



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

# Audit Report

The Department of Energy's  
Weatherization Assistance Program  
Funded under the American  
Recovery and Reinvestment Act for  
the Commonwealth of Virginia



OAS-RA-11-14

August 2011

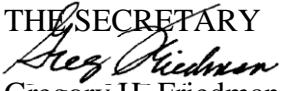


**Department of Energy**  
Washington, DC 20585

August 25, 2011

MEMORANDUM FOR THE SECRETARY

FROM:

  
Gregory H. Friedman  
Inspector General

SUBJECT:

INFORMATION: Audit Report on "The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the Commonwealth of Virginia"

BACKGROUND

In 2009, the Commonwealth of Virginia's (Virginia) Department of Housing and Community Development's (DHCD) Weatherization Assistance Program (Weatherization Program) was awarded a 3-year grant of approximately \$94 million from the American Recovery and Reinvestment Act (Recovery Act) of 2009 to weatherize 9,193 homes. Virginia's DHCD administers its Weatherization Program through 22 local community action agencies (local agencies); organizations which are responsible for determining applicant and housing unit eligibility, weatherizing homes and conducting home assessments and inspections.

In May 2010, the Office of Inspector General (OIG) issued a Preliminary Audit Report on the effectiveness of Virginia's implementation of the Recovery Act funded Weatherization Program. The 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), identified several issues that contributed to a less than effective implementation of Virginia's Weatherization Program. Subsequent to issuing the interim report, we completed work at three of Virginia's local agencies to evaluate their success in carrying out the Recovery Act funded Weatherization Program. Specifically, we performed reviews at Crater District Area Agency on Aging (Crater), Community Housing Partners Corporation (CHPC), and Rappahannock Area Agency on Aging (Rappahannock).

RESULTS OF AUDIT

Our May 2010 audit report identified a number of weaknesses in the Commonwealth of Virginia's Weatherization Program. In particular, our testing of local agencies' weatherization activities performed during the period from February 2009 to March 2010 revealed that:

- CHPC and Crater had not always developed and/or maintained support for costs billed to and reimbursed by the Virginia Weatherization Program. As such, we questioned about \$1.2 million in costs incurred by these agencies;
- Crater provided weatherization services to a number of ineligible applicants and/or dwellings;

- Neither CHPC nor Crater always performed required inspections of completed units; and,
- Crater had not always ensured workers were paid Recovery Act mandated Davis-Bacon Act wage rates.

These weaknesses were not initially detected or corrected because, as discussed in our Preliminary Report, the Commonwealth of Virginia's DHCD had not implemented the financial and reporting controls needed to ensure Weatherization Program funds were spent effectively and efficiently. In particular, we noted in our May 2010 Preliminary Report that DHCD had not performed on-site financial monitoring of any of its local agencies during the prior 18 months, including reviewing documentation supporting reimbursements. In our Preliminary Report, we made recommendations to improve Virginia's financial monitoring of its local agencies.

In response to the May 2010 preliminary report, both the Department and the Commonwealth of Virginia indicated that corrective actions were in process. During our current review, we substantiated that the Department of Energy, DHCD, and the three community action agencies we evaluated had, in fact, either initiated or completed actions to address the issues identified by our Preliminary Report (see Appendix 1). To its credit, Virginia had conducted financial monitoring visits at all 22 of its local agencies.

We concluded that the Department and DHCD had made significant progress in improving management controls over the Commonwealth's Weatherization Program. DHCD made numerous changes that, if successfully implemented and executed, will increase the likelihood of successfully achieving the goals of the Program. Virginia had also resolved all but \$26,000 of the \$1.2 million in questioned costs that we identified during our audit work at the local agencies. While management had taken action to address the recommendations and issues identified, we suggest that the Department and DHCD continue efforts to evaluate performance, particularly in the areas of billed costs, eligibility determination and monitoring to ensure that the Weatherization Program operates effectively and efficiently.

