



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

# Examination Report

Southwest Michigan Community  
Action Agency – Weatherization  
Assistance Program Funds Provided  
by the American Recovery and  
Reinvestment Act of 2009



OAS-RA-13-24

June 2013



**Department of Energy**  
Washington, DC 20585

June 18, 2013

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

A handwritten signature in blue ink, appearing to read "Rickey R. Hass".

**FROM:** Rickey R. Hass  
Deputy Inspector General  
for Audits and Inspections  
Office of Inspector General

**SUBJECT:** INFORMATION: Examination Report on "Southwest Michigan  
Community Action Agency – Weatherization Assistance Program  
Funds Provided by the American Recovery and Reinvestment Act of  
2009"

**BACKGROUND**

The attached report presents the results of an examination of the Southwest Michigan Community Action Agency (Southwest) Weatherization Assistance Program (Weatherization Program) under the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Office of Inspector General contracted with an independent certified public accounting firm, Lani Eko & Company, CPAs, PLLC (Lani Eko), to express an opinion on the agency's compliance with Federal and state laws, regulations and program guidelines applicable to the Weatherization Program. Southwest is a sub-recipient of the Department of Energy's (Department) Recovery Act Weatherization Program funding for the State of Michigan.

The Recovery Act was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the Weatherization Program received \$5 billion to reduce energy consumption for low-income households through energy efficient upgrades. The State of Michigan received over \$250 million in Weatherization Program Recovery Act grant funding, of which \$6.69 million was allocated to Southwest. The State of Michigan's Bureau of Community Action and Economic Opportunity under the Department of Human Services was responsible for administering Weatherization Program grants, including funds provided to Southwest.

**RESULTS OF EXAMINATION**

Lani Eko expressed the opinion that, except for the weaknesses described in its report, Southwest complied in all material respects with the requirements and guidelines relative to the Weatherization Program for the period April 1, 2009 to January 31, 2011.

However, the examination found that Southwest had:

- Inaccurately stated "Jobs Created and Retained" hours to the State Department of Human Services in its quarterly reporting under Section 1512 of the Recovery Act; and
- Not provided evidence that findings noted by the inspector in the Final Inspection Report, such as eliminating heat loss through basement and garage air ducts, had been addressed.

The attached report makes recommendations to Southwest to improve the administration of its Weatherization Program. Southwest provided responses that expressed agreement with the recommendations and provided planned and ongoing actions to address the issues identified. While these responses and planned corrective actions are responsive to our recommendations, the Department needs to ensure the planned actions are taken.

### RECOMMENDATION

We recommend the Assistant Secretary for Energy Efficiency and Renewable Energy:

- Ensure appropriate action is taken by the State of Michigan to improve Southwest's administration of its Recovery Act Weatherization Program funds.

### DEPARTMENT COMMENTS AND AUDITOR RESPONSE

The Department concurred with the recommendation outlined in this memorandum. The Department credited the State's process improvements related to billing processes, eligibility determinations, and trend analysis as well as the local weatherization agency's actions taken to address recommendations. The Department reviewed these actions during its routine visit in January 2013 and will continue to monitor these actions as part of its grant oversight responsibilities.

Southwest reportedly implemented process improvements and corrective actions to address the specific recommendations identified in our report. Lani Eko credited the local weatherization agency for its actions, where appropriate.

### EXAMINATION-LEVEL ATTESTATION

Lani Eko conducted its examination in accordance with attestation standards established by the American Institute of Certified Public Accountants as well as those additional standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The examination-level procedures included gaining an understanding of Southwest's policies and procedures and reviewing applicable Weatherization Program documentation. The procedures also included an analysis of inspection results, records of corrective actions and re-inspections of completed homes/units to ensure any failures were properly corrected. Finally, an analysis of associated cost data was performed to test the appropriateness of payments.

The Officer of Inspector General monitored the progress of the examination and reviewed the report and related documentation. Our review disclosed no instances in which Lani Eko did not comply, in all material respects, with the attestation requirements. Lani Eko is responsible for the attached report dated April 17, 2012, and the conclusions expressed in the report.

