implemented the weatherization program. The Department stated that additional work was needed and, during on-site quarterly visits, the Departmental project officer will assess how the State is progressing in meeting the audit recommendations. Management committed to aggressively monitor the State's progress in the areas identified in our report. Specifically, the Department will work with the State to develop: (1) a system to track individual contractor, inspector, and auditor performance; (2) appropriate weatherization training curriculum and proficiency

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requirements; (3) a system to enable local agencies to identify deficiencies in program compliance; and, (4) a follow-up process to address recurring local agency issues.

#### Auditor Response to Department Comments

The Department's comments are responsive to our recommendations.

#### Management Comments (State)

Missouri officials shared our concern with respect to workmanship issues and noted that to address these issues they had: increased local agency monitoring; provided additional training; and, identified recurring problems and suggested best practices for addressing them. State officials, for example, pointed out that they re-inspect 10 percent of the homes weatherized by high-risk agencies rather than the 5 percent re-inspection rate required by the Department. State officials stated that their systematic improvements have significantly reduced the rate of additionally required work on weatherized homes from the 30 percent experienced during the period July 2009 to June 2010, to 14 percent during the first 4 months of 2011.

State officials also stated that beginning in August 2010, they provided on-site training to all sub-grantees and provided additional one-on-one follow-up training to auditors and contractors on issues such as: building science, heating and air conditioning, insulation and air sealing, lead safety and occupational safety and health. State officials also noted that they have distributed periodic newsletters that identify recurring problems and suggest "best practices" for mitigating such issues.

State officials were also concerned with our characterization of unacceptable carbon monoxide levels and the associated health and safety risks. Specifically, State officials commented that carbon monoxide testing was not part of the final inspection, but part of a separate post work inspection. Missouri officials also noted that high carbon monoxide readings were not necessarily an indication of poor contractor performance and that the Weatherization Program had multiple safeguards in place to minimize any risk to health and safety, including the requirement that carbon monoxide detectors be installed in homes. State officials indicated that rather than require

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assessors to identify the existence of live knob and tube wiring and other safety issues, contractors were trained and certified to recognize such matters.

### Auditor Response to State Comments

The State's comments were, in general, responsive to our recommendations. Officials indicated that they had already taken some actions to address the issues we identified, including increased and more timely monitoring; corrective action plans for local agencies to address findings; and, a newsletter to provide local agencies with information on policy changes, most common findings, areas of concern, and systemic problems.

After considering Missouri's concerns about our characterization of its program, we revised our report to include additional information, specifically noting that the State's increased monitoring appears to have had a positive effect on the quality of local agency final inspections and that inspection failure rates had declined. However, we remain concerned that neither the State nor the local agencies included in our review track and monitor deficient contractors and that the State has not developed a comprehensive training program. As previously discussed, 2 of the 3 local agencies that we reviewed continued to require further action at rates approximating 30 percent after re-inspection after the State increased its inspections of weatherized homes. Additionally, State officials told us that their on-site training was not formal and involved meetings to discuss re-inspection results and provide guidance on addressing the results. As previously discussed, two of three local agencies we reviewed expressed the need for a uniform, statewide training program. Accordingly, increased attention is needed to identify and train contractors, inspectors, and assessors who repeatedly underperform.

Further, information provided by the State contradicted that provided by local officials regarding carbon monoxide testing. Specifically, local officials stated that carbon monoxide testing was, in fact, part of their final inspection process. Also, while we agree that safeguards such as carbon monoxide detectors mitigate the health and safety risk, we remain concerned that 8 of the 20 (40 percent) of the homes we visited had furnaces or hot water heaters not working properly and/or emitting higher than acceptable levels of carbon monoxide at the time of the



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final inspection. Finally, we continue to be concerned about the failure to identify the presence of live knob and tube wiring during the assessment. In the two instances cited in our report, the contractor chose not to install the prescribed insulation. However, our review of State monitoring reports noted four instances in Fiscal Year 2010 where contractors had installed insulation over live knob and tube wiring. In each case, the State required the contractors to correct the deficiency.

#### Management Comments (Local Agencies)

St. Louis expressed its appreciation that its Weatherization Program had been selected to receive Recovery Act funding, but pointed out that the stimulus funding had changed its small program into a major network project with a very short period of time for implementation and completion. St. Louis explained that equipment purchases and labor were calculated to fulfill production based on prescribed formulas and benchmarks. St. Louis added that, over the months, new stipulations were enforced causing continual procedural and production adjustments, and that the process had been a learning tool for all involved.

