



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

# Examination Report

People's Equal Action and  
Community Effort, Inc. –  
Weatherization Assistance Program  
Funds Provided by the American  
Recovery and Reinvestment Act of  
2009



OAS-RA-11-20

September 2011



**Department of Energy**  
Washington, DC 20585

September 30, 2011

MEMORANDUM FOR THE ACTING 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 "People's Equal Action and Community Effort, Inc. – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009" Audit Report Number: OAS-RA-11-20

BACKGROUND

The attached report presents the results of an examination of the People's Equal Action and Community Effort, Inc. (PEACE), Weatherization Assistance Program (Weatherization Program) under the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Office of Inspector General (OIG) contracted with an independent certified public accounting firm, Otis and Associates, PC (Otis), to express an opinion on the agency's compliance with Federal and State laws, regulations and program guidelines applicable to the Weatherization Program.

The Recovery Act was enacted to stimulate the economy 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 New York received \$394 million in Weatherization Program Recovery Act grant funding, of which \$13.6 million was allocated to PEACE. The State of New York's Division of Housing and Community Renewal (DHCR) was responsible for administering Weatherization Program grants, including funds provided to PEACE.

CONCLUSIONS AND OBSERVATIONS

Otis expressed the opinion that, except for the weaknesses described in its report, PEACE complied in all material respects with the requirements and guidelines relative to the Weatherization Program for the period July 1, 2009 to December 31, 2010. Specifically, the examination found that PEACE had not:

- Developed and maintained a list of previously weatherized multi-family projects or information from the State of New York to determine the eligibility of proposed projects for Recovery Act weatherization services;

- Properly identified and separately accounted for over \$3,000 in interest earned on the Weatherization Program cash advance it received from the Department of Energy (Department), and therefore, had not returned the interest earned to the U.S. Department of Treasury as required;
- Performed post-inspections on all units that received additional weatherization services because of deficiencies identified; and,
- Maintained a list of all weatherization measures installed, thereby precluding the occupant from certifying the work was completed.

The attached report makes recommendations to PEACE to improve the administration of its Weatherization Program. PEACE provided responses that expressed agreement with the recommendations, and provided planned and ongoing actions to address the issues identified. In addition to the comments from PEACE, the New York State DHCR provided a response generally concurring with the audit findings and recommendations. DHCR's comments which addressed other ongoing Weatherization Program examinations are included in their entirety in Attachment 2. While these responses and planned corrective actions are responsive to our recommendations, the Department needs to ensure the planned actions are completed.

#### RECOMMENDATION

As part of its responsibilities for managing the Weatherization Program, we recommend the Acting Assistant Secretary for Energy Efficiency and Renewable Energy:

1. Ensure appropriate action is taken by the State of New York to improve People's Equal Action and Community Effort, Inc.'s administration of Recovery Act Weatherization Program funds.

#### DEPARTMENT COMMENTS AND AUDITOR RESPONSE

We received comments on an official draft report from the Deputy Assistant Secretary for Energy Efficiency and Renewable Energy stating that PEACE will be asked to make a number of improvements designed to resolve the identified issues. Additionally, the Department Project Officer and/or Contract Specialist will monitor the progress of PEACE during the quarterly review of the Grantee and follow-up will continue until all recommendations have been implemented. The Department's comments are included in their entirety in Attachment 3.

Management's comments were responsive to the findings and recommendation.

#### EXAMINATION LEVEL REVIEW

Otis 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 PEACE'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.

OIG monitored the progress of the examination and reviewed the report and related documentation. Our review disclosed no instances where Otis did not comply, in all material respects, with the attestation requirements. Otis is responsible for the attached report dated September 27, 2011, and the conclusions expressed in the report.

Attachment

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

**Report on Examination Level Attestation Engagement**  
**Of**  
**People's Equal Action and Community Effort, Inc.**  
**Recovery Act Weatherization Assistance Program Funds**

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

**Under**

**Contract Number: DE-IG0000018**  
**Work Order Number: 2011-01**

**By**

**Otis and Associates, PC**

**September 27, 2011**

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## OTIS AND ASSOCIATES, P.C.

*Certified Public Accountants & Management Consultants*

*6875 New Hampshire Avenue, Suite 200, Takoma Park, MD 20912*

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### **INDEPENDENT ACCOUNTANTS' REPORT**

To: Inspector General  
U.S. Department of Energy

We have examined People's Equal Action and Community Effort Inc.'s compliance with Federal and State laws and regulations, and guidelines applicable to the Weatherization Assistance Program funded by the American Recovery and Reinvestment Act of 2009. People's Equal Action and Community Effort Inc., is responsible for operating the Weatherization Assistance Program in compliance with these laws and 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 Comptroller General of the United States; and, accordingly, included examining, on a test basis, evidence supporting management's compliance with relevant American Recovery and Reinvestment Act of 2009 Weatherization Assistance Program guidelines; Federal and State laws and regulations; 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 the 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 V of this report, People's Equal Action and Community Effort Inc., complied, in all material respects, with the aforementioned requirements and guidelines, relative to the Weatherization Assistance Program funded by the American Recovery and Reinvestment Act of 2009 for the period July 1, 2009 through December 31, 2010.

