



**OFFICE OF INSPECTOR GENERAL**

U.S. Department of Energy

# SPECIAL REPORT

DOE-OIG-22-30

April 2022

## **PROSPECTIVE CONSIDERATIONS FOR THE INFRASTRUCTURE LAW-FUNDED WEATHERIZATION ASSISTANCE PROGRAM**



**Department of Energy**  
Washington, DC 20585

April 26, 2022

MEMORANDUM FOR THE SECRETARY

**SUBJECT: Special Report on Prospective Considerations for the Infrastructure Law-Funded Weatherization Assistance Program**

When we met on February 3, 2022, I committed to sharing with Department of Energy leadership any historic reports that may serve to improve internal controls and help prevent fraud, waste, and abuse as the Department launches its many projects funded by the Infrastructure Law. For fiscal year 2021, the Weatherization Assistance Program (WAP) received \$315 million in appropriations. The Infrastructure Law includes \$3.5 billion for WAP over 5 years, or about \$700 million in funding per year added to the enduring program appropriations. These funds may be spent over a 10-year period. WAP funds are distributed to states, territories, and tribes via grants. These Government entities then distribute grants to Community Action Agencies (CAA)<sup>1</sup> that manage WAP activities in communities across the Nation.

The Office of Inspector General has identified 19 audits, 14 examinations, numerous investigations, and 1 inspection regarding the Department's WAP.<sup>2</sup> We identified five major risk areas that warrant immediate attention from Department leadership to prevent similar problems from recurring. Specifically:

- Senior Leader Fraud: We examined 15 completed investigations resulting in investigative outcomes, including 7 criminal convictions, 20 persons excluded from Federal government contracting, and over \$2.25 million recovered. In the majority of these cases, the subject was either an executive at a CAA or the owner of a subcontractor. The facts and circumstances in these cases demonstrate the need for more rigorous oversight over the senior leadership of CAAs.
- Controls Over Acceptance of Work: We issued audit and examination reports demonstrating problems with substandard work, billing errors, unapproved work order changes, unperformed or undocumented final inspections, and charges for unsupported costs. These reports demonstrate a need for more rigorous internal controls over acceptance of work and documentation of expenses.

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<sup>1</sup> Community Action Agencies are private, nonprofit, or public organizations created by the Federal Government in the Economic Opportunities Act of 1964.

<sup>2</sup> Title IV of the Energy Conservation and Production Act, as amended, authorizes Department to administer the Low-Income WAP. All grant awards made under this program shall comply with applicable laws and regulations, including, but not limited to, the regulations contained in Title 2 Code of Federal Regulations, Title 10 Code of Federal Regulations 440, and other policies and procedures as the Department may periodically offer financial assistance to the administration.

- Compliance with Terms and Conditions: We issued audit, examination, and inspection reports identifying problems with verifying applicant eligibility. Additionally, we reported problems associated with regulatory compliance including the Davis-Bacon Act, competitive contracting, management of interest on advanced funds, and reporting. Also, we reported compliance issues regarding financial management, such as proper accounting for funds and items acquired with American Recovery and Reinvestment Act funds. These reports indicate a need for more rigorous policies and procedures for compliance with grant terms and conditions.
- Grantee-Level Oversight Issues: In prior reports, we observed insufficient oversight at both the state level and with CAAs. We identified insufficient staffing; inadequate training; and inadequate systems for identifying, tracking, and preventing problems from recurring. We concluded that there is an opportunity for the Department to better define, through program guidance documents, a more substantial level of oversight to ensure that WAP funds are spent effectively.
- Administrative Remedies: In reviewing prior audit and investigation work related to WAP, we noted that the Department did not act often or quickly to impose administrative remedies on bad actors. In particular, the Department needs to ensure a proactive review of policies, training, and resources dedicated to the imposition of administrative remedies. These remedies constitute a necessary part of ensuring program integrity. An effective remedial approach would consider all means to protect, punish, and restore taxpayer funds. We observed that very few administrative remedies such as suspensions and debarments were made for the multitude of problems that occurred and were identified throughout the WAP during the American Recovery and Reinvestment Act era.

