



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

Examination Report

Community Action Partnership of
San Bernardino County –
Weatherization Assistance Program
Funds Provided by the American
Recovery and Reinvestment Act of
2009



OAS-RA-13-17

March 2013



Department of Energy
Washington, DC 20585

March 28, 2013

MEMORANDUM FOR THE ASSISTANT SECRETARY FOR ENERGY EFFICIENCY AND
RENEWABLE ENERGY

A handwritten signature in black 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 "Community Action
Partnership of San Bernardino County – Weatherization Assistance
Program Funds Provided by the American Recovery and Reinvestment
Act of 2009"

BACKGROUND

The attached report presents the results of an examination of the Community Action Partnership of San Bernardino County's (Agency) implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act) Weatherization Assistance Program (Weatherization Program). The Office of Inspector General (OIG) contracted with an independent certified public accounting firm, Lopez and Company, LLP, to express an opinion on the Agency's compliance with Federal and State laws, regulations and program guidelines applicable to the Weatherization Program. The Agency is a sub-recipient of the Department of Energy's (Department) Recovery Act Weatherization Program funding for the State of California.

The Recovery Act was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the Weatherization Program received \$5 billion to reduce energy consumption for low-income households through energy efficient upgrades. The State of California received \$186 million in Recovery Act Weatherization Program funding, of which \$7.7 million was allocated to the Agency to weatherize 1,931 homes. The State of California Department of Community Services and Development (State) was responsible for administering Weatherization Program grants, including funds provided to the Agency.

OBSERVATIONS AND CONCLUSIONS

Lopez and Company, LLP, expressed the opinion that except for the weaknesses described in its report, the Agency complied in all material respects with the requirements and guidelines relative to the Weatherization Program for the period of July 1, 2009 through May 31, 2011. However, the examination found that the Agency:

- Requested inaccurate reimbursements from the State for weatherization work. During their review, Lopez and Company, LLP, noted the Agency consistently billed labor hours for only one of the two crewmembers on a weatherization team. Each team recorded the number of hours the team (as a whole) spent on the job on a single timesheet, rather than the total number of labor hours incurred by individual team members. The review of four completed homes indicated the under-billing totaled \$1,760.
- Performed weatherization work that did not meet the standards established by the Department and the State. As part of their review, Lopez and Company, LLP, accompanied the State on its re-inspection of five completed units. The State inspector reported that four of the units failed re-inspection, even though all of these units had previously passed a final inspection performed by the Agency.
- Used 13 of the 15 vehicles it purchased with Recovery Act Weatherization Program funds in support of other Federally funded or non-Federally funded weatherization activities instead of Recovery Act related weatherization activities, as required. As a result of this finding, Lopez and Company, LLP, questioned \$393,300 (purchase price of the 13 vehicles).
- Did not maintain documented justification for two sole source procurements, as required. The Agency informed Lopez and Company, LLP, that based on prior experience the vendors selected through the two sole source procurements were the only providers of those particular services in the areas where work was required.

The report makes recommendations to the Agency to improve the administration of its Weatherization Program. The Agency provided comments that expressed concurrence with the recommendations and provided planned and ongoing actions to address the issues identified. While these comments and planned corrective actions are responsive to the recommendations, the Department needs to ensure the planned actions are completed.

RECOMMENDATIONS

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

1. Require the State of California to improve administration of Weatherization Program funds by ensuring the Agency implements the recommendations outlined in the report.

We also recommend the Contracting Officer for the State of California Weatherization Assistance Grant:

2. Resolve identified questioned costs.

MANAGEMENT COMMENTS AND AUDITOR RESPONSE

The Department agreed with the OIG's recommendations and with the recommendations addressed to the Agency in the report. In addition, the Department stated that it would work with the State to address the OIG's recommendations, improve the administration of its Weatherization Program, and ensure that all corrective actions stated in the report are implemented. The Department also noted that it would work with the State to verify the adequacy of the allocation method developed for vehicle use on non-Federally funded programs and resolve the associated questioned costs. Additionally, the Department reported that it would validate compliance with the recommendations during an upcoming site visit, which will be conducted before June 2013. The Department's comments are included in their entirety in Attachment 2.