Otis and Associates, PC  
Takoma Park, MD

March 11, 2011

## **SECTION II - BACKGROUND**

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law on February 17, 2009. The Act authorizes funding to various economic sectors and U.S. Federal departments. The Weatherization Assistance Program (Weatherization Program), under the U.S. Department of Energy (Department), received \$5 billion of funding to achieve the purposes set forth in the Act, including the preservation and creation of jobs, promotion of economic recovery and reduction in energy consumption.

The Department's Weatherization Program objective is to increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total expenditures on energy, and improve their health and safety. The Department has a special interest in addressing these needs for low-income persons, who are particularly vulnerable, such as the elderly, disabled persons, and families with children, as well as those with high energy usage and high energy burdens. The Weatherization Program is a categorical formula grant program administered by the Department, under a regulatory framework laid out in 10 CFR Part 440, *Weatherization Assistance for Low-Income Persons*. The Recovery Act made significant changes to the grant program administered by the Department. For example, the average per unit cost of weatherizing a home/unit was increased from \$2,500 under the Program, to \$6,500 under the Recovery Act.

The Department's Office of Inspector General (OIG) contracted with Otis and Associates, PC to perform an Examination Level Attestation engagement on the Recovery Act Weatherization Program services provided by the State of New York's sub-grantees. People's Equal Action and Community Effort, Inc., (PEACE) is one of four sub-grantees selected by the Department's OIG.

Under the Recovery Act, the State of New York's Division of Housing and Community Renewal (DHCR) received an allocation of approximately \$394 million from the Department, for the Weatherization Program. DHCR then allocated about \$13.6 million of this amount to PEACE.

PEACE is a not-for-profit community-based organization, registered with State of New York that employs 363 full-time and 134 part-time employees. PEACE was founded in 1964; and in 1968, was officially recognized as the Community Action Agency for Syracuse and Onondaga Counties. PEACE provides a variety of programs for low-income individuals and families throughout the community including services to eligible Syracuse and Onondaga County residents under the Weatherization Program.

Under the Recovery Act Weatherization Program, PEACE signed a contract for \$5.9 million with the State of New York, Division of Housing and Community Renewal (DHCR), to serve the residents of Syracuse and Onondaga Counties. This contract had a production goal of weatherizing a total of 856 homes/units between July 1, 2009 and September 30, 2011 that was later amended to \$9.6 million, and 1,357 homes/units. Under this contract, PEACE is responsible for weatherizing both single-family and multi-family homes/units. As of December 31, 2010, PEACE had weatherized a total of 1,517 homes/units, with total Weatherization Program costs of \$5,978,256. Of the total homes/units weatherized, 1,088 homes/units are multi-family; and 429 are buildings consisting of one to four units each.



PEACE was awarded a separate contract for \$4 million by the State of New York's DHCR to provide weatherization services on multi-family projects located outside of Syracuse and Onondaga Counties. Under this contract, PEACE has a production goal of weatherizing a total of 576 homes/units between January 1, 2010 and September 30, 2011. As of December 31, 2010, PEACE had weatherized a total of 152 units in three buildings at a cost of \$345,780.

PEACE has been providing weatherization services for multi-family projects prior to the enactment of the Recovery Act. PEACE was one of the first sub-grantees in the State of New York to perform energy audits on multi-family projects. Currently, PEACE employs three multi-family energy auditors, who are certified by the Building Performance Institute (BPI). PEACE utilizes both in-house and contract weatherization crews to provide Program services. During the period covered by our examination, PEACE used its in-house weatherization crew for single-family units and buildings consisting of one to four units each; while contract weatherization crews were used to provide services on multi-family projects.

The following tables summarize the Weatherization Program's financial data:

**PROGRAM FUNDS ALLOCATED TO PEACE BY STATE OF NEW YORK**

<b>Contract</b>	<b>Amount</b>	<b>Production Goal</b>	<b>Completed</b>
C092249	\$ 5,939,753	856	
Amendment 1	\$ 3,694,369	501	
<b>Subtotal</b>	<b>\$ 9,634,122</b>	<b>1,357</b>	<b>1,517</b>
C092308	\$ 4,000,000	576	152
<b>Grand total</b>	<b>\$13,634,122</b>	<b>1,933</b>	<b>1,669</b>

**PROGRAM COSTS INCURRED BY PEACE AS OF DECEMBER 31, 2010**

**Contract Number C092249**

<b>Expense Category</b>	<b>Amount</b>
Direct Material	\$ 2,552,976
Direct labor	\$ 2,652,585
Program Support	\$ 412,314
Liability Insurance	\$ 32,999
Financial Audit	\$ 9,696
Training and Technical Assistance	\$ 20,000
Administration	\$ 297,686
<b>Total</b>	<b>\$ 5,978,256</b>

**Contract Number C092308**

<b>Expense Category</b>	<b>Amount</b>
Direct Material	\$123,507
Direct labor	\$189,357
Program Support	\$ 5,971
Liability Insurance	\$ 5,276
Financial Audit	\$ 2,216
Training and Technical Assistance	\$ 370
Administration	\$ 19,083
<b>Total</b>	<b>\$345,780</b>

**PROGRAM FUNDS RECEIVED BY PEACE AS OF DECEMBER 31, 2010**

<b>Contract Number</b>	<b>Fund Description</b>	<b>Amount</b>
C092249	Initial Advance	\$1,484,938
	Monthly Cost reimbursements	\$5,978,256
	<b>Sub-Total</b>	<b>\$7,463,194</b>
C092308	Initial Advance	\$ 300,000
	Monthly Cost reimbursements	\$ 345,780
	<b>Sub-Total</b>	<b>\$ 645,780</b>
	<b>Grand Total</b>	<b>\$8,108,974</b>

### **SECTION III - CLASSIFICATION OF FINDINGS**

#### ***DEFINITIONS***

Each finding is categorized as a Significant Deficiency or Advisory Comment, as defined below, for the purposes of this examination:

#### **Significant Deficiency**

A significant deficiency is a deficiency in internal control, or combination of deficiencies, that could adversely affect PEACE'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**

An advisory comment represents a control deficiency that is not significant enough to adversely affect PEACE's ability to record, process, summarize, and report data reliably.

