



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

Examination Report

Prince George's County Department
of Housing and Community
Development – Weatherization
Assistance Program Funds Provided
by the American Recovery and
Reinvestment Act of 2009



OAS-RA-13-05

January 2013



Department of Energy
Washington, DC 20585

January 17, 2013

MEMORANDUM FOR THE ASSISTANT SECRETARY FOR ENERGY
EFFICIENCY AND RENEWABLE ENERGY

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

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

SUBJECT: INFORMATION: Examination Report on "Prince George's County
Department of Housing and Community Development —
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 Prince George's County (County) Department of Housing and Community Development's 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, Lani Eko & Company, CPAs, PLLC, (Lani Eko) to express an opinion on the County's compliance with Federal and State laws, regulations and program guidelines applicable to the Weatherization Program. The County is a sub-recipient of the Department of Energy's (Department) Recovery Act Weatherization Program funding for the State of Maryland.

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 Maryland Department of Housing and Community Development (State) received \$61 million in Recovery Act Weatherization Program funding, of which \$2.1 million was allocated to the County. The State was responsible for administering Weatherization Program grants, including funds provided to the County.

OBSERVATIONS AND CONCLUSIONS

Lani Eko disclaimed an opinion on whether the County had complied with the requirements and guidelines relative to the Weatherization Program. In May 2011, the former County Director of the Department of Housing and Community Development in charge of the Weatherization

Program pled guilty to conspiracy to commit extortion in taking bribes from developers on housing projects. Although the charges were unrelated to weatherization, the County Director was directly responsible for management of the Weatherization Program.

The County expressed disagreement with the disclaimer of opinion. Specifically, the County felt that the disclaimer of opinion was unwarranted, given that there have been no connections made between the named official's actions and the Weatherization Program or its staff. However, the former County Director was in charge of the Weatherization Program during the period of the review. The County's comments are included in Attachment 2. In addition to the County's comments, the State and Department provided responses.

DEPARTMENT COMMENTS AND AUDITOR RESPONSE

The Department reviewed the subject report and offered commentary. As a result of the OIG audit and the ongoing monitoring procedures, the Department's Project Officer for the Maryland Weatherization Program reviewed State and County operations in January 2011 and the County's contracting process in June 2011. The Department monitoring reports did not list any concerns or findings related to the programs operations or the processes used to select weatherization contractors.

The State shared in Prince George's County's dissatisfaction with Lani Eko's decision to issue a disclaimer of opinion after conducting audit activities throughout the duration of the bribery and corruption proceedings against the County Director of the Department of Housing and Community Development. The State has examined Prince George's County's operations and has not detected an impropriety.

The comments provided by the Department were responsive to the concerns raised in the report. Lani Eko considered State and Department reviews in issuing the opinion; however, it disclaimed the opinion on the Weatherization Program when the individual related to the fraud was convicted.

EXAMINATION-LEVEL ATTESTATION

Lani Eko conducted its examination in accordance with attestation standards established by the American Institute of Certified Public Accountants as well as those additional standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The examination-level procedures included gaining an understanding of the County'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 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 where Lani Eko did not comply, in all material respects, with attestation requirements. Lani Eko is responsible for the attached report dated December 19, 2012, and the conclusions expressed in the report.

Attachment

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

**Report on Examination Level Attestation Engagement
Of
Prince George's County
Recovery Act Weatherization Assistance Program Funds**

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

Under

**Contract Number: DE-IG0000015
Work Order Number: 10-215-06**

By

Lani Eko & Company, CPAs, PLLC

December 19, 2012



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Independent Accountant's Report

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

We were engaged to examine the Recovery Act Weatherization Assistance Program funds awarded by the State of Maryland to the Prince George's County Department of Housing and Community Development for the period April 1, 2009 through December 31, 2010. The Prince George's County Department of Housing and Community Development is responsible for operating the Weatherization Assistance Program in compliance with applicable Federal and State laws, regulations, and program guidelines.