The State concurred with the recommendations of the OIG and the corrective actions taken or planned by the Agency. The State also indicated that it will monitor the Agency's progress to ensure corrective actions are completed in a timely manner. The State's comments are included in their entirety in Attachment 3.

The comments provided by the Department and the State were responsive to the recommendations.

EXAMINATION-LEVEL ATTESTATION

Lopez and Company, LLP, 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 the Agency's policies and procedures and reviewing applicable 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 conducted to test the appropriateness of payments.

The OIG monitored the progress of the examination and reviewed the report and related documentation. Our review disclosed no instances in which Lopez and Company, LLP, did not comply, in all material respects, with the attestation requirements. Lopez and Company, LLP, is responsible for the attached report dated December 12, 2012, and the conclusions expressed in the report.

Attachments

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



EXAMINATION REPORT ON COMPLIANCE
OF
Recovery Act Weatherization Assistance Program
COMMUNITY ACTION PARTNERSHIP OF SAN BERNARDINO COUNTY

PERFORMED FOR
U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL

Prepared by

Lopez and Company, LLP

Report Date: December 12, 2012

CONTRACT NUMBER: DE-IG0000017

WORK ORDER NUMBER: 2011-03

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INDEPENDENT ACCOUNTANT'S REPORT

To the Inspector General,
Department of Energy:

We have examined the Community Action Partnership of San Bernardino County's (Agency) compliance with Federal and State laws, regulations, and program guidelines applicable to the American Recovery and Reinvestment Act of 2009 (Recovery Act) Weatherization Assistance Program (Weatherization Program). The Agency is responsible for operating the Weatherization Program in compliance with these laws, regulations, and program guidelines. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the U.S. Government Accountability Office; and, accordingly, included examining, on a test basis, evidence supporting management's compliance with relevant Weatherization Program Federal and State laws, regulations, and program guidelines, and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

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

In our opinion, except for the weaknesses described in Section IV of this report, the Agency complied in all material respects with the aforementioned requirements and guidelines relative to the Weatherization Program for the period of our review from July 1, 2009 through May 31, 2011. Our report includes an advisory comment that represents a control deficiency that came to our attention that was not significant enough to adversely affect the Agency's ability to record, process, summarize and report data reliably; advisory comments are offered to Agency management as an opportunity for improvement.

A handwritten signature in cursive script that reads "Lopez and Company, LLP".

Lopez and Company, LLP
Chino Hills, California
December 12, 2012

**Section I Description of Community Action Partnership
of San Bernardino County**

The Community Action Partnership of San Bernardino County (Agency) operates as a private non-profit organization. The Agency has been in existence since 1965. It currently receives grant support primarily from the State of California Department of Community Services and Development (State) for participation in the Weatherization Assistance Program (Weatherization Program) with funds appropriated under the authority of the American Recovery and Reinvestment Act of 2009 (Recovery Act).

Under the Recovery Act, the State of California received a grant of approximately \$186 million from the U.S. Department of Energy (Department) for the Weatherization Program. The State allocated about \$7.7 million of its grant to the Agency to weatherize 1,931 homes. These funds were to be expended over a 3-year period ending September 30, 2012. Under the Weatherization Program, low-income homeowners and renters received assistance to increase the energy efficiency of their homes by sealing duct systems and by installing insulation, cooling and heating systems, and energy efficient windows and doors.

Section II Classification of Findings

Material Weakness

For purposes of this engagement, a material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the subject matter will not be prevented or detected.

Significant Deficiency

For purposes of this engagement, a significant deficiency is a deficiency in internal control, or combination of deficiencies, that adversely affects the Agency'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. No significant deficiencies were noted in this report.