As the Department moves forward with its Infrastructure Law projects, we have identified several prospective considerations to help prevent fraud, waste, and abuse. In particular, we suggest that the Department consider reserving and allocating Infrastructure Law funds as necessary expenses for the Department, grantees and subgrantees to improve both the design and the testing of internal controls.



Teri L. Donaldson  
Inspector General

cc: Deputy Secretary  
Chief of Staff

## **SUMMARY OF ISSUES ON WEATHERIZATION ASSISTANCE PROGRAM**

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After reviewing prior reports and casework related to Weather Assistance Program (WAP) projects, the Office of Inspector General (OIG) identified five broad areas that warrant additional attention from senior Department of Energy leadership for Infrastructure Law funded WAP projects to improve internal controls and prevent fraud, waste, and abuse. These areas include:

- Senior Leader Fraud
- Controls Over Acceptance of Work
- Compliance with Terms and Conditions
- Grantee-Level Oversight Issues
- Administrative Remedies

As a result of the OIG's previous efforts, we have identified prospective considerations that Department leadership should consider to enhance internal controls and prevent fraud, waste, and abuse.

### **SENIOR LEADER FRAUD**

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We examined 15 completed investigations that resulted in investigative outcomes, including 7 criminal convictions, 20 persons excluded from Federal Government contracting, and over \$2.25 million recovered. In the majority of these cases, the subject was either an executive at a Community Action Agencies (CAA) or the owner of a subcontractor. The facts and circumstances in these cases demonstrate the need for more rigorous oversight over the senior leadership of CAAs.

In North Carolina, a WAP Director at a CAA conspired with her relative to create a shell company which subcontracted weatherization repairs to local contractors and added a fee to each invoice. The conspirators additionally used the shell company to invoice for weatherization work that was never performed at addresses that did not exist. Also, the subjects changed computer entries in the CAA's computer system to ensure certain houses qualified for WAP services. In total, the conspirators awarded \$916,000 in weatherization subcontracts to this company. Both conspirators pleaded guilty to embezzling and were sentenced in Federal court to time in Federal prison in addition to over \$700,000 in restitution.

In Florida, a former WAP Executive Director of a CAA embezzled at least \$50,000 in Federal weatherization funds spent on repairs and upgrades to a rental property she owned as well on credit card purchases. The former Executive Director also created false documentation purporting to represent two low-income housing properties and invoiced these repairs to Government funding accounts. The former Executive Director pleaded guilty to theft from an organization receiving Federal funds and was sentenced to 5 years of probation, including 360 days of home confinement, \$50,000 restitution, and a \$10,000 fine.

Also, in Michigan, a former WAP Department Manager at a CAA stole over \$300,000 of Federal weatherization funding by creating a shell company and sending fraudulent invoices to this company as if providing materials and labor for legitimate weatherization jobs. Additionally, the

manager intentionally evaded payment of Federal income taxes on the stolen funds. The manager pleaded guilty to theft from an organization receiving Federal funds and tax evasion and was sentenced to 41 months of imprisonment and 2 years of supervised release. The manager was also ordered to pay \$431,828 in restitution and a \$200 special assessment fee. Notably, in this case, effective monitoring by the State of Michigan led to the scheme being reported to Federal law enforcement.

Further, in Rhode Island, a former Auditor employed with a CAA received over \$30,000 in kickbacks from a weatherization contractor and lied to the OIG about this involvement during the investigation. The investigation found that former Rhode Island State weatherization officials used their political influence to obtain weatherization benefits for themselves, family members, and friends who were unqualified to receive programs benefits. Interviews of CAA employees revealed collusion between contractors and the CAA to set prices for weatherization work, thereby avoiding open competition. In addition, the subgrantee submitted false invoices for incomplete work, improperly commingled American Recovery and Reinvestment Act funds with other awards, and failed to file financial documents under the terms of the award in a timely manner. The former Auditor pleaded guilty to one count of bribery and one count of false statements, and was sentenced to 1 year of home confinement, 2 years of probation, and 400 hours of community service.