Attachments

cc: Deputy Secretary  
Acting Under Secretary of Energy  
Acting Chief of Staff

**Report on Examination Level Attestation Engagement**  
**Of**  
**Southwest Michigan Community Action Agency**  
**Recovery Act Weatherization Assistance Program Funds**

**Performed for the U.S. Department of Energy**  
**Office of Inspector General**

**Under**

**Contract Number: DE-IG0000015**  
**Work Order Number: 2010-09**

**By**

**Lani Eko & Company, CPAs, PLLC**

**April 17, 2012**

**TABLE OF CONTENTS**

**INDEPENDENT ACCOUNTANT'S REPORT.....1**

**DESCRIPTION OF SOUTHWEST MICHIGAN COMMUNITY ACTION  
AGENCY WEATHERIZATION ASSISTANCE PROGRAM.....2**

**CLASSIFICATION OF FINDINGS .....3**

**SUMMARY OF FINDINGS .....4**

**SCHEDULE OF FINDINGS .....5**

**MANAGEMENT RESPONSE .....15**



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### **Independent Accountant's Report**

To the Inspector General, U.S. Department of Energy:

We have examined the Recovery Act Weatherization Assistance Program funds awarded by the State of Michigan to the Southwest Michigan Community Action Agency for the period April 1, 2009 through January 31, 2011. The Southwest Michigan Community Action Agency is responsible for operating the Weatherization Assistance Program in compliance with applicable Federal and State laws, regulations, and program guidelines. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the U.S. Government Accountability Office; and, accordingly, included examining, on a test basis, evidence supporting management's compliance with relevant Weatherization Assistance Program Federal and State laws, regulations, and program guidelines, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control structure or financial management system, noncompliance due to error or fraud may occur and not be detected. Also, projections of any evaluation of compliance to future periods are subject to the risk that the internal control structure or financial management system may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate.

In our opinion, except for the weaknesses described in Section IV of this report, the Southwest Michigan Community Action Agency complied, in all material respects, with the aforementioned requirements and guidelines relative to Weatherization Assistance Program funds awarded to the Southwest Michigan Community Action Agency for the period April 1, 2009 through January 31, 2011.

*Lani Eko & Company, CPAs, PLLC*

April 17, 2012  
Alexandria, Virginia

**SECTION I. Description of Southwest Michigan Community Action Agency  
Weatherization Assistance Program**

The U.S. Department of Energy (Department) awarded \$250,361,024 to the State of Michigan to allocate among its network of 31 local governments and various nonprofit organizations participating in the Weatherization Assistance Program (Weatherization Program). From this award, \$6,691,936 was allocated to Southwest Michigan Community Action Agency (Southwest) to assist with the costs of weatherizing approximately 958 homes. In Michigan, the Weatherization Program is administered by the State Department of Human Services (DHS).

Southwest partners with DHS to operate the Weatherization Program. In accordance with the terms of this agreement, Southwest is responsible for determining applicant eligibility and taking the necessary steps to weatherize the applicant's home. These steps include procurement of contractor services, as well as conducting home assessments and inspections.

The Weatherization Program helps eligible low-income households lower their energy costs by increasing energy efficiency. The primary focus is on the problems of heat loss and air infiltration. Energy conservation and efficiency methods utilized by the Weatherization Program include measures that reduce energy consumption and the cost of maintenance for weatherized homes. In addition to the material improvements, energy conservation education is provided to participants. For the period from April 1, 2009 through January 31, 2011, Southwest reported that it had completed weatherization of 418 units under the Weatherization Program.

## **SECTION II. Classification of Findings**

The findings in this report are classified as follows:

### **Significant Deficiency**

A significant deficiency is a deficiency in internal control, or combination of deficiencies, that adversely affects Southwest's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria or framework such that there is more than a remote likelihood that a misstatement of the subject matter that is more than inconsequential will not be prevented or detected.

### **Advisory Comment**

For purposes of this engagement, an advisory comment represents a control deficiency that is not significant enough to adversely affect Southwest's ability to record, process, summarize, and report data reliably. The advisory comments presented represent matters that came to our attention during the course of the review and are offered to Southwest's management as an opportunity for improvement. The advisory comments are provided along with suggestions and discussion of the significance of the comments.