Advisory Comment

For purposes of this engagement, an advisory comment represents a control deficiency that is not significant enough to adversely affect the Agency's ability to record, process, summarize, and report data reliably.

The advisory comment presented in this section represents a matter that came to our attention during the course of the review and is offered to the Agency's management as an opportunity for improvement. The advisory comment is provided along with a recommendation and discussion of the significance of the comment.

Section III Summary of Findings

Area/Finding

Material Weakness

Costs Incurred

IV.1 Un-billed Labor Hours

Quality of Work

IV.2 Poor Quality of Weatherization Work

Questioned Costs

IV.3 Vehicles Used on Non-Recovery Act Related Weatherization Program Activities

Advisory Comment

Procurement

IV.4 Sole Source Procurements Not Justified

Section IV Schedule of Findings

COSTS INCURRED

IV.1 Un-billed Labor Hours (Material Weakness)

Condition

The Agency did not accurately request reimbursement for weatherization work. During our review, we noted the Agency consistently billed labor hours for only one of the two crewmembers comprising a weatherization team. The Agency had three weatherization teams and three appliance replacement teams; each team recorded the number of hours the team (as a whole) spent on the job on a single timesheet, rather than the total number of labor hours incurred by individual team members. The hours reported on the timesheet, and ultimately reimbursed by the State, represented the time elapsed on the jobsite. For example, if a crew consisting of two individuals had worked three hours on a project, the Agency would have billed three hours rather than six.

Our review of four completed homes indicated the under-billing totaled \$1,760. Based on a review of certified payrolls, we noted that the Agency paid its crewmembers correctly and in accordance with Davis-Bacon Act requirements. However, these certified payrolls were maintained separately than the timesheets used to support reimbursement requests.

Cause

The Agency's policies and procedures did not clearly state that labor hours incurred for each crewmember should be recorded, reported, and billed to the project. In addition, the Agency lacked a process to reconcile actual labor hours incurred to hours billed to ensure accurate reimbursements.

Agency officials stated they have already made adjustments to remedy the issues we identified. For example, Agency officials informed us that crewmembers now use independent timecards to help ensure all labor hours are accurately reported. It should be noted that this issue was also identified by the State as a result of an on-site monitoring visit to the Agency in July 2011.

Effect

Reporting labor hours that the crew incurred as a unit and not the total hours of all of the crewmembers indicates a lack of controls over billing that resulted in lost revenue for the Agency. However, because of the examination, an Agency official told us that they had identified the previously unbilled labor hours and were subsequently reimbursed by the State.

Recommendation

We recommend that the Agency:

- 1.1 Continue to use individual timesheets for each crewmember to ensure requests for reimbursements reflect actual labor hours; and,
- 1.2 Develop: 1) policies and procedures to ensure all labor hours are recorded, reported, and billed; and, 2) a reconciliation process to verify that reimbursements for future labor hours are accurate.

Section IV Schedule of Findings (Cont.)

Management Response

The Agency concurred with the finding and recommendations and reported that it has taken immediate corrective actions to remedy the weaknesses identified in our examination. In addition to requiring each crewmember to complete individual timesheets, as noted in our report, supervisors are also overseeing their employees more closely to ensure all labor hours are reported, recorded, and billed. Further, the Agency noted it has implemented a procedure to reconcile the payroll system to the file tracking and billing systems to ensure reimbursements for labor hours are accurate.

We consider the Agency's management response to be adequate.

Section IV Schedule of Findings (Cont.)

QUALITY OF WORK

IV.2 Poor Quality of Weatherization Work (Material Weakness)

Condition

Weatherization work was not performed to workmanship standards established by the Department and the State. As part of our review, we accompanied the State on its re-inspection of five completed units. The State inspector reported that four of the units failed re-inspection, even though all of these units had previously passed a final inspection performed by the Agency.