## **CONTROLS OVER ACCEPTANCE OF WORK**

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We issued audit and examination reports demonstrating problems with substandard work, billing errors, unapproved work order changes, unperformed or undocumented final inspections, and charges for unsupported costs. These reports demonstrate a need for more rigorous internal controls over acceptance of work and documentation of expenses.

### **Substandard Work**

We issued audit reports identifying problems with substandard workmanship that, in some cases, could have resulted in significant property damage or injury to the homeowner.

In Illinois, testing found that 12 of the 15 homes visited failed final inspection because of substandard work.<sup>3</sup> In one instance, while accompanying inspectors, we found that a contractor did not correct improperly installed kitchen exhaust ductwork, as required by the work order, thereby creating a potential fire hazard. Additionally, we observed a furnace intake vent pipe that was installed incorrectly and found that five of the six tune-ups to heating systems were not properly performed, allowing the heating systems to either mis-fire or emit carbon monoxide at higher than acceptable levels. These observations of poor workmanship were consistent with State Monitoring reports identifying widespread deficiencies in weatherization work including a lack of pressure release pipes on water heaters, doors improperly hung, and heat barrier around chimneys that were not installed, causing fire hazards. In a July 2010 State Monitoring report, officials cited a significant number of gas leaks in single-family homes weatherized by

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<sup>3</sup> Audit Report on *The State of Illinois Weatherization Assistance Program* (OAS-RA-11-01, October 2010).

contractors, noting that the number of gas leaks verified during the monitoring review was “alarming.”

In Ohio, we found that the State and its CAAs did not always provide quality weatherization services.<sup>4</sup> Of the 837 homes included in the review, 585 homes, or 70 percent, reinspected by Ohio, required additional work to meet Ohio’s WAP standards. Sixteen of those homes did not pass Ohio’s reinspection because of major quality of work issues, while a significant number of lesser findings could have compromised the health and safety of the occupants or the homes’ structural integrity.

Additionally, auditors accompanied CAA staff on final inspections of 12 weatherized homes. Of these, 10 homes, or 83 percent, were cited as deficient by CAA staff and needed additional work because of improper air duct sealing, improperly installed exterior siding, use of the wrong carbon monoxide detectors, and insufficient weather stripping. Consistent with the findings, Ohio’s OIG also reported similar issues concerning the quality of work in Ohio’s WAP.

Further, in Missouri, we found that the State experienced recurring problems in the quality of weatherization work performed by contractors for CAAs.<sup>5</sup> For instance, State Monitors determined that approximately 30 percent (156 of 523) of the homes reinspected throughout Missouri required further action because the work was unacceptable. State Monitors found issues such as unacceptably high levels of carbon monoxide emitted by furnaces and hot water heaters; furnaces and hot water heaters that were not vented properly; and failures to properly install insulation and complete all work order requirements. Our observation of the final inspections of 20 homes found that 11 of the homes, or 55 percent, failed local agency final inspections. As an example, 8 of the 11 homes visited failed because a furnace or hot water heater was not working properly and emitting carbon monoxide at higher than acceptable levels, thereby increasing the risk to residents.

Substandard weatherization work can ultimately pose health and safety risks to occupants and area residents, hinder production, and increase WAP costs.

## **Billing Errors**

We issued audit reports identifying problems with financial controls that resulted in billing errors and inaccurate reimbursement of costs.

In West Virginia, we found that one CAA did not always have adequate financial controls to ensure the accuracy and integrity of costs incurred.<sup>6</sup> Specifically, the CAA reported that it billed the State for jobs even when the jobs were not completed due to weather delays, which prohibited work crews from completing various weatherization measures. However, the CAA did not maintain a list of incomplete homes to ensure that they were eventually completed.