The former DHCD Director, who was in charge of the Weatherization Assistance Program during the period of our engagement, was investigated and plead guilty to conspiracy to commit extortion. Specifically, the former DHCD Director was found guilty of accepting bribes in exchange for securing funding for developers. U.S. Government Accountability Office (GAO) Internal Control Standards state that "a positive control environment is the foundation for all other standards. It provides discipline and structure as well as the climate which influences the quality of internal control." In accordance with GAO's Internal Control Standards, one of the factors affecting positive control environment is the integrity and ethical values maintained and demonstrated by management and staff. The American Institute of Certified Public Accounting attestation standards state that representation made by management, both oral and written, are part of the evidential matter obtained during an attest engagement. Since management plays a key role in setting and maintaining the organization's ethical tone, we are unable to fully rely on the representations provided to us in connection with this engagement.

Because of the restriction on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether Prince George's County Department of Housing and Community Development complied, in all material respects, with the aforementioned requirements and guidelines relative to Weatherization Assistance Program funds awarded to the Prince George's County Department of Housing and Community Development for the period April 1, 2009 through December 31, 2010.

Lani Eko & Company, CPAs, PLLC

September 12, 2011
Alexandria, Virginia

SECTION I. Description of Prince George's County Department of Housing and Community Development Weatherization Assistance Program

The U.S. Department of Energy awarded \$61,441,745 to the State of Maryland to allocate among its network of 18 local governments and various nonprofit organizations participating in the Weatherization Assistance Program (Weatherization Program). From this award, \$2,100,000 was allocated to Prince George's County (County) Department of Housing and Community Development (DHCD) to assist with the costs of weatherizing approximately 246 homes. In Maryland, the Weatherization Program is administered by the State Department of Housing and Community Development (State DHCD).

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

The Weatherization Program helps eligible low-income households lower their energy costs by increasing energy efficiency. The primary focus is on the problems of heat loss and air infiltration. Energy conservation and efficiency methods utilized by the Weatherization Program include measures that reduce energy consumption and the cost of maintenance for weatherized homes. In addition to the material improvements, energy conservation education is provided to participants. For the period from April 1, 2009 through December 31, 2010, DHCD reported that it had completed weatherization of 66 units under the Weatherization Program.

MANAGEMENT COMMENTS



Department of Energy

Washington, DC 20585

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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: Draft Examination Report on "Prince George's County Department of Housing and Community Development – 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) July 2012 Draft Examination Report for Maryland's "Prince George's County Department of Housing and Community Development – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009". 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.

The OIG did not make any recommendations in this report. EERE is responding to the OIG's request for comment on this audit report.

OIG Finding:

Grantees Accounting Firm (Lani Eko) that conducted the audit for Maryland disclaimed an opinion on whether the County had complied with the requirements and guidelines relative to the Weatherization Program. In May 2011, the former County Executive and County Director of the Department of Housing and Community Development in charge of the Weatherization Program pled guilty to conspiracy to commit extortion in taking bribes from developers on housing projects. Although the charges were unrelated to weatherization, the Executive and Director were directly responsible for management of the Weatherization Program.



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The County expressed disagreement with the opinion. Specifically, the County felt that the disclaimer of opinion was unwarranted, given that there have been no connections made between two named officials' actions and the Weatherization Program or its staff. However, the former County Director was in charge of the Weatherization Program during the period of the review.

EERE Response:

As a result of the OIG audit and the ongoing monitoring procedures, in January 2011, the EERE Project Officer for the Maryland Weatherization Assistance Program conducted program monitoring of the Maryland Weatherization Program. As part of that visit, the Prince George's County Weatherization Program was also reviewed. The review included assessment of administrative and programmatic aspects of the county's program, as well as, inspection of five completed weatherized homes. The published monitoring report did not list any concerns or findings for Prince George's County.