The following deficiencies were reported:

- Weatherization work was performed on a home where an attic furnace was not accessible for the Agency's crewmembers to inspect for potential hazards. According to the State's Weatherization Inspection Standards, gas appliances must pass combustion safety testing before infiltration-reduction measures can be installed, including major leak repairs in doors and windows. However, in this case, a door was installed which violated the State's weatherization standards.
- The second home failed because lead paint was not properly removed or contained during installation of weatherization measures, windows were improperly installed, electrical plates were missing or did not have the required weatherization seal, and the ground lines for the refrigerator and swamp cooler were not installed to code.
- On the third unit, an existing hole in the ceiling was not identified in the pre-inspection and was not repaired. In addition, the water heater identified for replacement was not replaced. Further, at the time of our inspection, the Agency noted that the home needed initial repairs for health and safety purposes, which should have been performed before weatherization services were offered. The health and safety issue identified was a missing seal to the oven which would have caused a failed carbon dioxide test.
- The fourth unit failed because a hole in the drywall was not repaired and caulking was not properly applied around a swamp cooler.

An Agency official subsequently informed us that the workmanship deficiencies we observed were corrected and that increased efforts have been made to ensure all weatherization work is performed according to standards. Because of the corrective actions taken by the Agency, we are not questioning the costs associated with the workmanship deficiencies we observed.

Cause

These deficiencies in workmanship occurred because the Agency failed to adequately monitor and review the level of work performed by its weatherization crews and inspectors to ensure weatherization efforts were conducted in accordance with Department and State requirements.

Section IV Schedule of Findings (Cont.)

An Agency official also told us that the rapid expansion of the Recovery Act prevented the normal learning curve for new employees and created challenges to ensure they were adequately trained.

Effect

These failures created the risk that weatherization work was not performed in accordance with Federal and State requirements; and therefore, the costs incurred may be unallowable or additional costs could be incurred to remedy poor workmanship. In addition, there is an increased risk that homeowners did not receive the full benefits of the weatherization services rendered.

Recommendation

We recommend that the Agency:

- 2.1 Ensure all crewmembers and inspectors are properly monitored to ensure weatherization work and inspections are performed to standards;
- 2.2 Ensure all crewmembers and inspectors are properly trained on Federal and State weatherization requirements; and,
- 2.3 Take action, where necessary, on crewmember and inspectors who fail to meet quality standards.

Management Response

The Agency concurred with the finding and recommendations. Additionally, as noted in our report, the Agency reported that it took immediate corrective actions to remedy the deficiencies on the four units identified in our examination. Further, the Agency has assigned a Program Compliance Coordinator to keep current on all contract requirements, ensure staff receives appropriate training, and ensure Field Supervisors are monitoring and evaluating crewmembers' work against standards. Poor performing crewmembers and inspectors are subject to disciplinary action in accordance with Agency policy.

We consider the Agency's management response to be adequate.

Section IV Schedule of Findings (Cont.)

QUESTIONED COSTS

IV.3 Vehicles Used on Non-Recovery Act Related Weatherization Program Activities (Material Weakness)

Condition

We found that 13 of the 15 vehicles purchased with Weatherization Program funds provided by the Recovery Act, were not used primarily for Recovery Act related weatherization activities as required. Instead, the 13 vehicles were mainly used in support of other federally-funded or non-federally funded weatherization activities. The 21 crewmembers that were assigned to work on Recovery Act related weatherization activities should have been given primary access to those vehicles, however, almost all were assigned existing, less efficient vehicles to perform their duties, while the crewmembers tasked with working on other federal and non-federal weatherization activities received the newer vehicles. In addition, the Agency did not charge a usage fee during the times these vehicles were on loan as required by Federal regulations.

Federal Financial Assistance Regulations (10 CFR 600.134) and Office of Management and Budget Circular A-110.34 require equipment to be used for the project or program for which it was acquired as long as needed. Equipment can be used on other projects or programs; however, preference for such other use shall be given first to other projects sponsored by the Department, and second, for activities funded by other Federal agencies. Federally purchased equipment may be made available for use on non-federally funded programs; however, a usage fee is required.