#### MANAGEMENT REACTION

Both the Department and DHCD provided comments and agreed with the information in the report. These comments are included in Appendix 4. The Department stated that it would closely monitor Virginia's Weatherization Program to ensure that the Program is operating effectively and efficiently. DHCD stated that the audit served as a catalyst for necessary improvements in the administration of the Program. The three Community Action Agencies reviewed declined to provide comments.

#### Attachment

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

# REPORT ON THE DEPARTMENT OF ENERGY'S WEATHERIZATION ASSISTANCE PROGRAM FUNDED UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT FOR THE COMMONWEALTH OF VIRGINIA

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# The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the Commonwealth of Virginia

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## Commonwealth of Virginia's Weatherization Assistance Program

The Commonwealth of Virginia (Virginia) and its local agencies had not always ensured that weatherization activities funded by the American Recovery and Reinvestment Act of 2009 (Recovery Act) were performed efficiently and effectively. In particular, our review of three selected local agencies identified weaknesses in financial management, eligibility determination and in ensuring the quality of weatherization services provided during the period February 2009 to March 2010.

### Financial Management

We found that Crater District Area Agency on Aging (Crater) and Community Housing Partners Corporation's (CHPC) requests for reimbursement were not supported by records verifying that costs incurred were reasonable and allowable. Specifically:

- Crater could only support about \$63,200 in labor and materials for the weatherization of 83 multi-family units at a multi-unit complex. However, Crater billed the Department of Housing and Community Development (DHCD) and was reimbursed \$539,500 for the weatherization of these units. While the executed agreement between DHCD and Crater states that DHCD shall reimburse Crater on a monthly basis for allowable and properly documented expenditures, Crater submitted an invoice based on 83 units times the \$6,500 maximum allowable average cost per unit under the Recovery Act rather than actual costs incurred to weatherize the units;
- Crater was unable to furnish support for about \$62,300 of the \$100,000 it received from the DHCD for ramp-up and expanding the capabilities of its Weatherization Assistance Program (Weatherization Program);
- In our sample of 30 job reports from Crater, we identified about \$15,600 of \$58,500 (27 percent) in reimbursements for the weatherization of 7 single family and 2 mobile homes that were not properly supported. Specifically, of the \$15,600, job reports with total reimbursements of about \$9,800 lacked

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documentation for material and labor costs; and, for the remaining \$5,800, we were unable to ascertain from the subcontractors' invoices that the materials used for weatherization were consistent with Federal regulations;

- CHPC could not support about \$600,000 in material and labor costs associated with the weatherization services provided for 156 units in 3 multi-unit complexes. Neither we nor DHCD were able to confirm the materials used in weatherization, the costs of these materials and the labor costs associated with installing these materials; and,
- Crater had not always ensured that subcontractors paid employees prevailing wage rates as required by the Davis-Bacon Act. We noted that three of Crater's five subcontractors we selected for review had not paid their employees the mandated minimum hourly rate for electricians under the Davis-Bacon Act.

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

Overall, these questioned costs totaled nearly \$1.2 million. DHCD took action to address the questioned costs after we brought these matters to its attention. Specifically, DHCD requested and obtained documentation to determine the validity of the questioned costs stated above at Crater and CHPC. While DHCD was still in the process of finalizing the amount of questioned costs, it has completed negotiations with the community action agencies to address the questioned costs. For example, of its approximately \$600,000 in questioned costs, CHPC stated that \$277,200 should have been originally charged to the Department of Health and Human Services' Low-Income Home Energy Assistance Program (LIHEAP). Also, DHCD has addressed most of the approximately \$554,300 in questioned costs at Crater. Additionally, DHCD ensured that the previously discussed subcontractor employees were paid the prevailing wage rates as prescribed by the Davis-Bacon Act. The Department, however, has yet to review and sustain the cost allowability determinations.