**SECTION III. Summary of Findings**

1. Reporting Under Recovery Act – Significant Deficiency
2. Billing for Work Performed Prior to Completion – Significant Deficiency
3. Davis-Bacon Act – Advisory Comment
4. Questioned Costs – Advisory Comment
5. Lead Safe Work Practices – Advisory Comment

## **SECTION IV. Schedule of Findings**

### **Finding 1. Reporting Under Recovery Act — Significant Deficiency**

#### **Condition**

Southwest inaccurately stated "Jobs Created and Retained" hours to DHS in its quarterly reporting under Section 1512 of the American Recovery and Reinvestment Act. Southwest did not report any work hours for its existing positions funded by the American Recovery and Reinvestment Act of 2009 (Recovery Act). Instead, Southwest reported hours only for new positions created as a result of funding by the Recovery Act. Specifically, we noted that for the quarter ending December 31, 2010, Southwest reported that Recovery Act employees worked 696 hours on Recovery Act projects. Per recorded timesheets for the same period, employees reported having worked 2,456 hours on Recovery Act funded weatherization projects. This difference is attributable to:

- 1,740 unreported hours worked by those in existing positions (i.e. the program manager).
- 19.8 understated hours worked by new Recovery Act employees.

Federal regulations require that accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or sub-grant.

Specifically, in accordance with the Office of Management and Budget (OMB) Memorandum M-10-08, *Updated Guidance on the American Recovery and Reinvestment Act — Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates*, recipients should report on all jobs funded with Recovery Act dollars. Southwest corrected the error when we brought the matter to management's attention.

#### **Cause**

The reporting errors can be attributed to the following:

- Southwest personnel were not aware of available DHS training on reporting requirements, and therefore, did not attend training provided by DHS.
- As a result of the lack of training indicated above, Southwest personnel misinterpreted the definition of "Jobs Created and Retained" relating to the Recovery Act reporting requirement.

**SECTION IV. Schedule of Findings (Cont.)**

**Effect**

Southwest understated its Recovery Act Weatherization Program efforts. Further, DHS and the U.S. Department of Energy, which relied on the Southwest data, passed on inaccurate data to Congress concerning those efforts.

**Recommendations**

We recommend that Southwest:

- 1.1 Communicate regularly with DHS to ensure it is aware of all training being offered related to the Weatherization Program. If no such training is offered at the State level, then Southwest should develop its own training related to the Weatherization Program.
- 1.2 Work with DHS to take corrective action in amending the Jobs Created/Retained Report to include the unreported Recovery Act work hours.

**Management Comments**

Southwest has corrected the Jobs Created/Retained Report to include hours worked and paid with American Recovery and Reinvestment Act (ARRA) weatherization funds. Southwest now reports all hours worked under the ARRA program as reported on the timesheet.

**Auditor Response**

We acknowledge Southwest efforts toward implementation of corrective action.

**SECTION IV. Schedule of Findings (Cont.)**

**Finding 2. Billing for Work Performed Prior to Completion — Significant Deficiency**

**Condition**

We determined that Southwest submitted a Statement of Expenditure Report that included a unit that had not been fully inspected. More specifically, documentation for one of the 69 homes tested did not contain evidence that findings noted by the inspector in the Final Inspection Report, such as eliminating heat loss through basement and garage air ducts, had been addressed. At the time of our visit, in April 2011, Southwest reported it had made numerous attempts to contact the client in order to perform a final inspection. Subsequent to our audit in August 2011, the agency was able to complete the final inspection.

Under its weatherization agreement with DHS and in accordance with Federal requirements, Southwest is required to perform a final inspection of each dwelling unit before the job can be reported to DHS as complete and eligible for reimbursement. The final inspection must be signed and dated by the individual(s) trained and authorized to complete these inspections to ensure that the weatherization services have been provided in a quality manner, consistent with Federal requirements.

**Cause**

Southwest followed Michigan's guidance, rather than Federal regulations. Michigan's guidance allows exceptions in cases where an agency is unable to contact a client.

**Effect**

As a result of the deficiency noted, there is an increased risk that Southwest was reimbursed from Recovery Act funds for services not fully rendered.

**Recommendation**

We recommend that Southwest:

- 2.1 Seek guidance from DHS and the Department regarding actions to take when final inspections have not occurred and/or inspection findings cannot be resolved.

**SECTION IV. Schedule of Findings (Cont.)**

**Management Comments**

Southwest made numerous attempts to reach the client and establish a time to complete the final inspection of all work. Southwest finally accomplished the final inspection on 8/11/2011. Southwest has also implemented additional steps to prevent a recurrence of this situation.

**Auditor Response**

Subsequent to our audit, Southwest was successful in contacting the client, conducting a final inspection as required, and providing us with supporting documentation. We recognize Southwest's efforts in pursuing this matter and working toward resolution.