Cause

This occurred because the Agency was not aware of the requirement to use the vehicles according to the project or program for which they were acquired. Specifically, the Agency was not aware that vehicles purchased with Recovery Act funds were to be used primarily in support of the Recovery Act funded Weatherization Program, and not on other federally-funded or non-federally funded weatherization activities. In addition, the Weatherization Program Manager stated that no process was established for assigning vehicles although some consideration was given to the seniority of crewmembers.

Effect

Based on the Agency's decision to use the 13 vehicles acquired with Recovery Act Weatherization Program funds for non-Weatherization Program related activities, we question \$393,300 (purchase price of the 13 vehicles). Additionally, the Agency's assignment of the existing (older) vehicles to the Weatherization Program may have resulted in excess maintenance costs incurred to the Program when compared to similar costs associated with newer vehicles. However, we were unable to determine the cost impact of using the older vehicles.

Recommendation

We recommend that the Agency either:

- 3.1 Reimburse the cost of the 13 vehicles to the State; or,

Section IV Schedule of Findings (Cont.)

- 3.2 Develop an allocation methodology and reimburse the State for costs associated with vehicle use on non-federally funded programs.

Management Response

The Agency concurred with the finding and will implement recommendation 3.2. The Agency will also develop a cost methodology for vehicle usage and reimburse the State for costs associated with the use of Recovery Act vehicles on non-federally funded programs.

We consider the Agency's management response to be adequate.

Section IV Schedule of Findings (Cont.)

PROCUREMENT

IV.4 Sole Source Procurements Not Justified (Advisory Comment)

Condition

Our review of three sole source procurement files found that two of the files did not contain adequate justification for the awards. The awards were made to a crane service and a glass and window company in the amounts of up to \$7,200 and \$2,600 respectively. The Agency's procurement policies and procedures require adequate justification for sole source procurements, and Federal regulations such as 10 CFR 600.145, require a cost or price analysis in connection with every procurement action.

The Agency informed us that based on prior experience the vendors selected through the two sole source procurements were the only providers of those particular services in the areas where work was required. For example, the Agency told us that there was only one vendor in the area who could perform the crane service required to lift air conditioning units on top of clients' homes.

Cause

The Agency's procurement official, who approved a blanket purchase order for the procurements, did not review all pertinent information or ensure that sole source justifications were documented as required.

Effect

In the absence of documentation justifying the reasons for sole source procurements, the agency cannot be assured it obtained the best price.

Recommendation

We recommend that the Agency comply with its policies and procedures and include proper justification for the award of any sole source procurement.

Management Response

The Agency concurred with the finding and the recommendation and reported that it will ensure full compliance with its own accounting policies and procedures. Further, the Agency stated it disseminated State-issued procurement guidance to its staff for review and compliance.

We consider the Agency's management response to be adequate.

Section V Complete Management Response



The Promise of Community Action
Community Action changes people's lives, embodies the spirit of hope,
improves communities, and makes America a better place to live.
We care about the entire community, and we are dedicated to helping people
help themselves and each other.

January 28, 2013

Mr. Richard Lopez
Senior Partner
Lopez & Company, LLP
14728 Pipeline Avenue, Suite E
Chino Hills, CA 91709

Dear Mr. Lopez:

Listed below, please find Community Action Partnership of San Bernardino County's (CAPSBC) response to the final draft report for the Lopez and Company, LLP, examination of CAPSBC's DOE ARRA contract.