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## Eligibility Determinations

We found that Crater had not always ensured that weatherization services were provided to eligible applicants or units. Specifically:

- Crater should not have been reimbursed for four units weatherized in multi-unit buildings. Three dwelling units in multi-unit buildings were ineligible for weatherization assistance because Crater was unable to provide documentation that the vacant dwelling units were occupied by eligible households within 180 days of completion of weatherization. One unit that served as the rental office was ineligible because Weatherization Program funds cannot be used to weatherize units that are used for commercial purpose; and,
- In addition, at Crater, applicant household income exceeded allowable maximum household income for 1 of the 30 files we tested. The Commonwealth of Virginia's Weatherization Assistance Program Master Plan, which is consistent with Federal requirements, defines an eligible applicant for the Weatherization Program as an applicant whose household income does not exceed 75 percent of the prevailing LIHEAP State Median Income limit, or 200 percent of the current poverty income guideline, whichever is higher.

Crater delegated responsibility for eligibility determination to another local agency. The agency determining eligibility also owned a multi-unit complex that was being weatherized for Crater. Consequently, this arrangement created an apparent conflict of interest where the owner of the building was responsible for determining unit eligibility. Federal Grant requirements state that no employee, officer or agent of the grantee or sub-grantee shall participate in the selection, award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, will be involved.

After we brought the above matter to its attention, DHCD revised its Weatherization Program Operations Manual to require approval of all phases of multi-unit projects. By providing for earlier DHCD involvement in projects, the above issues regarding eligibility and apparent conflicts of interest will likely be prevented and mitigated in the future. For

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example, the new multi-unit weatherization policy does not allow local agencies to delegate the authority to determine unit eligibility.

#### Weatherization Quality Final Inspections

We determined that neither Crater nor CHPC had always performed or documented final inspections on homes reimbursed by Virginia as required. Specifically:

- Crater did not have evidence of a post work inspection or final inspection reports for 13 of the 30 units we reviewed, or 43 percent, even though Crater had billed Virginia for these units as completed; and,
- CHPC did not perform final inspections of 70 percent of the dwelling units in multi-family complexes. Also, the final inspection reports for 9 of the 30 dwelling units we sampled were missing the required signatures of individuals trained to complete the inspections.

Under Virginia's Weatherization Assistance Program Information Notice, effective February 2011, local agencies are required to perform a final inspection of each dwelling unit before the job can be reported to DHCD 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. DHCD currently requires local agencies to submit a final inspection report for each unit weatherized prior to providing the agencies with reimbursement payments.

#### **Monitoring and Reporting Controls**

In large measure, these weaknesses occurred because, as discussed in our Preliminary Report, the Commonwealth of Virginia's DHCD had not implemented the financial and reporting controls needed to ensure Weatherization Program funds were spent effectively and efficiently, nor had they assigned sufficient staffing to the Weatherization Program. In particular, we noted in May 2010, that DHCD had not performed on-site financial monitoring of any of its local agencies during the prior 18 months, including reviewing documentation supporting reimbursements. Consequently, issues identified during our current review at the local agencies were allowed to go undetected and uncorrected.



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To its credit, we found that during our current review, DHCD has taken numerous actions to address the weaknesses identified above. Specifically, DHCD has revised their fiscal monitoring policies and procedures in their operations manual and had performed on-site monitoring at all 22 local agencies. Subsequent to our audit, DHCD released two Weatherization Assistance Program Information Notices that established documentation requirements needed to support invoices, eligibility and final inspections. Prior to reimbursement, local agencies are currently required to submit several documents with monthly invoices, including:

- Summary and detailed monthly expenditure information reconciled to the general ledger;
- Building weatherization reports; and,
- Final inspection reports for completed units.

In addition, DHCD and the Department provided training to the local agencies on how to track and report actual costs. These actions, if faithfully executed, are likely to ensure that a unit will not be reported to the Department as a weatherized unit until the final inspection is completed. Further, DHCD has purchased and is currently implementing a new computer-based tracking system that should address past issues with timely and accurate reporting.

DHCD also revised its invoicing policy to prohibit local agencies from requesting reimbursement on an average cost basis; rather, local agencies are currently required to bill Virginia on actual costs incurred. DHCD currently reviews all documentation submitted with local agency reimbursement requests. Finally, DHCD increased its staff and improved its automated systems, allowing increased financial monitoring and oversight of compliance with regulations such as the Davis-Bacon Act.