Delta responded that just prior to the passage of the Recovery Act it had undergone a major change in weatherization personnel, leaving it with a significant number of inexperienced employees. Delta recognized the need for a tracking system to identify recurring issues, both agency-wide and by employee/contractor, and stated its intent to develop and utilize a tracking system to identify recurring issues in the weatherization program.

Kansas City responded that the high rate of homes requiring re-inspection may be attributable to the State requiring follow-up actions that may not have been required in the past. Kansas City added that it uses a contractor evaluation process, which penalizes underperforming contractors by excluding them from bidding on new jobs for certain prescribed periods. Further, Kansas City stated it provides complete testing at the time of final inspection and requires all combustion appliances to be working in accordance with regulations and agrees with the State that the weatherization work can and does change the dynamics of the combustion air zone, which may require multiple trips to accomplish the best outcomes of appliance safety and energy efficiency.

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Auditor Response to Local Agencies' Comments

The local agencies' comments generally affirm our findings and are responsive to our recommendations. With regard to Kansas City's response on its contractor evaluation process, we agree that the agency's process penalizes contractors by holding them out from bidding for one or more bidding periods. However, that process does not require contractors to submit a proposed corrective action plan.

## Appendix 1

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### **OBJECTIVE**

The objective of the audit was to determine whether the State of Missouri had adequate safeguards in place to ensure that the Weatherization Assistance Program (Weatherization Program) was managed efficiently and effectively.

### **SCOPE**

The audit was performed between May 2010 and July 2011, at the Missouri Department of Natural Resources (Missouri) in Jefferson City and at three local agencies: Community Action Agency of St. Louis County (St. Louis) located in St. Louis, Missouri; Delta Area Economic Opportunity Corporation (Delta) located in Portageville, Missouri; and, the Kansas City Housing & Community Development Department (Kansas City) located in Kansas City, Missouri.

### **METHODOLOGY**

To accomplish the audit objective, we:

- Reviewed applicable laws, regulations, and guidance pertaining to the Weatherization Program under the American Recovery and Reinvestment Act of 2009, as well as laws, regulations and guidance applicable to Missouri's Weatherization Program;
- Interviewed Missouri officials to discuss current and ongoing efforts to implement the requirements of the Weatherization Program;
- Assessed the internal controls of Missouri and the local agencies over the Weatherization Program;
- Examined the weatherization activities conducted at the 3 judgmentally selected local agencies that represent approximately 24 percent of the State's total funds and 22 percent of the total units expected to be completed;
- Analyzed Missouri monitoring reports and calculated historic and current deficiencies reported by the State;
- Accompanied inspectors on final inspections and reviewed past Missouri monitoring reports which evaluated the performance of final inspectors, as well as the performance of the contractors and assessors; and,
- Reviewed prior audits of the Weatherization Program conducted by the Missouri State Auditor.

We conducted this performance audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The audit included tests of controls and compliance with laws and regulations 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 assessed performance measures in accordance with the Government Performance and Results Act of 1993 and determined that performance measures had been established for the Weatherization Program. We conducted a reliability assessment of computer processed data we considered to be critical to our objective. We deemed the data to be sufficiently reliable.

We held an exit conference with Department officials on July 29, 2011.

### RELATED REPORTS

Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Office of Inspector General has initiated a series of audits designed to evaluate the Department of Energy's (Department) Weatherization Assistance Program's internal control structures at the Federal, state, and local levels. Although not found in every state, these audits have identified issues such as poor quality of weatherization services, deficient inspections and re-inspections, inadequate inventory controls, and the ineffective administration of weatherization grants which resulted in questioned costs. Our series of audit reports include the following:

- Audit Report [The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of West Virginia](#) (OAS-RA-11-09, June 2011)
- Audit Report [The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Wisconsin](#) (OAS-RA-11-07, May 2011)
- Audit Report [The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the Capital Area Community Action Agency – Agreed-Upon Procedures](#) (OAS-RA-11-04, February 2011)
- Audit Report [The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the City of Phoenix- Agreed-Upon Procedures](#) (OAS-RA-11-03, November 2010)
- Audit Report [Selected Aspects of the Commonwealth of Pennsylvania's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program](#) (OAS-RA-11-02, November 2010)
- Audit Report [The State of Illinois Weatherization Assistance Program](#) (OAS-RA-11-01, October 2010)
- Audit Report [The Department of Energy's Use of the Weatherization Assistance Program Formula for Allocating Funds under the American Recovery and Reinvestment Act](#) (OAS-RA-10-13, June 2010)
- Preliminary Audit Report [Management Controls over the Commonwealth of Virginia's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program](#) (OAS-RA-10-11, May 2010)
- Special Report [Progress in Implementing the Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act](#) (OAS-RA-10-04, February 2010)