**SECTION IV - SUMMARY OF FINDINGS**

- Finding 1: List of previously weatherized multi-family projects was not maintained for use in determining eligibility for re-weatherization - Significant Deficiency
- Finding 2: Interest Earned on cash advance was not properly identified and separately accounted for in general ledger - Significant Deficiency
- Finding 3: Post-inspection was not performed on additional work done to correct weatherization deficiencies - Significant Deficiency
- Finding 4: Inadequate documentation of post-inspection (Building Work Summary) - Advisory Comment

## **SECTION V - SIGNIFICANT DEFICIENCIES**

### **Finding 1: List of previously weatherized multi-family projects was not maintained for use in determining eligibility for re-weatherization - Significant Deficiency**

PEACE did not develop and maintain a list of previously weatherized multi-family projects for use in determining eligibility of proposed projects for weatherization under the Recovery Act Weatherization Program. Further, PEACE did not use database information available from the State of New York for this purpose.

Under the Recovery Act and Departmental requirements, weatherization service providers are required to ensure that homes/units weatherized using Weatherization Program funding after September 30, 1994 do not receive additional weatherization assistance unless the home/unit has been damaged by fire, flood or act of God and repair or damage to weatherization materials is not paid for by insurance. The Department of Energy's Office of Weatherization and Intergovernmental Programs was very clear that grantees and sub-grantees are required to ensure that a "duplicate application check" is performed for every address deemed eligible to determine that weatherization services had not been provided after September 30, 1994.

PEACE did not develop policies and procedures for using databases provided by the State of New York when determining eligibility of multi-family projects for weatherization to ascertain that previously weatherized projects are not re-weatherized. PEACE's management stated that it relied on its employees' experience and knowledge in ensuring that the multi-family homes/units previously weatherized were not re-weatherized. PEACE's management also stated that it considered its employees' experience and knowledge as being adequate for the limited number of multi-family projects weatherized. Management also stated they have begun to develop and maintain a list of previously weatherized multi-family projects for use in determining the eligibility of multi-family projects for re-weatherization in the future.

As a result of the condition noted above, the risk that ineligible homes/units could be re-weatherized using Recovery Act funds is increased.

### **Recommendation:**

- 1.1 We recommend that PEACE develop policies and procedures that will ensure that its employees review the databases provided by New York State when reviewing eligibility of properties for weatherization services.

### **Management Comments and Auditors' Analysis**

PEACE's management concurred with the finding and recommendation, and has established an internal log for previously weatherized multifamily projects in Onondaga County. PEACE's management will also access the State databases provided by New York State as a component of their policies and procedures.

We consider PEACE management's action to be adequate.

**Finding 2: Interest Earned on cash advance was not properly identified and separately accounted for in general ledger - Significant Deficiency**

During our cash test work, we noted that PEACE earned interest of over \$3,000 on the Recovery Act Weatherization Program cash advance it had received. However, PEACE did not separately identify and account for, in its general ledger, the interest earned.

According to OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, Section 21 (b), the sub-grantee financial management system shall provide accurate, current and complete disclosure of the financial results of each federally-sponsored project or program and records that identify adequately the source and application of funds. Also, 10 CFR 600, states that recipients must maintain advance payments of Federal funds in interest-bearing accounts and remit, quarterly, the interest earned to the contracting officer for return to the Department of Treasury. Furthermore, the State of New York Weatherization Assistance Program Policies and Procedures Manual does not require advances to be put into interest-bearing account, but requires interest earned on such funds to be returned to the Treasury.

PEACE's management stated that the interest earned on the cash advance was not separately accounted for in its general ledger because they believe that they had discretion on how to account for, and use, the interest income.

As a result of the condition noted above, PEACE did not return interest earned on Recovery Act Weatherization Program funds to the Treasury.

**Recommendation:**

2.1 We recommend that PEACE properly identify, and separately account for, the interest earned on Weatherization Program funds advanced, in its general ledger; and remit the over \$3,000 in interest earned to the Department of Treasury.

**Management Comments and Auditors' Analysis**

PEACE's management concurred with the finding and recommendation, and has agreed to remit the interest earned as of May 31, 2011 to DHCR. They also intend to remit final interest earned to DHCR within sixty days of the expiration of the Recovery Act contract.

We consider PEACE management's action to be adequate.

**Finding 3: Post-inspection was not performed on additional work done to correct weatherization deficiencies - Significant Deficiency**

During our review of supporting documentation for weatherized homes/units, we noted two instances, out of ten single-family units in our sample, where the sub-grantee crew went back to the units to provide additional weatherization services, and/or correct weatherization services previously provided. These homes/units had been inspected, and the work had been considered satisfactory. We noted that the additional weatherization services and/or correction services performed did not receive post-inspection, and that the owner/occupant did not sign for the additional services received.