Beyond the improvements DHCD has made, the Department has also taken action to address the weaknesses in Virginia's Weatherization Program. Specifically, the Department increased the number of its project monitors. For example, at the National Energy Technology Laboratory in Pittsburgh, Pennsylvania, the number of Department Project Officers for weatherization project monitoring increased from three to nine.

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Also, the Department has provided two on-site technical monitoring visits as well as one financial review since our Preliminary Report was issued.

The Department and DHCD's actions to address the recommendations in our Preliminary Report are presented in detail in Appendix 1. We have also included actions taken by DHCD in response to the issues identified during our current review in Appendix 1.

## **Path Forward**

The Department and DHCD have made significant progress in improving Virginia's monitoring capability and controls over the Weatherization Program. DHCD has been responsive to our previous recommendations and to our observations communicated during the reviews and has instituted numerous changes that, if successfully implemented by Virginia's Weatherization Program and monitored by the Department, will add to the success of achieving the goals of the Weatherization Program under the Recovery Act. Although management has taken action to address the recommendations and issues identified, continued vigilance by the Department and DHCD concerning billed costs, eligibility determination and monitoring, is necessary to allow the Weatherization Program to operate effectively and efficiently.

Management's comments are included in Appendix 4.

**Listing of Issues and Actions Taken**

The following presents the analysis of actions taken by the Department of Energy (Department), the Commonwealth of Virginia's (Virginia) Department of Housing and Community Development (DHCD), and three of its Community Action Agencies, Crater District Area Agency on Aging (Crater), Community Housing Partners Corporation (CHPC), and Rappahannock Area Agency on Aging (Rappahannock), in response to recommendations made by the Office of Inspector General (OIG) and its contract auditor during reviews made in 2010 and 2011.

	<b>Recommendation</b>	<b>Actions Taken</b>
<b>OIG Preliminary Report</b>	<p>To achieve the objectives of the Recovery Act, it is important that the Department and Virginia have effective financial and reporting controls. Virginia has the opportunity to improve the health and safety of low-income citizens as well as significantly reduce their energy consumption. Unless the weaknesses identified in this report are addressed, the risk of failing to achieve Recovery Act goals, along with the risks of fraud, waste and abuse, will increase.</p> <p>To ensure the success of the Weatherization Assistance Program, we recommend that the Department's Assistant Secretary for Energy Efficiency and Renewable Energy (EERE) ensure that Virginia establishes financial and reporting controls, including:</p> <p>1. a) Conducting on-site monitoring of subgrantee financial activities as required by its approved Weatherization Program State Plan;</p>	<p>1. Virginia's DHCD hired additional personnel and has conducted on-site financial monitoring for all 22 of its local agencies.</p>
	<p>1. b) Reviewing prior subgrantee billings and seeking reimbursement for any amounts erroneously charged;</p>	<p>2. After reviewing a sample of prior billings, DHCD proposed an alternative to reviewing all billings to the Department's project officer, who agreed to the procedures as described in Actions Taken # 3.</p>
	<p>1. c) Periodically reconciling the amount of funds invoiced and reimbursed to subgrantee actual costs;</p>	<p>3. DHCD has developed new procedures that require local agencies to submit documents with monthly invoices. These include: 1) a detailed general ledger report; 2) a summary report showing total expenditures matching the general ledger report; 3) a building Weatherization Report; and, 4) a final inspection report for completed units.</p>
	<p>1. d) Maintaining inventories of vehicles and equipment; and,</p>	<p>4. DHCD ensures that local agencies are maintaining inventories of vehicles and equipment as a part of its fiscal monitoring.</p>
	<p>1. e) Correcting identified production reporting weaknesses.</p>	<p>5. This issue is resolved as in <b>Actions Taken #3</b> above where units are not paid for or counted as completed until the final inspection report is received by DHCD.</p>
	<p>2. Federal Project Officers responsible for monitoring grantees include financial reviews and evaluations of reporting capability in their on-site monitoring visits.</p>	<p>6. The Department's project officer requested that the contracting officer perform a financial monitoring review of DHCD. The review took place on June 28, 2010. Further, DHCD has signed a contract with Hancock Energy Systems in an effort to improve DHCD's reporting capability.</p>