## Appendix 2 (continued)

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- Audit Report [Management Alert on the Department's Monitoring of the Weatherization Assistance Program in the State of Illinois](#) (OAS-RA-10-02, December 2009)



**Department of Energy**  
Washington, DC 20585

May 4, 2011

MEMORANDUM FOR: GEORGE W. COLLARD  
ASSISTANT INSPECTOR GENERAL FOR AUDITS  
OFFICE OF INSPECTOR GENERAL

FROM: KATHLEEN B. HOGAN   
DEPUTY ASSISTANT SECRETARY  
FOR ENERGY EFFICIENCY  
ENERGY EFFICIENCY AND RENEWABLE ENERGY

SUBJECT: Management response to the Office of Inspector General's  
Report entitled "The Department of Energy's  
Weatherization Assistance Program in the State of Missouri  
under the American Recovery and Reinvestment Act"

The Office of Energy Efficiency and Renewable Energy (EERE) appreciates the opportunity to review the Office of Inspector General's Draft Audit Report "The State of Missouri Weatherization Assistance Program" and concurs with the report's recommendations. The Department of Energy (DOE or Department) is strongly committed to ensuring that each of the grantees under the Weatherization Assistance Program performs high quality work that meets the goals of the American Recovery and Reinvestment Act of 2009 (Recovery Act).

In response to DOE concerns and corrective action plans, the State of Missouri has made a number of improvements in how they implement the weatherization program. However, as this report shows, there is work still to be done. During on-site quarterly visits, the DOE project officer will assess how the State is progressing in meeting the audit recommendations. The Department will continue to aggressively monitor progress in the areas identified by the Inspector General.

Additional responses are included below that address the specific recommendations in the draft report:



Printed with soy ink on recycled paper

Response to Inspector General Audit Report:  
“The State of Missouri Weatherization Assistance Program”

To address the deficiencies identified in our audit and to help ensure the success of the Missouri Weatherization Assistance Program, we recommend that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy ensures that Missouri:

**1. Take immediate action to ensure that Missouri:**

- a. Analyzes its technical monitoring reports and makes such changes as necessary to allow it to identify and recommend corrective actions for systemic problems with regard to those contractors, inspectors, and assessors who repeatedly under-perform.

The DOE Project Officer will work with the Grantee, the Missouri Department of Natural Resources (MDNR), to develop a system to track individual contractor, inspector, and auditor performance. Once this system is in place, the Grantee can build a database from past and ongoing client files and analyze the performance of individuals and groups to assess additional training or corrective action needs. If systemic problems are found, the Grantee can make recommendations to the subgrantee for corrective actions necessary to rectify the systemic issue(s) and/or have documentation demonstrating that the agency is not compliant on all provisions in their agreement with MDNR thus enabling MDNR to pursue more assertive subsequent actions against the subgrantee.

- b. Implements appropriate weatherization training and certification for contractors and local agency assessors and inspectors.

The DOE Project Officer will work with the Grantee to develop appropriate weatherization training curriculum and proficiency requirements for contractors, inspectors, and auditors participating in the Missouri weatherization program. DOE does not currently have requirements or an approved process for certification of auditors or inspectors. DOE is currently developing weatherization work specifications that will be optional for Grantees to adopt. Missouri may wish to adopt these specifications when they are released to further strengthen their program. The DOE Project Officer will provide the work specifications to Missouri and encourage MDNR to incorporate them into their program.

**2. Take action to ensure that Missouri requires its local agencies to:**



## Appendix 3 (continued)

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- a. Improve the final inspection and assessment processes by examining completed and inspected homes, analyzing results, and taking corrective action on any deficiencies noted.

The DOE Project Officer will work with the Grantee to develop a system that will enable the subgrantees and MDNR to track individual contractor, inspector, and auditor performance for any deficiencies in program compliance and to identify training needs or corrective action plans

- b. Implement a formal follow-up process to develop and ensure implementation of corrective action plans addressing needed contractor improvements.