**SECTION IV. Schedule of Findings (Cont.)**

**Finding 3. Davis-Bacon Act - Advisory Comment**

**Condition**

Southwest failed to obtain weekly certified payroll reports from two of its 13 weatherization contractors. In accordance with the Davis-Bacon Act, contractors must submit on a weekly basis a copy of all payrolls providing specified information for the preceding weekly payroll period. Each payroll submitted must be accompanied by a "Statement of Compliance" and signed by the contractor's authorized payroll personnel.

To its credit, Southwest inadvertently discovered the contractors' non-compliance immediately prior to the start of audit work and informed the audit team of the deficiency. Southwest subsequently obtained the missing payroll records from the contractors and was able to provide the documentation to the auditors prior to the end of the audit

Additionally, one of the two contractors noted above failed to pay its employees the prevailing Davis-Bacon Act wages. Southwest also discovered this non-compliance and contracted with a third party to review the benefits and compute the wage restitution. The restitution payroll was completed in March 2011.

**Cause**

The errors were caused by an incomplete and outdated contractor listing and insufficient oversight.

**Effect**

There is an increased risk that contractors were not meeting the Recovery Act intent of paying prevailing wage rates as mandated by applicable provisions of the Davis-Bacon Act.

**Recommendation**

We recommend that Southwest:

- 3.1 Improve processes to ensure Weatherization Program personnel collecting certified payrolls are aware of all contractors being paid with Recovery Act funds.

**SECTION IV. Schedule of Findings (Cont.)**

**Management Comments**

Southwest has implemented a policy requiring all contractors to report weekly on their work schedule (showing jobs in progress), including the names of all crew members working on that particular job. The tracking and reporting system will provide the agency with progress and completions of work being performed by the weatherization crews. To ensure certified payrolls are received and reviewed for compliance, Southwest will use this work schedule as a cross check for the state job reporting, as well as tracking jobs reported as closed during that period. The new accountability system will provide an accurate structure for the person preparing, reviewing, and approving the State Davis-Bacon Act reports, reducing the risk for non-compliance with the Davis-Bacon Act.

**Auditor Response**

We acknowledge Southwest's efforts toward implementation of corrective action.

**SECTION IV. Schedule of Findings (Cont.)**

**Finding 4. Questioned Costs — Advisory Comment**

**Condition**

Based on our sample review, we found that Southwest was improperly reimbursed \$1,633 associated with the weatherization services provided for 30 out of 69 units tested. Included in this count were 24 units within a multi-family dwelling. More specifically, we noted the following:

- For three dwelling units, Southwest miscalculated the invoices for weatherization work performed, which resulted in an overpayment from DHS in the amount of \$105. Southwest corrected the error when we brought the matter to its attention.
- For 27 dwelling units (including the 24 multi-family units), Southwest erroneously charged \$1,528 to Recovery Act funding for weatherization services performed under the Energy Optimization and DHS/Public Service Commission Programs. Southwest corrected the error when we brought the matter to its attention.

Federal regulations require sub-grantees to maintain accurate records to support items such as costs incurred in weatherizing individual dwelling units, income of households receiving weatherization assistance, and other records necessary for an effective audit and performance evaluation.

**Cause**

The deficiency relating to the reimbursement of Recovery Act funds may be attributed to Southwest making a clerical error and not fully reviewing invoices to ensure all weatherization work was correctly documented before invoices were submitted to DHS for reimbursement.

**Effect**

We are questioning \$1,633 that Southwest was reimbursed for weatherization services. The risk of fraud, waste and abuse is elevated without effective supervisory review of supporting documentation. Also, there is a diminished capacity to weatherize units fully.

**SECTION IV. Schedule of Findings (Cont.)**

**Recommendations**

We recommend that Southwest:

- 4.1 Review its billing and payment processes to ensure that invoices are reviewed before being submitted to the State for reimbursement.
- 4.2 Work with DHS to address the costs questioned in this finding.

**Management Comments**

Southwest has implemented a supervisory review of its accounting and job closure process to ensure all non-Federal qualifying charges are reflected on the cost center prior to Federal funds being tallied. Southwest has made corrections to its accounting processes to develop a cost allocation methodology to prevent future concerns. Prior to reporting the unit as completed to the state database used in weatherization, the program manager conducts a comprehensive cost allocation review for accuracy and allowability of all transactions.

**Auditor Response**

We acknowledge Southwest's efforts toward implementation of corrective action.