**Appendix 1 (continued)**

<b>Lani Eko Evaluation - Crater</b>	1.1 We recommend that DHCD ensure that Crater— Makes the necessary modifications to verify the applicant's eligibility in accordance with current income guidelines.	7. See <b>Actions Taken #8</b> below.
	1.2 We recommend that DHCD ensure that Crater— Develops and implements procedures to ensure that responsibility for determination of applicant and dwelling unit eligibility is not performed by the subcontractor selected to perform weatherization, or the building owner or its agent.	8. DHCD issued a revised chapter (policy) on weatherization of multi-family units. Neither Crater nor any other Virginia local agency can delegate the requirement to determine eligibility.
	2.1 Recommend that DHCD – Requires Crater to develop and implement a corrective action plan which addresses prior and current Weatherization program deficiencies (related to lack of post-work and completion inspections- quality of work).	9. DHCD developed a policy applicable to all local agencies that units will not be reimbursed until a signed final inspection report is provided to DHCD.
	3.1 Recommend that DHCD – work with Crater to address the costs questioned in this finding (unit costs - \$476,281; ramp up costs \$62,304; 7 homes 2 trailers \$15,675).	10. DHCD has obtained supporting documentation from Crater for Westover Commons. DHCD found that the agency had funds on hand, less these costs in the amount of the advance for Westover Commons. Therefore, DHCD no longer questions the entire \$476,281. Further, DHCD determined that the client files had sufficient information supporting the questioned costs of \$15,675 for ramp up costs of \$62,304. As of March 21, 2011, DHCD indicated that they have Crater on a payment plan where DHCD will recoup the ramp up funds.
	3.2 Recommend that DHCD – review both Crater's and its own procedures for monitoring and approving requests for reimbursement to ensure that Crater's requests for reimbursements using Recovery Act funds are adequately supported with sufficient, competent and relevant information/documentation.	11. See <b>Actions Taken #10</b> above.
	3.3 Recommend that DHCD – ensure that Crater develops and implements procedures to track labor and material costs by weatherized unit.	12. See <b>Actions Taken #10</b> above. Crater tracks labor and material costs. DHCD now requires that all local agencies provide them with the Building Weatherization Report prior to payment of invoice.
	4.1 Recommend that DHCD ensure that Crater management: reviews contractor certified weekly payroll reports to ensure that subcontractor employees are paid at least the minimum hourly rates mandated by the Davis-Bacon Act.	13. DHCD provided schedules demonstrating that Davis-Bacon Act wages for all 22 local agencies are now tracked.
	4.2 Recommend that the subcontractors pay their employees amounts owed under the Davis-Bacon Act and the terms and conditions of the subcontracts with Crater.	14. Crater provided documents to show that subcontractor employees' were paid the additional amounts owed to them.
	4.3 Recommend that DHCD ensure that adequate staff be assigned to perform monitoring of Recovery Act funds.	15. See <b>Actions Taken #1</b> above. DHCD hired additional staff.
	5.1 Recommend that DHCD review its procedures for recommending and/or approving subcontractors for weatherization projects to prevent conflicts of interest, and restricts subcontractors from incompatible functions of performing weatherization work and determining eligibility of applicants and dwelling units for weatherization program grants.	16. DHCD revised the Multi-Unit Weatherization Operations Manual (Chapter 8) as well as other sections of the manual to address conflicts of interest – real or perceived. Local agencies cannot delegate the authority to determine eligibility.
5.2 Recommend that DHCD evaluate all aspects of the weatherization of the multi-unit complex to ensure that the weatherization efforts were conducted without any perceived or actual conflicts of interest.	17. See <b>Actions Taken #16</b> above.	
<b>Lani Eko Evaluation - Rappahannock</b>	1.1 Recommend that DHCD ensure that Rappahannock complies with Virginia's Weatherization Assistance Master Plan and Federal requirements for the verification and determination of applicants' income eligibility for weatherization assistance.	18. DHCD has resolved income eligibility issues.