The DOE Project Officer will work with the Grantee to develop and deploy a follow-up process to address recurring issues within subgrantees as well as the Missouri weatherization program en bloc. The DOE Project Officer will then review the progress of the process implementation on subsequent monitoring visits.



Jeremiah W. (Jay) Nixon, Governor • Sara Parker Pauley, Director

DEPARTMENT OF NATURAL RESOURCES

www.dnr.mo.gov

May 6, 2011

Mr. George W. Collard  
Assistant Inspector General for U.S. Audits  
U.S. Department of Energy  
Office of Inspector General  
1000 Independence Avenue, SW  
Washington, D.C. 20585

Dear Mr. Collard:

The Missouri Department of Natural Resources' (MDNR) has found the Office of Inspector General's (OIG) audit process valuable in our efforts to realize the full potential of Missouri's weatherization program. Overall, the draft report confirms that the fiscal and programmatic management of Missouri's weatherization efforts are sound.

The beginning of the draft report distinguishes between the specific programmatic roles, with the State "responsible for administering the Recovery Act grant through . . . local agencies," and local agencies responsible for "performing initial home assessments . . . assigning contractors and, conducting final home inspections." As for the State's primary obligation, the report acknowledged that "[MDNR] had taken steps to safeguard Recovery Act funds by improving its oversight of the local agencies" and further noted the progress made by the State toward its goal of weatherizing 20,150 homes.<sup>1</sup>

The draft report, however, does raise two significant concerns that merit highlighting. Foremost is the following statement, which appears three times in the draft documents: "[w]eaknesses in Missouri's Weatherization Program can pose health and safety risks to residents . . .," referencing high levels of carbon monoxide in a number of homes. Because it is not feasible for the State to inspect the work of every contractor on such a large number of homes, the most effective approach for the entity responsible for overall program management is to require local agencies and contractors to utilize multiple safeguards that minimize any risk to health and safety.

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<sup>1</sup> As of March 31, 2011, 9,864 homes have been completed; approximately 2,000 additional homes are in the process of being audited, worked on or awaiting final inspection; and about 5,300 other homes are in queue to receive weatherization work.



## Appendix 3 (continued)

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Mr. George W. Collard  
May 6, 2011  
Page 2

For instance, MDNR requires that, at a minimum, carbon monoxide tests are performed during the initial home assessment and again once all weatherization work is complete. Additionally, when a combustible appliance is present and can potentially back draft, MDNR requires the installation of a carbon monoxide detector. This provides added protection for residents in the event harmful emissions are present, particularly from the time weatherization work begins until final inspection. Moreover, MDNR is committed to using its periodic newsletters to communicate the importance of having HVAC and other contractors perform these tests following completion of their individual work.

Therefore, and contrary to the draft report, MDNR's protocols are indeed programmatic "strengths" that very much decrease any "health and safety" risk, particularly any risk that existed prior to participation in the State's weatherization program. As such, MDNR asks that these recurring statements be stricken or, in the alternative, re-articulated to acknowledge the efforts currently in place to address health and safety issues and, if the OIG is aware of other safeguards that can be effectively implemented program-wide, to please offer such suggestions.

Also, the report details that assessors had erroneously prescribed insulation for attics that had "live knob and tube wiring," and that contractors had questioned the assessment and not installed the insulation. This mischaracterizes the reality. It is entirely appropriate to install insulation in such cases provided certain "blocking" and other safety measures are incorporated. To mandate that *the assessment* specifically identify this or other safety issues is superfluous to utilizing contractors trained and certified to recognize such matters. Despite the conclusion reached in the draft report, contractors opted not to install insulation in certain cases because the cost effectiveness was eliminated upon considering the costs of incorporating the added measures, not because the work would create an inherently unsafe condition.

Finally, MDNR shares the concern of the OIG with respect to workmanship issues. In response, MDNR tripled its on-site monitoring beyond what is required and took steps to communicate common issues with the local agencies responsible for overseeing contractor work. To accomplish this, MDNR has held statewide and one-on-one training sessions and created periodic newsletters that identify recurring problems and suggest best practices for mitigating these issues. These are examples of how MDNR is using systemic efforts to improve the program in lieu of tediously fixing issues on a case-by-case basis; yet, the draft report states that "systemic" efforts by the State are absent.