- **IV.1 Cost Incurred – unbilled labor hours:** CAPSBC concurs. When this issue was brought to the attention of CAPSBC management, immediate corrective action was taken to ensure individual timesheets were completed for each crew member and billing reimbursements reflected actual labor hours. In addition, CAPSBC Fiscal supervisory staff more closely oversees Billing employees to ensure that all labor hours are recorded, reported and billed, as well as verifying that reimbursements for future labor hours are accurate. A procedure is in place to reconcile the payroll system (Microsoft Dynamics) to the file tracking and billing system (Enginuity) as follows: Each pay period the Microsoft Dynamics Payroll Edit Report is reconciled to the Enginuity Crew Payment Detail Report after all data is entered into each system and prior to finalizing the payroll. Going forward, the billing department reviews each client file to compare the hours billed for the file to the hours recorded for the file in Enginuity, when hours worked are not billable the reason for the hours not being billed will be documented in the file. Written policies and procedures documenting the requirements for this process will be issued by February 15, 2013. CAPSBC continues to use individual timesheets for each crew member.
- **IV.2 Quality of Work – Poor quality of weatherized work:** CAPSBC concurs. CAPSBC took immediate corrective action to remedy all corrections required on the four units. Also, CAPSBC has taken corrective actions to ensure all crew members and inspectors are properly monitored for quality of weatherization work and that inspections are performed to standards; are properly trained on Federal and State weatherization requirements and when appropriate, disciplinary action is taken on staff who fail to meet quality standards. These actions included: assigning a Program Compliance Coordinator to keep current on all contract requirements, ensure staff receive appropriate training in areas of difficulty, ensure Field Supervisors are monitoring and evaluating crew members' work against standards.

Energy, Education, and Environmental Services (909) 723-1620 Fax (909) 723-1629
Family Development Program (909) 723-1560 Fax (909) 723-1569 Homeless Management Information Systems (909) 723-1522
CAPSBC Food Bank (909) 723-1580 Individual Development Accounts Program (909) 723-1570
Administration (909) 723-1510 Fax (909) 723-1509

Section V Complete Management Response (Cont.)

Letter to Richard Lopez
January 28, 2013
Page 2

Our crew members and inspectors are now being evaluated for performance to quality standards. Incidences of repeated failures are subject to disciplinary action in accordance with Agency policy. Continuing employee poor performance will result in a first warning, a second warning, and then termination.

- **IV.3 Questioned Costs – Vehicles used on non-weatherization program activities:** CAPSBC concurs with Recommendation #3.2. CAPSBC will develop a cost methodology for vehicle usage on federal and non-federally funded programs and reimburse the State Department of Community Services and Development for the difference in usage costs for DOE ARRA. This allocation methodology will be developed by March 15, 2013.
- **IV.4 Procurement – Sole Source Procurements not justified:** CAPSBC concurs. CAPSBC management staff will ensure full compliance with Agency Accounting Policies and Procedures and State Department of Community Services and Development (SCSD) CPN-A 12-01 dated June 2012 which provides guidance to SCSD contractors on federal and state requirements for procurements of goods and/or services with DOE/DOEARRA funds as well other federal contracts. The notice outlines the mandatory elements of an adequate procurement process. This CPN has been disseminated to appropriate staff for review and compliance.

If you have any questions, please contact me at (909) 723-1514.

Sincerely,



Patricia L. Nickols
Chief Executive Officer

C: Greg Loendorf, DOE OIG
Jean Johnson, SCSD

DEPARTMENT COMMENTS**Department of Energy**

Washington, DC 20585

MAR 15 2013

MEMORANDUM FOR:

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

FROM:

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

SUBJECT:

Response to Office of Inspector General Draft Examination Report on "The Community Action Partnership of San Bernardino County-Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009"

The Office of Energy Efficiency and Renewable Energy (EERE) appreciates the opportunity to review and make comments related to the Office of Inspector General's (OIG) February 2013 Draft Examination Report for The Community Action Partnership of San Bernardino County (Agency)-Weatherization Assistance Program (WAP) Funds Provided by the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Agency is a subrecipient of Recovery Act-WAP award #EE0000180 made to the State of California's Department of Community Services and Development (State).