**SECTION IV. Schedule of Findings (Cont.)**

**Finding 5. Lead Safe Work Practices — Advisory Comment**

**Condition**

We noted that 21 of the 69 units tested were built prior to 1978. Per Environmental Protection Agency (EPA) regulations, repairs and renovations made to units built before this time must be performed by certified contractors following specific work place practices to prevent lead contamination. However, we found that for six of those 21 units, there was no evidence that the units in question were exempt from Federal and State Lead Safe Weatherization regulations or that lead safe practices were employed at the worksite. In comparison, we observed that detailed invoices and photographs were part of the files for the remaining 15 units built prior to 1978.

In response, the local agency stated that all contractors must undergo lead safety training and that the contractors had adhered to EPA standards for lead safe workplace practices, even though it was not documented in the file. On these particular units, these practices were employed prior to the Department of Energy implementing its own standards for lead safe workplace practices.

Lead safe workplace regulations state that lead safe work practices must be used during work that involves surfaces with presumed or identified lead-based paint. Appropriate actions must be taken to protect home occupants, workers and the worksite from lead-based paint hazards associated with weatherization activities.

**Cause**

Southwest officials were not consistently supervising contractors to ensure that all measures determined to be necessary during the pre-inspection phase, as they related to lead safety for homes built prior to 1978, were adequately documented.

**Effect**

Southwest's failure to comply with Lead Safe Weatherization practices increases the risk of injury to the dwelling unit occupants and the contractors' personnel from unsafe lead levels.

**SECTION IV. Schedule of Findings (Cont.)**

**Recommendation**

We recommend that Southwest:

- 5.1 Ensure that weatherization procedures include documenting the lead safe practices that occur from pre-inspection to contractor work performed.

**Management Comments**

All Southwest contractors were instructed to implement safe work practices to minimize exposure to hazards while allowing weatherization to occur. Southwest has drafted a Lead Safe Weatherization (LSW) protocol on all weatherization dwellings. Prior to performing any weatherization work, it is important the home be accurately assessed to determine if there is a need for applying LSW protocols from the pre-auditor. Contractors have been instructed on the importance of taking steps to protect occupants and workers from lead-based paint hazards while weatherization work is being conducted.

**Auditor Response**

We acknowledge Southwest's effort toward implementation of corrective action.

**SECTION V. Management Response**



**Southwest Michigan Community Action Agency**

*Helping People. Changing Lives.*

Executive Director  
Arthur C. Fenrick

Board Officers:  
Richard Acoce, Chair  
Michael Franks, Vice Chair  
Kendall Holder, Treasurer  
Manetta Seals, Secretary

July 31, 2012

Lani Eko & Company, CPA's, PLLC  
110 South Union Street  
Suite 101  
Alexandria, VA 22314

RE: Response to Draft Examination Report of Southwest Michigan Community Action Agency's  
Weatherization Assistance Program Recovery Act Funds

Dear Ms. Sullivan:

Thank you for the opportunity to respond and provide additional information on the Draft Audit Report on "The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Michigan, dated April 2012.

As one of the agencies selected, I appreciate the opportunity to provide written comments on the facts presented, conclusions reached and the recommendations noted in the report. Please accept our response. Which is attached.

Sincerely,

Arthur Fenrick, Agency Director

Sandra Klank, Weatherization Program Manager

*Southwest Michigan Community Action Agency exists to assist people in economic need and enable them to achieve and sustain self-sufficiency while respecting their diversity.*

An equal opportunity employer



## **SECTION V. Management Response (Cont.)**

### **1. Reporting Under Recovery Act – Significant Deficiency**

SMCAA has corrected jobs created/retained to include hours worked and paid with American Recovery and Reinvestment Act (ARRA) weatherization funds. SMCAA now reports all hours all hours worked under the ARRA program as reported on the timesheet.

### **2. Billing for Work Performed Prior to Completion – Significant Deficiency**

The final inspection that is in question per CSPM Item 602 Page 2 of 5 and 3of 5 (See *Attachment B CSPM 602 and letters and final sign off*) there is an Exception: a unit may be considered completed if the work cannot be completed because: inability to reach client, and client refusal to allow completion. There is sufficient documentation in the file that SMCAA made numerous attempts to reach and establish a time to complete the final inspection of all work. SMCAA finally accomplished the final inspection on 8/11/2011 (See *attachment Findings sheet*)

Michigan DHS has structured a reporting system of accountability.