## Appendix 1 (continued)

	1.2 Recommend that DHCD work with Rappahannock to resolve the costs questioned in this finding (\$39,230 for 4 units where applicants' incomes were not properly documented).	19. See <b>Actions Taken #18</b> above.
	1.3 Recommend that DHCD review both Rappahannock's and its own procedures for monitoring and approving requests for reimbursement to ensure that Rappahannock's requests for reimbursement using Recovery Act funds are adequately supported with sufficient, competent and relevant information/documentation.	20. DHCD has reviewed and developed new procedures for approving reimbursement. See <b>Actions Taken #3</b> above.
<b>Lani Eko Evaluation - CHPC</b>	1.1 Recommend that DHCD ensure that CHPC follow the requirement for final inspection of all weatherized multi-family units.	21. DHCD now requires the Final Inspection report prior to providing payment to local agencies. See <b>Actions Taken #3</b> above.
	1.2 Recommend that DHCD develop and implement procedures to ensure that reimbursements to CHPC are supported by signed final inspection reports for all weatherized dwelling units.	22. See <b>Actions Taken #21</b> above.
	1.3 Recommend that DHCD require CHPC to develop and implement a corrective action plan which addresses current Weatherization program deficiencies (need to have units inspected before reimbursement of costs).	23. DHCD developed a corrective action plan that requires a final inspection report to be provided to them prior to payment.
	2.1 Recommend that DHCD work with CHPC to resolve the costs questioned (\$599,662).	24. DHCD is working with CHPC and the Department to resolve these costs.  As of March 21, 2011, DHCD intends to permit \$277,000 of Recovery Act weatherization costs for Pulaski Village to be paid from LIHEAP funds. The DHCD plans to provide the OIG with documentation to support the remainder of these costs as valid Recovery Act weatherization costs that will exceed the amount charged by CHPC.
	2.2 Recommend that DHCD review both CHPC and its own procedures for approving requests for reimbursement to ensure that CHPC requests for reimbursements using Recovery Act funds are adequately supported with sufficient, competent, and relevant information/documentation.	25. DHCD has reviewed and developed new procedures for approving reimbursement. See <b>Actions Taken #3</b> above.
	2.3 Recommend that DHCD ensure that CHPC develops and implements procedures to track labor and material costs by weatherized dwelling unit, to include sufficient information on the amounts and types of materials installed in each unit.	26. DHCD has reviewed and developed new procedures and a new system to track labor costs. See <b>Actions Taken #6</b> above.

### OBJECTIVE

The objective of this audit was to determine the effectiveness of selected community action agencies (local agencies) in carrying out the Department of Energy's (Department) American Recovery and Reinvestment Act of 2009 (Recovery Act) funded Weatherization Assistance Program (Weatherization Program) for the Commonwealth of Virginia's Department of Housing and Community Development (DHCD).

### SCOPE

This report contains the results of an audit performed between October 2010 and July 2011, at the National Energy Technology Laboratory (NETL) in Pittsburgh, Pennsylvania, and DHCD in Richmond, Virginia. We performed reviews at Crater District Area Agency on Aging, Community Housing Partners Corporation, and Rappahannock Area Agency on Aging. We concentrated our efforts on DHCD's Weatherization Program as funded by the Recovery Act.

### METHODOLOGY

To accomplish the audit objective, we:

- Reviewed the Preliminary Audit Report prepared by the Office of Inspector General (OIG) and the three Agreed-Upon Procedure engagements conducted by Lani Eko & Company, an independent accounting firm under contract with the OIG, respectively, pertaining to DHCD's Weatherization Assistance Program as funded by the Recovery Act. The Agreed-Upon Procedure reviews were performed in accordance with attestation standards established by the American Institute of Certified Public Accountants as well as those additional standards contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. The OIG monitored the progress of the Agreed-Upon Procedures performed and reviewed the report and related documentation. Our review disclosed no instances where Lani Eko & Company, in all material aspects, did not comply with the attestation requirements;
- Held discussions with Energy Efficiency and Renewable Energy officials to discuss current and ongoing efforts to implement the recommendations we made; and,
- Collected information to verify that the Department and DHCD were addressing all of the recommendations made in our Preliminary Report and the issues identified in local agency evaluations.