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<sup>4</sup> Audit Report on *The Department of Energy’s Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Ohio* (OAS-RA-12-13, June 2012).

<sup>5</sup> Audit Report on *The Department of Energy’s Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Missouri* (OAS-RA-11-12, August 2011).

<sup>6</sup> Audit Report on *The Department of Energy’s Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of West Virginia* (OAS-RA-11-09, June 2011).

Consequently, we were unable to determine how often the State erroneously paid for materials that were not installed. In a sample of 10 homes, the report found 1 home still lacking roof coating and guttering 3 months after the State paid for these additions.

In Illinois, we identified erroneous billings at 10 of the 15 homes visited.<sup>7</sup> CAA inspectors found that contractors billed for labor and materials that had not been installed. For example, a contractor had installed a 125,000 BTU boiler, but billed for a 200,000 BTU boiler. Additionally, a contractor had installed one carbon monoxide detector, but billed for three. Another contractor had failed to install a gas shut-off valve, but billed for the work, and yet another contractor billed for almost four times the amount of drywall installed. Billing issues appeared to be pervasive, since 7 of the 10 contractors sampled were cited by the CAA for erroneous invoicing. While the CAA officials indicated that they identified and corrected the erroneous billings during the final inspection, a review of 298 State re-inspections identified more than 20 instances in which contractors submitted invoices and received payment for work not performed. Further, we found that the CAA approved contractors' weatherization costs that, in some cases, far exceeded the price an individual consumer would pay for the same materials. For example, prices for smoke alarms, fire extinguishers, and thermostats ranged from about 120 percent to 200 percent over the average retail price.

Further, in Michigan, we found that two CAAs requested reimbursement for unperformed work.<sup>8</sup> Of the 60 homes reviewed, officials could not provide documentation confirming that contractors properly reduced the amounts billed on two homes for repairs that were never completed due to the death of one occupant and scheduling conflicts with the other occupant. Additionally, 1 CAA had requested reimbursement for 12 of 45 homes reviewed prior to ensuring initial weatherization services had been provided, subsequent re-work had been performed, and the weatherization quality had met work standards. Billing errors and inaccurate reimbursement of costs increases WAP costs and, if uncorrected, increases the risk of fraud, waste, and abuse.

### **Unapproved Work Order Changes**

We issued an audit report identifying problems with work order changes.

In Tennessee, we noted that change orders to competitively awarded weatherization work contracts were not approved, as required, prior to the completion of the work, and CAAs did not ensure that the changes were cost-effective.<sup>9</sup> In the review of documentation supporting the weatherization of 68 homes, we identified at least 40 occasions where energy measures were either added to or deleted from the original planned work. In fact, the work order changes were often not approved until the work was invoiced and were made without the benefit of competition or a cost-benefit analysis. In particular, despite policies requiring prior approval, CAAs did not document their approval of work scope changes in 18 of the 43 cases reviewed until after the work had been completed. In eight of those cases, CAAs approved the change

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<sup>7</sup> See *supra* note 3.

<sup>8</sup> Audit Report on *The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Michigan* (OAS-RA-13-25, June 2013).

<sup>9</sup> Audit Report on *The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Tennessee* (OAS-RA-11-17, September 2011).

orders at the time the contractors' invoices were paid. Additionally, the CAAs had not performed savings-to-investment analyses when work was added to a contract, thus the required cost-effectiveness could not be established. For example, one change order was initiated to install a heat pump without performing a National Energy Audit Tool analysis. The contractor billed the agency about \$5,700 for the heat pump, a cost more than double the National Energy Audit Tool library cost and significantly exceeding the amount the CAA paid for other, comparable heat pumps.

Insufficient initial assessments of weatherization work increase the risk that contractors could circumvent the cost controls inherent in the competitive bidding process through work order changes.

### **Unperformed or Undocumented Final Inspections**

We issued audit and examination reports identifying problems with final inspections that were not conducted or documented, consistent with Federal requirements.