The State of New York's policy on weatherized homes/units requires sub-grantees to conduct a post-inspection of completed buildings before presentation of the work to the State of New York for certification. The policy also requires that only when the work is fully acceptable and completed, including the installation of all materials, should the post-inspector and the client sign the Building Work Summary (BWS) or the Apartment Building Work Summary policy.

PEACE's management stated that employees were required to report to their supervisors, any corrections made to previously completed work, but they were not required to request any post-inspection of the corrections made.

Although the corrections appeared to be minimal, as a result of the condition noted above, Program funds may have been used to pay for sub-standard weatherization services, due to the lack of post-inspection of the additional weatherization services and/or corrections performed.

**Recommendation:**

3.1 We recommend that PEACE implement procedures that require its employees to perform post-inspections on all weatherization services provided with Recovery Act Weatherization Program funds.

**Management Comments and Auditors' Analysis**

PEACE's management concurred with the finding and recommendation, and has implemented a policy whereby documentation of corrected deficiencies is required for post inspection, after the corrections has been completed.

We consider PEACE management's action to be adequate.

## **SECTION VI - ADVISORY COMMENTS**

### **Finding 4: Inadequate documentation of post-inspection (Building Work Summary) - Advisory Comment**

During our review of the quality of work inspections performed by PEACE's inspectors, we noted that the home/unit owner/occupant signs off on the Building Work Summary to indicate and certify that the weatherization work has been completed, and that the services were bona-fide. However, PEACE did not list the weatherization measures installed on the Building Work Summary, as required by the State of New York. Therefore, the home/unit owner/occupant could not have ascertained that the measures they were certifying to be completed.

According to the State of New York, by signing the Building Work Summary, the home/unit owner/occupant is certifying that to the best of their knowledge, the work indicated on the Building Work Summary, and summarized on the reverse side has been completed.

PEACE's management stated that listing all of the weatherization measures installed, on a Building Work Summary is redundant, because they are attached to the post-inspection report, which shows a listing of the weatherization materials used for each measure installed in the unit/home. However, our review of the post-inspection reports showed that the measures installed were not detailed on the reports for owner/occupant to know the measures that were installed.

As a result of the conditions noted above, the home/unit owner/occupant may have erroneously certified that measures not installed, but listed on the post-inspection report, were installed. Also, Program funds may have been claimed and received by PEACE for measures not performed, but listed on post-inspection reports.

### **Recommendation:**

4.1 We recommend that PEACE clearly list on the Building Work Summary, all of the weatherization measures installed, before requiring home/unit owner/occupant certification and sign-off.

### **Management Comments and Auditors' Analysis**

PEACE's management concurred with the finding and recommendation, and has implemented a policy whereby all future weatherization measures installed will be clearly stated on the Building Work Summary before home/unit owner/occupant certification and sign off is completed.

We consider PEACE management's action to be adequate.



**SECTION VII - GRANTEE'S RESPONSE (FULL TEXT)**



**P.E.A.C.E., Inc.**

**People's Equal Action and Community Effort, Inc.**

217 South Salina Street • 2nd Floor • Syracuse, NY 13202-1323

Phone (315) 470-3300 • Fax (315) 472-8939

www.peace-cao.org

Joseph E. O'Hara, Executive Director

**People's Equal Action and Community Effort, Inc.**

**Grantee Responses to Findings in the USDOE Office of Inspector General Audit Report**

**Finding 1:**

List of previously weatherized multi-family projects was not maintained for use in determining eligibility for re-weatherization.

**Grantee Response:**

We have established an internal log for previously weatherized multifamily projects in Onondaga County similar to our 1-4 unit database and will also access the State databases provided by New York State as a component of our policies and procedures.

**Finding 2:**

Interest Earned on cash advance was not properly identified and separately accounted for in general ledger.

**Grantee Response:**

It was our understanding per an email dated 5/12/10 from the New York State Division of Housing and Community Renewal that "the interest earned on the advance may be retained by the agency." A copy of this email is available upon request.

The interest earned on P.E.A.C.E., Inc.'s ARRA interest-bearing bank account always remained in that bank account. Interest earned is reconciled on a monthly basis as required by P.E.A.C.E., Inc.'s Policies and Procedures Manual. The interest earned was always separately accounted for in our accounting system, Blackbaud. P.E.A.C.E., Inc. uses an accounting system that identifies grants and programs using a project number. Instead of being recorded to the DHCR ARRA project numbers 3180 and 3181, it was record to project 150.

On 3/27/11, the Senior Accountant posted journal entry number 28898 to move interest income earned from 1/1/10 to 1/31/11 from project 150 to the DHCR ARRA project numbers 3180 and 3181. The amount was \$3,295.40. All interest earned from 2/1/11 forward has been recorded to DHCR ARRA project numbers 3180 and 3181.

As of 5/31/11, the interest income earned totals \$4,489.46. We are prepared to process a check in this amount and forward it to DHCR. I am awaiting payment information from DHCR in order to complete the payment process. The first inquiry to DHCR was on 6/22/11 and most recent inquiry was on 7/7/11. Payment will be made within five business days of DHCR's

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response. In order to comply with 10 CFR 600, a final payment of interest earned will be made to DHCR within 60 days of the end of our ARRA contracts.

Finding 3: Post-inspection was not performed on additional work done to correct weatherization deficiencies.