At OIG request, a Project Officer and DOE Headquarters representative conducted a follow-up visit to Prince George's County in June 2011. The purpose was to assess the specific policies and processes used to select weatherization contractors. The assessment included a review of the county's procurement policies, selection process, and application of the Prince George's County Minority Business Enterprise law. The Project Officer's final report did not identify any issues with the processes the county used to select weatherization contractors.

DOE thanks the OIG for its examination report.



MARTIN O'MALLEY
Governor
ANTHONY G. BROWN
Lt. Governor
RAYMOND A. SKINNER
Secretary
CLARENCE J. SNUGGS
Deputy Secretary

October 17, 2012

Rickey R. Hass
Deputy Inspector General
for Audits and Inspections
Office of the Inspector General
United States Department of Energy
1000 Independence Ave., SW
Washington DC, 20585

Re: Draft Examination Report on Prince George's County Department of Housing and Community Development (DHCD) - Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009

Dear Mr. Hass:

We appreciate the opportunity to respond to this report. We have reviewed the response made to this report by Prince George's County and concur with the County's comments expressing dissatisfaction with the decision made to issue a disclaimer of opinion.

During the entire period of the examination, it was public knowledge that Federal authorities had arrested the County Executive and Prince George's County Director of DHCD. Yet "The Firm" persisted over a six month period to meet, examine, request documentation and otherwise complete a very thorough and detailed examination of the County's Weatherization operation. This activity utilized a significant amount of the County and the State staff's time and resources. We also assisted the DOE Program Staff who worked in cooperation with the Office of the Inspector General (OIG) to complete a follow up site visit. It was reported by DOE staff that the results were reported back to the OIG verifying that the process utilized by the County Department to hire contractors and award funds was not tainted nor influenced by the Director of Housing or the County Executive. This fact was not included in the report.

We continue to find that the County's program has operated consistent with all rules, regulations and guidelines without any hint of impropriety. As a result we share Prince George's disappointment in the Disclaimer which by its totality seems to unfairly implicate the entire governmental organization.



Please feel free to contact Mr. Gary Beaver, our Internal Audit Manager at 410-514-7032, with any questions or concerns you may have about this matter.

Sincerely,



Raymond A. Skinner
Secretary

cc: Clarence Snuggs, Deputy Secretary, Maryland Department of Housing and Community Development
Frank Coakley, Assistant Secretary, Maryland Department of Housing and Community Development
William Ariano, Deputy Director, Maryland Department of Housing and Community Development
James McAteer, Weatherization Program Manager, Maryland Department of Housing and
Community Development
Gary Beaver, Internal Audit Manager, Maryland Department of Housing and Community
Development
Eric Brown, Director, Prince George's County DHCD



RUSHERN L. BAKER, III
County Executive

THE PRINCE GEORGE'S COUNTY GOVERNMENT
Department of Housing and Community Development

Weatherization Assistance Program
(301) 883-5491 FAX (301) 883-5423 TDD (301) 883-5428



*Weatherization
Works*
Eric C. Brown
Director

May 28, 2012

**Re: Department of Energy Inspector General's Office Review of the Audit of
Weatherization Assistance Program (WAP)**

This is a follow-up to the coordination conference call held on Tuesday, November 23, 2011, with representatives of Prince George's County, the Department of Energy Inspector General's Office, and representatives of the Auditing Firm, Lani Eko and Company, CPAs PLLC. Specifically, the call was to discuss Prince George's County's strong disagreement with the opinion rendered by the firm of its audit of the Weatherization Assistance Program (WAP), administered by the Prince George's County Department of Housing and Community Development (DHCD).

In the draft report, Lani Eko "disclaimed an opinion on whether the County Department of Housing and Community Development complied with the requirements of the Weatherization Program". The firm based its disclaimer on reports and the subsequent indictments of the former County Executive and the County DHCD Director for accepting bribes from developers. The firm made the unsubstantiated leap that the illegal actions of the former County Executive and the former DHCD Director somehow permeated the operation of the Weatherization Assistance Program and based on that supposition, the firm issued disclaimer indicating that they were unable to fully rely on the representations provided by management in connection with the audit.