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. 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 considered the establishment of Recovery Act performance measures, which included certain aspects of compliance with the Government Performance and Results Act of 1993, as necessary to accomplish the objective. We did not rely on computer processed data to accomplish our audit objective; accordingly, we did not conduct tests of automated computer systems for DHCD or the local agencies.

Management waived a formal exit conference.

### PRIOR REPORTS

#### OFFICE OF INSPECTOR GENERAL 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 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 in areas such as poor quality of weatherization services, inspections and re-inspections, inadequate inventory controls, and questioned costs resulting from the ineffective administration of the weatherization grants. 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 13, 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, June 6, 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 1, 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 30, 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 1, 2010);
- Audit Report "[The State of Illinois Weatherization Assistance Program](#)" (OAS-RA-11-01, October 14, 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 11, 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 26, 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 19, 2010); and,



### **Appendix 3 (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 3, 2009).



**Department of Energy**  
Washington, DC 20585

July 25, 2011

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

FROM: KATHLEEN M. 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 Commonwealth of Virginia 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 Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the Commonwealth of Virginia". The Department of Energy (Department) is strongly committed to ensuring that each of the grantees under the Weatherization Assistance Program (WAP) performs high quality work that meets the goals of the American Reinvestment and Recovery Act of 2009.

The Commonwealth of Virginia has made a number of improvements, such as correcting identified production reporting weaknesses and maintaining inventories of vehicles and equipment, in how they implement the WAP. As the report references, Department of Housing and Community Development (DHCD) has made significant progress in improving management controls over Virginia's WAP. The Department is confident that these changes will be successfully implemented by Virginia's WAP. However, as this report shows, there is work still to be done. Based on the Inspector General's findings and recommendations, the Department will continue to closely monitor performance through quarterly project officer on-site monitoring visits, particularly in the areas of billed costs, eligibility determination, and monitoring to help ensure that the WAP is operated effectively and efficiently.



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Robert F. McDonnell  
Governor

James S. Cheng  
Secretary of  
Commerce and Trade

COMMONWEALTH of VIRGINIA

DEPARTMENT OF  
HOUSING AND COMMUNITY DEVELOPMENT

William C. Shelton  
Director

July 6, 2011

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

Dear Mr. Collard:

The Department of Housing and Community Development appreciates the opportunity to comment on the Draft Report for the Commonwealth of Virginia issued for Weatherization Assistance Program Recovery Act funds. The Commonwealth is committed to serving the low income households for which this Program is designed while ensuring effective use of taxpayer dollars. The audit served as a catalyst for necessary improvements in the administration of the Program.

We are appreciative of statements within the report recognizing Virginia's responsiveness and efforts to rectify weaknesses identified throughout the auditing process. Numerous actions listed in Appendix 1 have been taken to strengthen policies and implement procedures which are resulting in improved management controls over the Program and our sub-grantees. We believe these changes have laid the ground work for continuing success in reducing energy consumption and enriching the quality of life for Virginia's low income households. Virginia will continue to be vigilant in its oversight of weatherization activities.

Partners for Better Communities



[www.dhcd.virginia.gov](http://www.dhcd.virginia.gov)

Main Street Centre • 600 East Main Street, Suite 300 • Richmond, Virginia 23219 • Phone (804) 371-7000 • Fax (804) 371-7090 • Virginia Relay 7-1-1

## Appendix 4 (continued)

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Mr. George Collard  
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Should you have further questions regarding the audit and the actions taken by the Commonwealth, please contact Brett Jackson, Weatherization Program Administrator at (804) 371-7112.

Sincerely,



Bill Shelton  
Director

Cc: Tara Lewis, DOE OIG  
Darryl Wittenburg, DOE OIG  
Eileen Metz, DOE OIG  
Shea Hollifield, Deputy Director  
Willie Fobbs, Associate Director  
Nancy Palmer, Housing Programs Manager  
Brett Jackson, Weatherization Program Administrator

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