Grantee Response:

Subsequent to the IG Visit we have instituted a policy whereby work to correct deficiencies is post inspected and documented after the corrections have been completed. We are mainly a crew-based program and deficiencies are corrected by our own staff. It was not deemed cost effective or necessary to post inspect deficiencies that were corrected by our own staff. If the deficiency was by a subcontractor our policy was to post inspect the corrected work. However we did not document that inspection.

Finding 4:

Inadequate documentation of post-inspection (Building Work Summary) – Advisory Comment:

Grantee Response:

In the future all weatherization measures installed will be clearly stated on the Building Work Summary before home/unit owner/occupant certification and sign off is completed. Our past policy was to verbally and visually review all of the measures included in the weatherization work scope with the client at the time of signoff.



ANDREW M. CUOMO  
GOVERNOR

DARRYL C. TOWNS  
COMMISSIONER/CEO

NEW YORK STATE  
DIVISION OF HOUSING  
& COMMUNITY  
RENEWAL

July 22, 2011

HOUSING  
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STATE OF  
NEW YORK MORTGAGE  
AGENCY

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NEW YORK MUNICIPAL  
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FINANCING  
CORPORATION

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

Re: Draft Audit Reports of NYS Weatherization Assistance Program

Dear Mr. Collard:

HCR staff has received and reviewed the draft reports prepared on behalf of your office for Action for a Better Community, Inc., People's Equal Action and Community Effort, Inc. and Saratoga County Economic Opportunity Council, Inc.

Our written comments on the findings are enclosed. Please be aware that this is an updated and corrected response to the previous document we sent to you on July 14, 2011.

Overall, we feel that the reports fairly and accurately reflect New York State Homes and Community Renewal's policies and review activities. However, we have identified some areas where communication between field audit staff and subgrantees did not permit a complete or accurate response. In those cases we have attempted to provide additional explanations, or suggest alternative approaches to the findings.

I would like to thank you for the professionalism and courtesy shown by Adam Mitchell, Jonya Strnisha and Darryl Wittenburg from your office. If you have any questions about the enclosed, please do not hesitate to contact me.

Sincerely,

Thomas O. Carey  
Weatherization Program Director

By:

Dan Henkin  
Manager  
Weatherization Fiscal Compliance Unit

cc: Darryl Wittenberg, DOE, Adam Mitchell, DOE, Jonya Strnisha, DOE,  
Dan Buyer, Jon Brown, Dan Henkin

25 Beaver Street, New York, NY 10004

nyschr.org

**New York State Homes and Community Renewal (HCR)  
Weatherization Assistance Program (WAP)  
US Department of Energy Office of the Inspector General  
Draft Response to WAP American Reinvestment and Recovery Act (ARRA)  
Audit Findings  
July, 2011**

**Subgrantee: People's Equal Action and Community Effort, Inc. (PEACE)**

**Findings:**

- 1) **List of previously weatherized multi-family projects was not maintained for use in determining eligibility for re-weatherization (Significant Deficiency).**

**The audit found that PEACE did not maintain a list of previously-weatherized multi-family buildings, to facilitate compliance with program requirements that projects assisted after September 30, 1994 may not receive additional weatherization assistance.**

**HCR Response:**

We concur with the audit finding regarding PEACE's process for tracking previously-weatherized buildings. Chapter 6 of the HCR Policies and Procedures Manual (PPM) clearly states that units weatherized after September 30, 1994 may not be assisted again without the prior approval of HCR. HCR provides subgrantees with access to a database of previously assisted projects, so they can building eligibility.

PEACE has a system in place to ensure that single-family (1-4 unit) buildings it assists are tracked to ensure compliance with this requirement. It is our understanding that PEACE has now implemented a system to also verify that multi-family buildings were not previously assisted.

- 2) **Interest earned on cash advance was not properly identified and separately accounted for in general ledger (Significant Deficiency).**

**The auditors noted that PEACE earned more than \$3,000 in interest on WAP ARRA funds, but did not separately identify the interest in its general ledger.**

**HCR Response:**

HCR concurs with the audit finding that interest was not returned but does not agree that PEACE did not separately identify the interest in their general ledger. HCR wishes to provide an important clarification. The HCR PPM contains a requirement that interest earned on advances of federal funds must be remitted to the federal treasury, but the manual does not specify that

HCR Response to DOE Draft Audit Findings

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advances must be maintained in interest bearing accounts. However, the written agreement between HCR and subgrantees includes a clause that seems to conflict with this language, and subgrantees have been instructed by HCR to treat interest earned of advances as program income. In this case, PEACE followed HCR instructions, and accounted for interest earned following their established internal procedures.

PEACE has accumulated \$4,489.46 in interest as of May 31, 2011, and is prepared to return the appropriate amount of interest earned to HCR, for deposit to the US Treasury, upon request.

**3) Post-inspection was not performed on additional work done to correct weatherization deficiencies (Significant Deficiency).**

**The audit noted two instances (out of ten units in the sample) where subgrantee crews returned to units following final inspection to correct minor deficiencies.**

**HCR Response:**

The audit report does not indicate whether the two units in question had been reported to HCR as completed prior to the return visit. HCR's PPM states that a post-inspection of each completed dwelling unit must be performed before presentation to HCR for certification (i.e., before reported as completed). It is our understanding that PEACE has a process in place to properly deal with reinspection and correct reporting of any job that requires a return visit for further weatherization.