These are the significant objections MDNR has to the draft report. The attached is a more comprehensive response to the points raised by the OIG, to include training and using funds from sold excess vehicles to enhance weatherization efforts.

## Appendix 3 (continued)

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Mr. George W. Collard  
May 6, 2011  
Page 3

In sum, MDNR appreciates the work put forth by the OIG in helping Missouri achieve its goal of making its weatherization program as efficient and effective as possible.

Sincerely,

DEPARTMENT OF NATURAL RESOURCES



Dru Buntin  
Deputy Director for Policy

DB:jm

Attachment

c: Randy Treece  
Debra Martin  
Jack Rouch  
Stephen Elliott  
Shawn Green





Housing and Community Development Department

Office Of the Director

11th Floor, City Hall  
414 East 12th Street  
Kansas City, Missouri 64106-2795

(816) 513-3036  
Fax: (816) 513-2808

April 19, 2011

Mr. George W. Collard  
Assistant Inspector General for Audits  
Office of the Inspector General  
Washington, DC 20585

RE: Draft Report on "The State of Missouri Weatherization Assistance Program"

Dear Mr. Collard:

This letter is in response to your correspondence dated April 8, 2011 requesting written comments on the facts presented, conclusions reached and appropriateness of the recommendations; in addition to corrective actions taken or planned and actual or target dates for those actions. The report specifies the state monitoring period of July 2009 through June 2010. The state monitors visited the City of Kansas City twice during that span for technical monitoring. The states monitoring visit that took place in October of 2009 was going back on multiple program years. The official notification letters on the results of those monitoring visits were received by the City after both visits had been completed. The State officials pointed out that the high rates of homes requiring further action after State re-inspection may be attributable to the State requiring follow-up actions that may not have been required in the past. Items that may not have been required in the past and the time frame on which monitoring took place along with receipt of written notification is how items appeared to be reoccurring to the Inspector General.

The City of Kansas City has a contractor evaluation process that penalizes underperforming contractors. The process involves after a recurring problem exist a contractor is held out of bidding competition for one bid period. If the problem persists a contractor is held out for two rounds of bidding completion. The third consecutive time a contractor is to be held out for a time period of four months. This also involves a meeting with upper management to get back in for bidding purposes. The City has used this system for years and has implemented each and every level as noted including no longer participating in the program.

The City provides complete testing at the time of final inspection and has and will require all combustion appliances to be working in accordance with regulations and agrees with the State that the weatherization work can and does change the dynamics of the combustion air zone. In this manner it may require multiple trips to accomplish the best outcome of appliance safety and energy efficiency.

The State of Missouri requires at least one Building Performance Institute (BPI) auditor on staff. This is the only required training that coincides with energy efficiency. All other required training is in relation to staff and homeowner safety as in lead and OSHA requirements. The City of Kansas City agrees with the Inspector General's recommendation of implementing appropriate

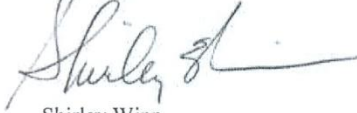
## Appendix 3 (continued)

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weatherization training and would like to see a state sponsored training program that would bring all aspects of the energy conservation process together. The Department of Natural Resources operational manual, national energy auditing tool and building performance tied together in a single training course would provide a full understanding of building diagnostics, health & safety and Department of Energy's standards. It would also be beneficial to create state wide best practices that are required steps and processes and/or materials on how measures are to be achieved. This would take out any ambiguity on installation practices.

The City of Kansas City Missouri's Housing and Community Development Department appreciate the oversight and assistance that the Office of the Inspector General is providing to ensure the success of the State of Missouri's weatherization program.

Sincerely,



Shirley Winn  
Director

C: Patrick S. McNamara, Acting Division Manager



## **DELTA AREA ECONOMIC OPPORTUNITY CORPORATION**

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99 SKYVIEW ROAD • PORTAGEVILLE, MO 63873  
(573) 379-3851 • FAX: (573) 379-5935

April 25, 2011

Rachelle Kennedy  
U.S. Department of Energy  
Office of Inspector General  
IG-30, Room 5A-193  
1000 Independence Avenue SW  
Washington, DC 20585

Dear Ms. Kennedy,

Just prior to the passage of ARRA legislation/appropriations, Delta Area Economic Opportunity Corporation (DAEOC) underwent a major change in weatherization personnel. The result was that only one person remained in the department who had more than a year of weatherization work experience, and that person was a crew member.