SMCAA has implemented the responsibility of internal controls be placed on the program manager to properly deal with re inspections of additional work and all minor deficiencies.

SMCAA has developed a policy to properly deal with re inspections. The crew foreman will review the quantity of materials, the quality of work and the completeness of each unit and sign off on the work order prior to the final post inspection being assigned to an auditor.

SMCAA has an existing policy that requires signatures/dates of both contractors and inspector/auditors on all call back or additional work forms, this policy will be enforced. The auditor has the task of final approval for the measure on the Work Order (Y/N) prior to payment approval by the manager.

All final inspection reports will be required for each job for the manager's review prior to payment approval to contractors. Each file will have documentation of work corrected during the final inspection due to a failed final inspection or additional work required.

SMCAA has developed and implemented a documented system of tracking additional work needed, re work and jobs needing corrections prior to closing, which will prevent further concerns.

The tracking system will also evaluate contractor performance to ensure comprehensive and consistent work quality.

SMCAA will implement a policy applicable to all units: No unit will be reported as completed until a signed final inspection report is provided to the manager signed off by all individuals prior to closure, or documentation in the file from the manager noting the exception.

With the implementation of the statewide database, FacsPro, each Inspection/Work Order/Cost Center (IWC) is entered through the Weatherization Module of the Facs Pro system to assure sufficient, competent and relevant documentation prior to payment.

To ensure a weatherized unit as completed this procedure will track labor and material costs by weatherized unit.

Per CSPM item 401.2 Page 1 of 4 the Statement of Expenditures monthly report (SOE) is submitted to the Department of Human Services (DHS) to identify ACTUAL expenses incurred, by category of expenses. (There is no requirement that the project be completed and closed prior to expenses incurred: just that the job be completed prior to reporting completed units.)

## **SECTION V. Management Response (Cont.)**

DHS has issued a memo regarding the SOE monitoring process indicating a detailed ledger must accompany every Statement of Expenditure. Supporting documentation is being submitted with SMCAA's SOE, all invoicing generated by weatherization at SMCAA are scanned to the state for further assurance prior to reimbursement approval.

### **3. Davis-Bacon Act – Advisory Comment**

SMCAA has implemented policy to require all contractors to report weekly on their work schedule (showing jobs in progress) with the names of all crew members working on that particular job. The tracking & reporting system will provide the agency with progress and completions of work being performed by the weatherization crews.

With this work schedule SMCAA will use the form as a cross check for job reporting on the 347 form, as well as jobs reported as closed during that period to ensure certified payrolls are received and reviewed for compliance. With the new accountability system there will be an accurate structure for the person preparing, reviewing, and approving the 347 Davis-Bacon reports reducing the risk for non compliance with the Davis-Bacon act. (See *“Attachment C contractor work schedule”*)

### **4. Questioned Costs – Advisory Comment**

SMCAA has implemented a supervisory review to its accounting and job closure process to include all non federal qualifying charges to be reflected on the cost center prior to Federal funds being tallied. SMCAA has made corrections to its accounting processes to develop a cost allocation methodology to prevent future concerns. An editing system of checks and balancing are conducted by the program manager, a comprehensive cost allocation review for accuracy and allow ability of all transactions and determination prior to reporting the unit as completed to the state database used in weatherization.

The manager will review all cost expenditures for financial activities to ensure compliance with requirements to separately account for Recovery Act expenditures.

Once the cost center has been reconciled with the invoices, only the weatherization manager can submit the job as completed and compliant to the State of Michigan as a completed weatherized dwelling in the FACS Pro database.

With the implementation of the FACS Pro data base for job reporting, SMCAA will have more visibility for budget and expenditures per unit reported. SMCAA would like to assure that with the current updates in procedures, these issues will not occur in the future.

### **5. Lead Safe Work Practices – Advisory Comment**

All SMCAA contractors were instructed to implement safe work practices to minimize exposure to hazards while allowing weatherization to occur.

SMCAA has drafted a LSW protocol on all weatherization dwellings.

Prior to performing any weatherization work, it is important the home be accurately assessed to determine if there is a need for applying LSW protocols from the pre auditor.

Contractors have been instructed on the importance of taking steps to protect occupants and workers from lead based paint hazards while weatherization work is being conducted.