HCR released a revision to the PPM earlier this month that incorporates DOE's recent clarification of its rules concerning the use of DOE funds for return work which HCR has reported to DOE as complete, though there is no indication in the audit report that that is what happened in the two instances noted.

PEACE has informed HCR that in both units cited by the auditor as requiring additional work, the additional work involved minor adjustments to furnace installations that the subgrantee's own employees had initially performed. The additional work was also performed by PEACE's own workers. In one case, the additional material cost was \$10.77; in the other, \$75.32. PEACE has indicated that since the work was initially performed by its own employees and corrected by its own employees, post-inspection of the additional work by another PEACE employee was determined not to be necessary or cost effective.

The audit report classified this as a significant deficiency. Due to the relatively minor nature of the finding, and the subgrantee's explanation that the additional work was for small inexpensive adjustments to work previously

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performed by its own crews, we feel this would be more appropriately classified as an advisory comment.

**4) Inadequate documentation of post-inspection on Building Work Summary (Advisory Comment).**

**The audit report includes an advisory comment that PEACE is not listing individual weatherization measures that are completed for each unit on the Building Work Summary, which is signed by assisted households to certify the work that was done.**

**HCR Response:**

We concur with this finding. Although the PPM allows subgrantees with a computerized inventory-tracking system to attach reports generated by that system to the BWS, if the system has been approved by HCR, it is a "best practice" to provide owners and tenants with full information about the work that was done. PEACE had been attaching an in-house form generated by their inventory tracking system to the BWS; it is our understanding that they are now listing the measures on the BWS itself rather than attaching their own form.

**Subgrantee: Saratoga County Economic Opportunity Council, Inc. (Saratoga)**

**Findings:**

- 1) Cash advance received for the ARRA WAP was not properly recorded in the accounting system (Material Weakness).**

**The audit review includes a finding that Saratoga improperly recorded a \$792,320 advance of ARRA funds paid by DHCR (now HCR).**

**HCR Response:**

The subgrantee disputes this finding. We believe they will provide evidence that the ARRA advance was deposited into a separate account, as instructed by HCR, and tracked according to established auditing principles.

HCR's fiscal representatives provide training and guidance on deficiencies discovered during monitoring. Fiscal representatives are available for subgrantee assistance, and Saratoga could have consulted with HCR for direction as to how to properly record the initial cash advance, if they had questions. However, Saratoga has provided evidence that the advance was in fact deposited in a separate account and properly tracked, and it is not clear that any deficiency existed that would have required the assistance of HCR staff.

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- 2) **Documentation supporting the selection of subcontractors was inadequate (Material Weakness).**

**The audit review includes a material weakness for failure to maintain adequate documentation to support selection of subcontractors. Saratoga awarded bids for work totaling \$1,226,446, and provided the required *Materials Bidding Summary Form* (Form DHCR #27), but the auditors could not verify the sources of the information included on the form.**

**HCR Response:**

The subgrantee disputes this finding. We believe they will provide detailed information to support their position.

HCR's PPM states that the subgrantee must keep all bidding records on file for HCR review. While completing the Materials Bidding Summary Form (#27) is not a substitute for this requirement, it is our understanding that Saratoga did maintain all of the required documentation, except for the envelopes in which the bids were submitted; and that envelopes received by bidders are now also being kept. Additionally, HCR had a representative attend the bid opening in question, and he observed that Saratoga followed correct procedures.

- 3) **Purchases made did not comply with HCR and subgrantee acquisition policies and procedures (Material Weakness).**

**The auditors reviewed 24 purchases made by Saratoga, and found two instances where the subgrantee did not obtain at least three bids on contracts for goods and services. The combined value of these two contracts is approximately \$33,000.**

**HCR Response:**

The subgrantee disputes this finding. HCR does not feel that this finding is appropriately classified as a material weakness. Given the costs involved, and the additional information that Saratoga will provide, we feel it should be removed or classified as an advisory comment.

A \$4,695 equipment purchase was mistakenly classified as a WAP expenditure, but was in fact a fee-for-service activity purchase. Saratoga's records have been corrected to reflect this.

In another instance, the auditors found that Saratoga could not provide documentation to substantiate the procurement process to award a \$28,409 contract for building repairs and maintenance. Saratoga has documentation that shows that they solicited bids, and expected three bids based on contractor interest, but ultimately only received one bid and awarded the

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contract based on that bid. The PPM that was in effect at the time allowed this procedure, but it has since been revised to add stricter procurement rules. Subgrantees must keep all bidding records on file for HCR review, including the solicitation and copies of all bids. Also, the subgrantee must maintain a bidder list of at least five bidders; if fewer than five bidders responded to the solicitation, the subgrantee must obtain names from another source. Finally, the PPM now requires that non-competitive procurements in which only one bid is received are subject to HCR approval prior to award.

**4) Lack of adequate segregation of duties in program administration (significant deficiency).**

**Saratoga's energy services director has multiple duties that include oversight of the evaluation and selection of subcontractors, pre- and post-inspection of assisted units, and approval of payments. This combination of duties places one individual in a position to review, authorize and approve subcontractor selection and performance.**

**HCR Response:**

The subgrantee disputes this finding. However, HCR agrees that Saratoga should change staff responsibilities to improve internal controls. Also, HCR feels that this finding should be classified as an Advisory Comment based on the additional information that Saratoga has provided.