With the large and rapid influx of ARRA funding, a large number of personnel had to be hired and trained and bidding process developed and implemented for contractual work that had never been needed prior to ARRA. Additional requirements were specified for ARRA funded work including certification of employees for various types of training/skills, application of Davis-Bacon, and other requirements.

Clearly, more lead time in planning and preparing to implement the program including more and better training at the onset would have benefited employees, sub-contractors, clients, DNR, the public, etc. DAEOC agrees that a process to identify systemic problems was not in place and would have surely improved the quality of work more effectively than the process of simply responding to monitoring findings.

DAEOC would be interested in working with Missouri DNR or providing input to DNR or DOE on the development of a comprehensive training program for Weatherization management, initial assessments, quality workmanship, final inspections, or other areas applicable to the Weatherization program. Such a uniform training program for the nation/state would benefit everyone from the eligible population to the public that provides the financial support for the program.



In addition, DAEOC recognizes a need for a tracking system to identify reoccurring issues both agency-wide and by employee/contractor. A tracking system would allow identification of the need for more training/assessment of specific training needs for employees and contractors. It would also allow DAEOC to determine how effective employees/contractor were in applying training and whether or not they were making adequate progress in improving skills and delivery of acceptable, quality services.

As a corrective action plan, DAEOC plans to develop a spreadsheet that will allow a multitude of factors to be collected and sorted to aid in identifying trends. A preliminary list of factors that will be considered in the development of the spreadsheet will include information from the past three years of DNR monitoring reports. The following are factors that will be considered for inclusion: Job #; Initial auditor; date of initial assessment; crew leader and crew members; date work completed; name of final inspector; date of final inspection; whether or not unit passed; issues identified by state inspector (issues will need to be categorized into related but clearly identifiable groups); date of inspection; corrective action taken; date and results of follow-up inspection.

By sorting information in various ways, we believe trends can be identified showing what kind of training or increased monitoring might be needed and what groups or individuals may have specific training/monitoring needs. The information will be reviewed to determine whether there are repeat findings related to initial inspections, quality of work by crews (crew members) and contractors. Training or other remedial actions will be documented and date of the remediation. Subsequent monitoring reports will aid in assessing the effectiveness of remediation and any changes that might be needed in the remediation plan.



The review of the ARRA Weatherization program provided DAEOC with information that has already improved our program. We welcome any input that would help to improve the services provided to eligible clients or the overall performance of our organization.

Sincerely,

A handwritten signature in cursive script that reads "Jean Barham".

Jean Barham  
Executive Director

## Appendix 3 (continued)

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### Community Action Agency of St. Louis County Inc.

2709 Woodson Road  
St. Louis, MO 63114  
Office: (314) 863-0015  
Fax: (314) 863-1252  
[www.caastlc.org](http://www.caastlc.org)

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*formerly known as STEP, INC.*

April 20, 2011

Mr. George W. Collard  
Assistant Inspector General for Audits  
Office of the Inspector General  
Department of Energy  
Washington, DC 20585

RE: Draft Report on "The State of Missouri Weatherization Assistance Program" – response

Dear Mr. Collard,

The immediacy at the beginning was to be "shovel ready" and create jobs which framed the actions of all parties. Planning and budgets were calculated to meet that requirement. The beginning plans did not include Davis-Bacon prevailing wages and the additional training requirements. Equipment purchases and labor were calculated to fulfill the need of production based on a prescribed formula and benchmarks. Over the months new stipulations were enforced causing continual procedural and production adjustments. The new labor force was not immediately available to meet the job specifications as required and had to receive training and certification. The ARRA program plans changed a small weatherization program into a major network project with a very short period of time for implementation and completion. This has been a learning tool for all involved.

The Community Action Agency of St. Louis County has been a proud participant in the Low Income Weatherization Program (LIWAP) and is very appreciative that this program was selected in the stimulus package to receive such an outstanding increase in funding. ARRA has had and continues to have an enormous positive effect upon the lives of our clients and the infrastructure of the communities in which they reside.

Sincerely,



Merline P. Anderson  
Executive Director

A Community Action Agency providing people with emergency and crisis intervention services. Helping the poor to become self-sufficient.  
An Equal Opportunity Employer & Fair Housing Services Provider.



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