The audit covered grant funds received from the State of Maryland DHCD under the American Recovery and Reinvestment Act (ARRA). The scope of the audit was limited to homes weatherized using ARRA funds during the period of April 2009 to December 31, 2010. By the time the audit commenced on January 17, 2011, the WAP had weatherized sixty- six (66) homes.

The audit team for Lani Eko consisted of three (3) to five (5) individuals who spent approximately two weeks on-site examining case records, invoices, financial and program documents, energy audits, work orders, time sheets and invoices. During the on-site visit/audit, the firm's representatives selected twenty two (22) completed weatherized homes and then accompanied by the program manager and the lead energy auditor, made pre-scheduled field visits to those homes where they inspected the work that had been performed, talked to the homeowners and administered a written customer satisfaction survey. The firm's representatives also reported that they made telephone calls to an unspecified number of homeowners on the list. In addition to these actions and measures, the auditors made site visits where they observed an in-process energy audit, a contractor's weatherization project in process, as well as a final quality control inspection. After the on-site visits, the firm requested additional documents from the WAP for the period of January, 2011 through September, 2011. The documents were promptly provided.

The Prince George's County Department of Housing and Community Development (DHCD) understands that an Auditor can exercise their right to express their professional opinion as it relates to an engagement. However, in this specific case, DHCD disagrees that the audit of the WAP administered by the DHCD on behalf of Prince George's County warrants an audit Disclaimer of Opinion (Disclaimer). Arguably, a Qualified Opinion may be more appropriate than the "Disclaimer of Opinion".

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The auditor's reason for the Disclaimer is that it was unable to rely on the representations of management of the program stemming from the fact that the former DHCD Director and former County Executive pled guilty to accepting bribes from "Developers" in exchange for grant money or contracts. It should be noted that there are no developers associated with the WAP, and in any event, the two officials' illegal acts did not limit the auditor's scope. Despite the reported breadth and depth of the multi-faceted long-term investigations that resulted in the indictments and plea agreements, no mention whatsoever has been made of any connection to the two named officials' actions and the WAP or its staff.

During the time of the audit engagement from January, 2011 until September, 2011, the WAP staff cooperated fully with Lanki Eko officials and responded to every request for documents. All of the supporting documentation and physical matters as known by the WAP staff have been provided. No challenge was made to any information submitted. In the numerous face to face interviews, including the entrance and exit conferences, at no time did the auditors ever discuss the issue of the illegal action of the two former County officials or a connection with the WAP.

We believe that the decision to disclaim an opinion for the reasons cited is a broad overreach and unfairly stigmatizes the DHCD and the WAP without any evidence of their knowledge or involvement in the actions of the two named former County Officials.

The impact of the decision to disclaim has a profound potential negative impact on the program and staff. It could affect future program funding and most importantly, impair staff's ability to conduct the required community outreach and marketing necessary to attract program beneficiaries.

Finally, we assert that there is no basis in fact for the disclaimed opinion; it is not supported by any evidence that was reviewed or collected by Lani Eko and Company and is therefore unjustified. As stated earlier, arguably, at a minimum, the circumstances warrant a Qualified Opinion. While we acknowledge the auditor's right to issue an opinion based on his professional judgment of risk analysis, we disagree with his assessment and ask that the Pre-Draft Audit be amended to reflect the position that while there were indictments of the former County Executive and former Director of DHCD, an examination of files, records documents, field interviews and observations did not reveal any impropriety or misconduct of the Weatherization Assistance Program staff.


Eric C. Brown
Director, Department of Housing and
Community Development

5/30/12
(Date)

WITNESS/ATTEST:


Signature
Christina Nunn
Print Name

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