The work specifications for the buildings assisted with WAP ARRA funds were developed from energy audits performed by independent auditors. The work specifications determine what work is performed: their development did not involve the Energy Services Director. The Director did not conduct inspections. However, Saratoga did rely on a representative of the building owner to conduct inspections, which is a role that should be performed by the subgrantee, or an independent entity under contract to the subgrantee, not by the building owner.

**5) Adequate records were not maintained by the subgrantee to support the quarterly reports required by the program (Significant Deficiency).**

**Saratoga did not maintain supporting schedules to substantiate the employment information reported to HCR, and in one case reported incorrect vendor information.**

**HCR Response:**

HCR concurs. Subgrantees are required to follow Office of Management and Budget guidance in preparing 1512 reports. Data included in the reports is subject to review by HCR fiscal and program staff. Each quarter, HCR sends each subgrantee detailed reporting instructions approximately three weeks



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before the report is due. Before the report is submitted, HCR staff is also available to answer subgrantee questions to make sure they report accurately and in the manner in which they've been instructed. HCR adds quality control generally ensures a high degree of accuracy in 1512 reporting, but this system ultimately depends on subgrantee compliance with established procedures.

The cumulative expenditures error cited was a typographical error. The subgrantee has since correct the error and HCR has submitted the corrected report to the federal government.

**6) Non-interest bearing account was maintained for program funds (Significant Deficiency).**

**The auditors noted that Saratoga not deposit funds in an interest-bearing account, as required by federal regulations.**

**HCR Response:**

HCR concurs and will revise its PPM to require that advances of federal funds must be maintained in interest bearing accounts, consistent with federal rules. HCR will also revise the form of the written agreements between HCR and subgrantees to remove a clause that seems to conflict with this rule. We wish to again clarify that subgrantees have been instructed by HCR to treat interest earned of advances as program income. In this case, Saratoga followed HCR instructions.

Saratoga maintains that the amount of interest they would have expected to earn on advances was less than the \$250 threshold and so they would not have been required to maintain funds in an interest-bearing account.

**7) Vehicle and equipment usage, maintenance and repair records were not maintained (Advisory Comment)**

**Saratoga did not maintain these required records for new vehicles purchased with ARRA funds.**

**HCR Response:**

HCR concurs with this finding. The PPM requires that a mileage log (Form #34) be maintained for each vehicle purchased with WAP funds. HCR monitoring staff assigned to SARA indicates the agency kept vehicle maintenance logs (which are not required by HCR), but did not keep mileage logs. We will ensure that they follow this requirement in the future.

**Subgrantee: Action for a Better Community, Inc. (ABC)**

**Findings:**

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**1) Substandard weatherization services may have been provided by ABC (Material Weakness).**

**The auditors accompanied an HCR field inspector on visits to ten buildings assisted by ABC, including nine single-family dwellings and one 10-unit building. The HCR inspector observed work deficiencies in five units, including three that required ABC to have work crews return to perform additional work.**

**HCR Response:**

HCR concurs with this finding. HCR field monitor staff have previously evaluated the need for improvement in work performed by ABC, and had already taken steps to address this situation when the audit began. In the annual evaluation of ABC, field staff noted that ABC “needs improvement” in the audit, crew operations and post-inspection categories. HCR staff has provided additional training to ABC’s crews, and has increased monitoring of the work they complete. HCR will provide additional training as needed. We believe that ABC’s performance has already improved since we provided increased oversight and training. HCR staff inspects a large percentage of subgrantees’ work to minimize the possibility that weatherization funds will be used to pay for inadequate services – HCR is required to inspect 10% of the completed units presented for certification; in reality we inspect much more, approximately 20%.

ABC reports that they have corrected the deficiencies found in these units, at a total cost of \$400. Also, ABC has adopted additional internal procedures to improve oversight and provide additional technical capacity to staff conducting inspections of assisted units.

Finally, all subgrantees have been informed of the “no call-backs” policy in DOE notice WPN 11-03, and the PPM has been revised to reflect this significant change in direction on the part of DOE.

**2) Purchases made with Program funds did not comply with NYS’ policies and procedures (Significant Deficiency).**

**The auditors reviewed 15 purchases made by ABC, and found two instances where the subgrantee did not obtain at least three bids on contracts for furniture and equipment. The combined value of these two contracts is approximately \$6,200.**

**HCR Response:**

HCR concurs with this finding. However, given the circumstances and amounts involved, we feel it would be more appropriately classified as an advisory comment.

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The PPM has clear guidelines for procurement, as the audit notes. In addition, a full-day mandatory procurement training was conducted for all subgrantees in December, 2010. The revised PPM includes clear guidelines for procurement, and additional training will be provided to ensure that all subgrantees consistently follow HCR rules. ABC has changed their internal procedures to require multiple bids on purchase exceeding \$2,000.

**3) Non-interest bearing account was maintained for program funds (Significant Deficiency).**

**The auditors noted that ABC did not deposit funds in an interest-bearing account, as required by federal regulations.**

**HCR Response:**

ABC disputes this finding. While HCR concurs and will revise its PPM to require that advances of federal funds must be maintained in interest bearing accounts, we feel the concerns raised by ABC have merit. ABC maintains that depositing the large advance of funds provided (approximately \$1,000,000) into an interest-bearing account would have put those funds at risk or resulted in additional costs, since an interest-bearing account of that amount would require collateralization to protect the funds.

HCR will also revise the form of the written agreements between HCR and subgrantees to remove a clause that seems to conflict with this rule. We wish to again clarify that subgrantees have been instructed by HCR to treat interest earned of advances as program income. In this case, ABC followed HCR instructions.