EERE provides guidance and support to all grantees pursuant to Code of Federal Regulations (CFR), 10 CFR 600 and 2 CFR 225 (A-87). Also when applicable EERE will provide grantees with guidance pursuant to 2 CFR 220 (A-21), 2 CFR 230 (A-122), and 10 CFR 400. EERE seeks to ensure compliance with Federal regulations through ongoing monitoring and communications with grantees.

Although the report indicates that the State of California (Agency) complied in all material respects with the requirements and guidelines relative to the Weatherization Program for the period July 1, 2009 through May 31, 2011, the OIG made two recommendations for EERE's oversight of the California WAP. EERE will work with the State to address the OIG's recommendations and improve the administration of its Weatherization Program and ensure that all corrective actions stated in the auditor's report are implemented.

OIG Recommendation 1: Require the State of California to improve administration of Weatherization Program funds by ensuring the Agency implements the recommendations outlined in the report.

EERE Response: EERE concurs with the recommendations and comment presented in the audit report. Discussions between the WAP Project Officer and the State indicate the Agency has taken corrective actions to remedy the identified issues. The State will continue to follow up on corrective actions to ensure implementation of the recommendations. The WAP Project Officer will participate in a conference call to determine the status of corrective actions by April 30,

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2013. Also, a site visit will be conducted before June 30, 2013 to validate compliance with the recommendations outlined below.

- EERE concurs with Recommendations 1.1 and 1.2 concerning un-billed labor hours presented on page 5 of the report. Per page 6 of the report, the Agency reported it has taken appropriate corrective actions including requiring each crewmember to complete individual timesheets and increasing oversight by supervisors to ensure all labor hours are reported, recorded and billed. The Agency also reported it has implemented a new procedure to reconcile the payroll system that should ensure the accuracy of reimbursements for labor hours.
- EERE concurs with Recommendations 2.1, 2.2 and 2.3 concerning poor quality of weatherization work presented on page 8 of the report. The Agency reported to the OIG that it took immediate corrective actions to address the specific deficiencies found in four of the five units visited by the OIG, and described on page 7 of the report. The Agency also reported assigning a Program Compliance Coordinator to ensure staff receive appropriate training and that field supervisors are monitoring and evaluating crewmembers' work against standards, with poor-performing crewmembers and inspectors being subject to disciplinary action.
- EERE concurs with the material weakness identified in section IV.3 concerning vehicles used for non-Recovery Act related WAP activities described on page 9 of the report. The OIG provided a choice of recommendations to remedy this weakness. Per Page 10 of the report, the Agency has committed to implementing Recommendation 3.2, to develop an allocation methodology and reimburse the State for costs associated with vehicle use on non-federally funded programs.
- EERE concurs with the Advisory Comment identified in section IV.4 regarding sole source procurements described on page 11 of the report. Per the report, the Agency has committed to ensuring full compliance with its own accounting policies and procedures; and states it has distributed State-issued procurement guidance to staff for review and compliance.

OIG Recommendation 2: Resolve identified questioned costs.

EERE Response: EERE concurs with the material weakness identified in section IV.3 concerning vehicles used on non-Recovery Act related WAP activities described on page 9 of the auditor's report. The OIG is questioning \$393,300 (purchase price of 13 vehicles), and provided two options for addressing the issue: the Agency is either to reimburse the State for the purchase price of the 13 vehicles, or develop a methodology for allocating the cost of the vehicles appropriately and only reimburse the State for costs associated with vehicle use on non-federally funded programs.

Per Page 10 of the report, the Agency has committed to implementing Recommendation 3.2, to develop an allocation methodology and reimburse the State for costs associated with vehicle use on non-federally funded programs. EERE will work with the State to verify the adequacy of the allocation method developed and resolve the questioned costs associated with vehicle use on non-federally funded programs. The WAP Project Officer

will participate in a conference call to determine the status of corrective actions by April 30, 2013. Also, a site visit will be conducted before June 30, 2013 to validate compliance with the recommendations.