In Virginia, we found that two of the CAAs reviewed did not always perform or document final inspections on homes reimbursed by Virginia.<sup>10</sup> Under Virginia's WAP, CAAs are required to perform a final inspection of each dwelling unit before the job can be reported as complete and eligible for reimbursement. The final inspection must be signed and dated by the individual(s) trained and authorized to complete these inspections to ensure that WAP services have been provided in a quality manner, consistent with Federal requirements. However, we identified 1 CAA which lacked evidence of a post-work inspection or final inspection reports for 13 of 30 units reviewed, or 43 percent, even though it billed Virginia for the units as completed. Additionally, we found that another CAA did not perform final inspections of 70 percent of the dwelling units in multi-family complexes. Also, the final inspection reports for 9 of the 30 dwelling units sampled were missing the required signatures of individuals trained to complete the inspections.

Further, an examination conducted by an Independent Public Accountant at the direction of the OIG, of the Community Action Partnership of Orange County, found that final inspections were not performed on 7 of the 60 homes reviewed.<sup>11</sup> The CAA's undocumented policy was to conduct up to four follow-up phone calls to schedule the final home inspection. For the seven homes not inspected, the examination found that the CAA documented all unsuccessful contacts in a "client call tracking sheet;" however, after the attempted last call, no further action was taken to conduct the inspection, and the CAA considered the project complete.

### **Charges for Unsupported Costs**

We issued audit reports identifying problems with financial controls that resulted in unsupported costs. For example, in Virginia, we found requests for reimbursement were not supported by

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<sup>10</sup> Audit Report on *The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the Commonwealth of Virginia* (OAS-RA-11-14, August 2011).

<sup>11</sup> Examination Report on *Community Action Partnership of Orange County – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009* (OAS-RA-13-03, October 2012).



records verifying that costs incurred were reasonable and allowable.<sup>12</sup> Specifically, 1 CAA could only support about \$63,200 of \$539,500 reimbursed in labor and materials of 83 multi-family units. Instead of invoicing for actual costs incurred to weatherize the units, the CAA submitted an invoice based on 83 units times the \$6,500 maximum allowable average cost per unit. Additionally, the same CAA was unable to furnish support for \$62,300 of the \$100,000 it received for ramp-up and expansion of capabilities for its WAP. Further, in a sample of 30 job reports from the CAA, 27 percent in reimbursements for the weatherization of seven single family and two mobile homes were not properly supported. Finally, another CAA could not support about \$600,000 in material and labor costs associated with WAP services provided for 156 units in 3 multi-unit complexes.

In Indiana, we identified instances in which costs claimed and reimbursed were not adequately supported.<sup>13</sup> Specifically, costs for 22 of the 23 homes visited included 1 or more “special circumstance charges” for materials not listed on approved price sheets. Such charges included reimbursement for custom-sized doors, window sealing, electrical fittings, and related labor not included in an established price list. While the invoices provided a general description for the charges, they did not include a product description, model number, or receipt of purchase. For example, one contractor charged about \$350 for a furnace “draft inducer motor” without any description of the item or receipt for the purchase. Draft inducer motors can range in price from as low as \$57 to as high as \$635 with an assembly kit. In another instance, a contractor billed about \$400 for a sliding door—the price on the established list—but added \$300 for labor and material costs, which was unsupported with documentation. Payments to contractors for improperly supported services to weatherize eligible homes reduces the availability of funds and could deprive qualified homes of needed services, as well as increase the risk of fraud, waste, and abuse.

## **COMPLIANCE WITH TERMS AND CONDITIONS**

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We issued audit, examination, and inspection reports identifying problems with verifying applicant eligibility. Additionally, we reported problems associated with regulatory compliance, including the Davis-Bacon Act, competitive contracting, management of interest on advanced funds, and reporting. Also, we reported compliance issues regarding financial management, such as proper accounting for funds and items acquired with American Recovery and Reinvestment Act funds. These reports indicate a need for more rigorous policies and procedures for compliance with grant terms and conditions.