**4) Lack of adequate segregation of duties in the process for determining owner/occupant eligibility for weatherization (Advisory Comment).**

**The audit found that staff determinations of applicant eligibility were not reviewed or approved by supervisory personnel.**

**HCR Response:**

HCR concurs, and will monitor ABC's internal procedures to make sure that they have follow adequate management oversight.

**5) Documentation was not maintained to support the homes/units selected for weatherization had not been weatherized after September 30, 1994 with WAP funds (Advisory Comment).**

**ABC used the HCR data base to determine whether units were previously assisted, but did not maintain documentation to support those determinations.**

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**HCR Response:**

HCR concurs. ABC has since adopted procedures to maintain documentation of eligibility determinations. HCR will work with ABC to make sure they have access to all available data to support this procedure.

**6) Documentation supporting authorization and approval of reimbursements was not maintained (Advisory Comment).**

**Reimbursements performed by ABC employees were not properly signed and dated.**

**HCR Response:**

ABC disputes this finding. HCR fiscal staff found that ABC had adequate financial procedures and internal controls in place. These reimbursements did have signatures of supervisory personnel and other internal controls. ABC has since adopted more stringent procedures to improve internal controls.



**Department of Energy**

Washington, DC 20585

August 10, 2011

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

FROM: KATHLEEN B. HOGAN *Richard Pasion for Kathleen Hogan*  
 DEPUTY ASSISTANT SECRETARY  
 FOR ENERGY EFFICIENCY  
 ENERGY EFFICIENCY AND RENEWABLE ENERGY

SUBJECT: Response to the Office of Inspector General's Draft Audit  
 Report of People's Equal Action and Community Effort,  
 Inc.

The Office of Energy Efficiency and Renewable Energy (EERE) appreciates the opportunity to review the Office of Inspector General's Draft Audit Report of Action for People's Equal Action and Community Effort, Inc. (PEACE) 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 (WAP) performs high quality work that meets the goals of WAP and the American Recovery and Reinvestment Act of 2009 (Recovery Act or ARRA).

In response to DOE's concerns and corrective action plans, PEACE will be asked to make a number of improvements designed to resolve the issues discovered by the Inspector General's audit team. The DOE Project Officer and/or the Contract Specialist will monitor the progress of PEACE during the quarterly review of the Grantee. This follow-up will continue until all recommendations by the Inspector General have been implemented.

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



**Finding 1: List of previously weatherized multi-family projects was not maintained for use in determining eligibility for re-weatherization.**

**Recommendation: We recommend that PEACE develop policies and procedures that will ensure that its employees review the databases provided by New York State when reviewing eligibility of properties for weatherization services.**

Consistent with the information provided in the IG report, DOE agrees that under Section 407 of the Recovery Act, 42 USC 6865(c)(2) and 10 CFR 440.18(f)(2), weatherization service providers are required to ensure that homes/units weatherized using Weatherization Program funding after September 30, 1994 do not receive additional weatherization assistance unless the home/unit has been damaged by fire, flood or act of God and repair or damage to weatherization materials is not paid for by insurance. During the next schedule quarterly visit, the DOE Project Officer and/or Contract Specialist will review the operational changes implemented by PEACE to address the re-weatherization issue and determine if further action is required.

**Finding 2: Interest Earned on cash advance was not properly identified and separately accounted for in general ledger.**

**Recommendation: We recommend that PEACE properly identify, and separately account for, the interest earned on Program funds advanced, in its general ledger; and remit the over \$3,000 in interest earned to the Department of Treasury.**

Consistent with the information provided in the IG report, DOE agrees that federal regulations require that non-profit organizations [with just a few exceptions as per 10 CFR 600.122(k)] maintain advance payments of funds in interest-bearing accounts. However, it should also be noted that interest amounts of up to \$250 per year may be retained by the (non-profit) recipient for administrative expenses [see 10 CFR 600 122(l)].

The DOE Project Officer will recommend that the Grantee include a section regarding the handling of advances and interest earned in their Policy and Procedures Manual within the next 30 days. The DOE Project Officer and/or Contract Specialist will review the state-level monthly fiscal reports for PEACE during the next scheduled quarterly visit and determine if further action is required. The Project Officer and/or Contract Specialist will also recommend to the state that interest-bearing accounts and the handling of interest be part of the state's fiscal monitoring tool.

The Contract Specialist has requested that the interest be returned and has inquired regarding the other subgrantees' interest earned on advances.

**Finding 3: Post-inspection was not performed on additional work done to correct weatherization deficiencies.**

**Recommendation: We recommend that PEACE implement procedures that require its employees to perform post-inspections on all weatherization services provided with Recovery Act Weatherization Program funds.**

The DOE Project Officer will request and review a copy of PEACE's updated final inspection procedures during the next scheduled quarterly visit and also review the Grantee's monitoring information with respect to final inspections to determine if further action is required.

**Finding 4: Inadequate documentation of post-inspection (Building Work Summary).**

**Recommendation: We recommend that PEACE clearly list on the Building Work Summary, all of the weatherization measures installed, before requiring home/unit owner/occupant certification and sign-off.**

The DOE Project Officer will request and review a copy of PEACE's updated final inspection procedures during the next scheduled quarterly visit and also review the Grantee's monitoring information with respect to final inspections to determine if further action is required.

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