**SECTION V. Management Response (Cont.)**

- To ensure proper protocols are observed, Weatherization workers are required to provide photo documentation to be placed in the client files, verifying LSW set up protocols were properly followed.
- All contractors are to be trained and certified in LSW
- Firm Status must be obtained for each contractor performing weatherization through SMCAA
- The individual performing renovation activities on behalf of the firm are to have received appropriate on the job training by a certified renovator from the time containment is established until post renovation clean up occurs. Crew members must be certified or trained and directed by a certified renovator. Each job where lead work is performed will require a Renovations Recordkeeping Checklist to accompany invoicing.
- SMCAA has documentation to all contractors of the protocols to be used when disturbing surfaces that may have lead-based paint. (see *“Attachment D” contractor memos*)

**6. Conflicting Guidance on Weatherizing Multi-Family Units –Advisory Comment**

SMCAA has taken corrective actions in response to the guidance on weatherizing multi-family units. SMCAA has addressed this issue by placing internal controls at the agency level to ensure limitations on Weatherization costs to no more than \$6,500.00 per eligible unit or current state-wide average, whichever is lowest.

SMCAA will ensure the Weatherization Assistance Program is aware of all federal mandates and ensure they are implemented. The program will be administered effectively for policies and procedures consistent with the federal requirements and in compliance with laws and regulations governing costs per unit and identifying correctly a project.

DEPARTMENT COMMENTS

Department of Energy  
Washington, DC 20585

MAY 03 2013

MEMORANDUM FOR: RICKEY R. HASS  
DEPUTY INSPECTOR GENERAL  
FOR AUDITS AND INSPECTIONS  
OFFICE OF INSPECTOR GENERAL

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

SUBJECT: Response to Office of Inspector General (OIG) Draft Examination Report on "Southwest Michigan Community Action Agency – Weatherization Assistance Program (WAP) Funds Provided by the American Recovery and Reinvestment Act of 2009."

The Office of Energy Efficiency and Renewable Energy (EERE) appreciates the opportunity to review and make comments on the OIG's Draft Examination Report for Southwest Michigan Community Action Agency (SMCAA) WAP. It is routine for EERE to provide guidance and support to all grantees pursuant to Code of Federal Regulations (CFR), 10 CFR 600 and 2 CFR 225 (A-87). When applicable, EERE provides grantees with guidance pursuant to 2 CFR 220 (A-21), 2 CFR 230 (A-122), and 10 CFR 400. EERE continually seeks to ensure compliance with Federal regulations and policies through on-going monitoring and communications with grantees. The response below addresses the one specific recommendation in the draft report:

The OIG's auditors expressed the opinion that, except for the weaknesses described in its report, Southwest complied in all material respects with the requirements and guidelines relative to the Weatherization Program.

**OIG Recommendation 1:** We recommend the Assistant Secretary for Energy Efficiency and Renewable Energy ensure appropriate action is taken by the State of Michigan to improve the Southwest's administration of its Recovery Act Weatherization Program funds.

**EERE Response:** In April 2012, the Grantee required all subgrantees to use the newly improved monthly billing review process and Statewide web based system for application and eligibility processing. At the same time, the Grantee incorporated a trend analysis to their technical monitoring to enhance the administration of all DOE funding. The subgrantee, SMCAA, concurred with the OIG questioned costs on ineligible applicants and reallocated expenditures to other non-DOE funding sources as appropriate. The Project Officer conducted an on-site monitoring on January 15-18, 2013 and confirmed the subgrantee is now performing in compliance with State contracts and program policy. DOE will continue its routine monitoring of the Grantee and considers this recommendation to be resolved as of January 2013.



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The Office of Inspector General has a continuing interest in improving the usefulness of its products. We wish to make our reports as responsive as possible to our customers' requirements, and, therefore, ask that you consider sharing your thoughts with us. On the back of this form, you may suggest improvements to enhance the effectiveness of future reports. Please include answers to the following questions if applicable to you:

1. What additional background information about the selection, scheduling, scope, or procedures of the audit or inspection would have been helpful to the reader in understanding this report?
2. What additional information related to findings and recommendations could have been included in the report to assist management in implementing corrective actions?
3. What format, stylistic, or organizational changes might have made this report's overall message more clear to the reader?
4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report that would have been helpful?
5. Please include your name and telephone number so that we may contact you should we have any questions about your comments.

Name \_\_\_\_\_ Date \_\_\_\_\_

Telephone \_\_\_\_\_ Organization \_\_\_\_\_

When you have completed this form, you may telefax it to the Office of Inspector General at (202) 586-0948, or you may mail it to:

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