STATE OF CALIFORNIA COMMENTS



LINNÉ STOUT
ACTING DIRECTOR

State of California-Health and Human Services Agency
DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT
2389 Gateway Oaks Drive, Suite 100, Sacramento, CA 95833
Telephone: (916) 576-7109 | Fax: (916) 263-1406
www.csd.ca.gov



EDMUND G. BROWN JR.
GOVERNOR

March 7, 2013

Mr. Rickey R. Hass
Deputy Inspector General for Audits and Inspections
Office of Inspector General
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

SUBJECT: DOE OIG COMMUNITY ACTION PARTNERSHIP OF SAN BERNARDINO COUNTY AUDIT

Dear Mr. Hass:

The Department of Community Services and Development (CSD) appreciates the opportunity to provide comments to the draft report from your office regarding compliance by Community Action Partnership of San Bernardino County (CAPSBC) with respect to the American Recovery and Reinvestment Act Weatherization Assistance Program. CSD is committed to effectively and efficiently administering this important program in partnership with local service providers for low-income households in California, and we are working with both our local and federal partners to address the recommendations offered in the report.

CSD is working closely with CAPSBC to ensure corrective actions are completed in a timely manner. CSD will monitor CAPSBC's progress through desk reviews and on-site monitoring visits. Please find below CSD's response to the U.S. Department of Energy (DOE) Office of Inspector General (OIG) report recommendations.

1. Billing. DOE OIG recommended CAPSBC take the following actions:

- Continue to use individual timesheets for each crewmember to ensure requests for reimbursements reflect actual labor hours worked; and
- Develop: 1) policies and procedures to ensure all labor hours are recorded, reported, and billed; and, 2) a reconciliation process to verify that reimbursements for future labor hours are accurate.

CSD Response: CSD concurs with the recommendations of the DOE OIG and the corrective actions taken or planned to be taken by the agency. This issue was first identified by CSD staff during an on-site monitoring visit to CAPSBC in July 2011, during which time Agency staff was advised that they were billing for one crewmember instead of two crewmembers. CSD staff will verify that CAPSBC has implemented both policies and

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procedures to ensure accurate reporting and billing of labor hours and a process to reconcile its payroll system with labor hours.

2. Quality of Work. DOE OIG recommended CAPSBC take the following actions:

- Ensure all crewmembers and inspectors are properly monitored to ensure weatherization work and inspections are performed to standards;
- Ensure all crewmembers and inspectors are properly trained on federal and state weatherization requirements; and,
- Take action, where necessary, on crewmember and inspectors who fail to meet quality standards.

CSD Response: CSD concurs with the recommendations of the DOE OIG and the corrective actions taken or planned to be taken by the agency. As CAPSBC reported, it took immediate action to correct deficiencies identified during the re-inspection and has implemented new processes to ensure proper training of staff about federal and state weatherization requirements. CSD staff will verify the implementation of the corrective actions during its next Quality Assurance monitoring visit scheduled for March 2013.

3. Vehicles. DOE OIG recommended CAPSBC take the following actions:

- Reimburse the cost of the 13 vehicles to the state; or
- Develop an allocation methodology and reimburse the state for costs associated with vehicle use on non-federally funded programs.

CSD Response: CSD concurs with the recommendations of the DOE OIG and the corrective actions planned to be taken by the agency. CSD will work with DOE and CAPSBC to review the cost methodology developed by the agency.

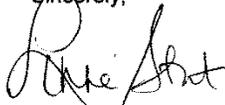
4. Procurement. DOE OIG recommended CAPSBC take the following actions:

- Comply with its policies and procedures and include proper justification for the award of any sole source procurement.

CSD Response: CSD concurs with the recommendation of the DOE OIG and the corrective action taken by the agency. CSD issued guidance in June 2012 to all CSD sub-recipients to clarify federal and state requirements related to the procurement of goods and/or services.

If you have any questions, please contact me at 916-576-7207 or Jason Wimbley, Acting Chief Deputy Director, at (916) 576-7110.

Sincerely,



LINNE STOUT
Acting Director

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