### **Verifying Applicant Eligibility**

We issued audit and examination reports identifying that states and CAAs did not always verify applicant eligibility for WAP services.

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<sup>12</sup> See *supra* note 10.

<sup>13</sup> Audit Report on *The Department of Energy’s Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act in the State of Indiana* (OAS-RA-11-13, August 2011).

At 1 CAA in Michigan, for 25 of the 60 cases reviewed, the number of occupants in the home at the time the WAP services were provided changed, or could not be verified, from the number originally reported on eligibility applications, potentially rendering the home ineligible for WAP services.<sup>14</sup> We were unable to conclude whether the homes were still eligible because eligibility had not been redetermined. At another CAA, 1 of the 45 cases reviewed had resident income exceeding Michigan's ceiling. In total, we questioned about \$112,300 related to these potentially ineligible WAP services.

In Virginia, one CAA provided WAP services to ineligible applicants and/or dwellings.<sup>15</sup> Specifically, the CAA weatherized three vacant units in multi-unit buildings that were ineligible because the CAA was unable to provide documentation that the vacant units were occupied by eligible households within the prescribed timeframe. In addition, a unit that served as the rental office was ineligible because it was used for a commercial purpose. Further, applicant household income exceeded the allowable maximum for 1 of the 30 files we tested. Finally, the CAA delegated responsibility for eligibility determination to another CAA. The CAA determining eligibility also owned a multi-unit complex that was being weatherized. Consequently, this arrangement created an apparent conflict of interest where the building's owner was responsible for determining unit eligibility.

Finally, in Texas, one CAA improperly weatherized multi-family dwellings even though eligibility requirements were not met.<sup>16</sup> Specifically, at least 50 percent of the units in a four-unit building did not meet eligibility requirements, and at least 66 percent of the units at an eight-unit building did not meet eligibility requirements. As a result, we questioned \$21,904 associated with the weatherization of those buildings.

## Regulatory Compliance

We issued audit, examination, and inspection reports identifying problems with regulatory compliance. Specifically, weatherization workers were not always paid prevailing wages in accordance with the Davis-Bacon Act. For example:

- In Ohio, 1 CAA paid 33 of 38 weatherization crew members, in aggregate, approximately \$100,000 less than what was required.<sup>17</sup>
- In Virginia, three of the five subcontractors we selected for review at one CAA did not pay their employees the mandated minimum hourly rate.<sup>18</sup>
- In West Virginia, we reviewed documentation for five homes and found that the subcontractors did not submit certified weekly payrolls, as required.<sup>19</sup> Without certified

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<sup>14</sup> See *supra* note 8.

<sup>15</sup> See *supra* note 10.

<sup>16</sup> Examination Report on *Alamo Area Council of Governments – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009* (OAS-RA-13-30, September 2013).

<sup>17</sup> See *supra* note 4.

<sup>18</sup> See *supra* note 10.

<sup>19</sup> See *supra* note 6.

payrolls, West Virginia, nor the CAA, could determine if the employees were paid at least the prevailing wage rate.

In addition, CAAs could not always provide evidence that items were competitively bid or reasonably priced.

In Ohio, 1 CAA could not provide evidence that 79 of 119 of the inventory items we sampled, totaling about \$49,400, were either procured through a competitive bid process or determined to be reasonably priced, as required.<sup>20</sup> Also, the CAA selected six contractors through sole-source procurements without documenting why soliciting bids was infeasible or costs totaling \$21,400 were justified. Further, another CAA in Ohio was unable to provide either bid solicitation or cost/price analysis documentation for 356 material items of the 372 reviewed totaling \$63,300. In addition, this CAA did not competitively solicit bids for the procurement of spray foam insulation totaling about \$451,800. The CAA split the procurement into 92 smaller purchases because it did not want to exceed the threshold which would have required competitive bidding.

Finally, in California, 1 CAA could not provide evidence that a cost or price analysis was performed for 16 of 17 invoices sampled.<sup>21</sup> The 16 invoices consisted of 14 materials and 2 service procurements totaling more than \$190,000.

Also, American Recovery and Reinvestment Act advances were not always deposited in interest-bearing accounts, or the associated interest earned was not always remitted to the U.S. Treasury. For example:

- In New York, 64 of its 74 CAAs did not deposit American Recovery and Reinvestment Act advances into interest-bearing accounts.<sup>22</sup> We conservatively estimated that had all CAAs in New York properly deposited funds into interest-bearing accounts, approximately \$118,000 in earned interest would have been returned to the Federal Government. The 10 entities that had deposited advances into interest-bearing accounts did not return about \$17,000 in interest earned to the U.S. Treasury.
- In Pennsylvania, 8 of 43 CAAs did not deposit advances into interest-bearing accounts.<sup>23</sup>
- In Ohio, CAAs did not collect and remit to the U.S. Treasury more than \$130,000 in interest earned on American Recovery and Reinvestment Act funds advanced for WAP activities.<sup>24</sup> One CAA accumulated more than \$76,000 in interest.

In addition, states and CAAs did not accurately report the number of homes weatherized or the number of jobs created and retained. For example:

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<sup>20</sup> See *supra* note 4.

<sup>21</sup> See *supra* note 11.

<sup>22</sup> Audit Report on *The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of New York* (OAS-RA-12-07, April 2012).

<sup>23</sup> Audit Report on *Selected Aspects of the Commonwealth of Pennsylvania's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program* (OAS-RA-11-02, November 2010).

<sup>24</sup> See *supra* note 4.

- In Virginia, the number of weatherized homes reported by the state differed significantly from the number of homes reported by CAAs.<sup>25</sup> During 1 quarterly reporting period, Virginia reported 316 homes weatherized, while CAAs reported 978 homes were weatherized.
- In Arizona, 40 of 525 completed housing units were reported as “walkaways,” defined as housing units where only initial energy audits were conducted with no weatherization work performed.<sup>26</sup> An Arizona official told us that Arizona reported 4,365 completed housing units, of which 242 were “walkaways.”
- In Ohio, 1 CAA reported creating 36 more jobs than were created.<sup>27</sup> Another CAA underreported labor hours on 13 projects and about 700 hours of work contracted to a local certified public accounting firm.
- In Michigan, one CAA based the number of jobs reported on new weatherization hires each month, rather than on the number of jobs created and retained.<sup>28</sup> During 1 quarter, six employees worked 1,740 hours which were not reported as part of the total jobs created and retained.

### **Compliance Issues Regarding Financial Management**

The OIG issued audit and examination reports identifying financial management issues. Specifically, CAAs did not appropriately account for and track American Recovery and Reinvestment Act Weatherization funds. For example:

- In Virginia, one CAA did not inventory two vehicles and a piece of equipment valued at over \$88,000 in total.<sup>29</sup>
- In Maryland, one CAA charged \$13,000 to American Recovery and Reinvestment Act weatherization that should have been charged to other funding sources.<sup>30</sup> Further, the CAA did not report \$14,000 of equipment and materials acquired with American Recovery and Reinvestment Act funds.
- In West Virginia, two CAAs had numerous differences between physical counts of WAP materials and their recorded inventories.<sup>31</sup> One CAA could not resolve discrepancies for 80 individual items valued at \$5,100. These discrepancies represented only a sample of

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<sup>25</sup> Preliminary Audit Report on *Management Controls over the Commonwealth of Virginia’s Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program* (OAS-RA-10-11, May 2010).

<sup>26</sup> Inspection Report on *Alleged Misuse of American Recovery and Reinvestment Act Grant Funds by the Western Arizona Council of Governments* (INS-RA-12-01, February 2012).

<sup>27</sup> See *supra* note 4.

<sup>28</sup> See *supra* note 8.

<sup>29</sup> See *supra* note 25.

<sup>30</sup> Examination Report on *Montgomery County Department of Housing and Community Affairs – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009* (OAS-RA-13-06, January 2013).

<sup>31</sup> See *supra* note 6.

materials for 1 month. Another CAA had unreliable and inaccurate information. For example, recorded inventory for 1 insulation material was overstated by 102 units, or nearly 50 percent of the reported inventory when compared to the physical count.

## **GRANTEE-LEVEL OVERSIGHT ISSUES**

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In prior reports, we observed insufficient oversight at both the state level and with CAAs. We identified insufficient staffing; inadequate training; and inadequate systems for identifying, tracking, and preventing problems from recurring.

### **Insufficient Staffing**

We issued audit reports identifying insufficient staffing.

In Virginia, only one full-time person was assigned to the WAP.<sup>32</sup> Although this individual was supported by part-time administrative staff assigned to other economic development programs, as well as a part-time technical monitor, no financial monitor was assigned to the WAP effort.

In Ohio, officials stated they did not attain necessary staffing levels to adequately monitor the WAP until about a year into American Recovery and Reinvestment Act implementation.<sup>33</sup> Ohio officials noted that production was higher than anticipated because of lower than project per home costs, increasing Ohio's and CAAs' workloads. In addition, CAA officials told us it took time to train and certify newly hired inspectors.

### **Inadequate Training**

We issued audit reports identifying inadequate training. For example, based on discussions with state and CAA officials in Missouri, a contributing factor to weatherization work quality problems may have been a lack of uniformly trained contractors, assessors, and inspectors.<sup>34</sup> Although the State's 2009 Weatherization Annual Plan identified the need for statewide training, Missouri did not fully provide the planned training. In particular, Missouri did not track training taken by CAA and contractor personnel, establish minimum qualifications and training requirements for weatherization contractors as a prerequisite to bid on weatherization jobs, nor establish minimum qualifications and training requirements for CAA assessors and inspectors.

In Maryland, CAA officials told us that the deficiencies we identified were, in part, the result of insufficient time to properly train staff.<sup>35</sup> Officials prioritized production to provide quality WAP services and meet demanding WAP goals, acknowledging they did not adequately address financial training needs.

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<sup>32</sup> See *supra* note 25.

<sup>33</sup> See *supra* note 4.

<sup>34</sup> See *supra* note 5.

<sup>35</sup> Audit Report on *The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Maryland* (OAS-RA-13-07, January 2013).

## **Lack of Systems to Identify, Track, and Resolve Issues**

We issued audit reports that identified issues with identifying, tracking, and resolving commonly occurring issues.

In Ohio, State Officials and CAAs did not track the percent of homes not passing inspections, or adequately summarize major findings from monitoring visits to identify systemic quality of work issues.<sup>36</sup> Of nearly 300 units which either failed or required re-work, 30 percent of the units required callback to seal ductwork, and 15 percent required repair or replacement of venting for clothes dryers.

In Michigan, State and CAA officials did not analyze inspection reports to identify commonly occurring deficiencies and contractors who repeatedly under-performed.<sup>37</sup> In fact, 2 of 13 contractors at 1 CAA completed work on almost half of the items requiring re-work, and 2 of 8 contractors at another CAA performed work on 11 of the 12 homes requiring re-work.

Finally, although West Virginia repeatedly identified workmanship issues in its reviews of local agencies, it did not identify and correct system-wide deficiencies, relying instead on correcting problems on a home-by-home basis.<sup>38</sup> West Virginia did not perform state-level trend or root cause analyses to identify systemic problems and did not routinely review re-inspection findings to determine frequently recurring problems.

## **ADMINISTRATIVE REMEDIES**

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In reviewing prior audit and investigation work related to WAP, we noted that the Department did not act often or quickly to impose administrative remedies on bad actors. We observed that very few administrative remedies such as suspensions and debarments were made for the multitude of problems that occurred and were identified throughout the WAP during the American Recovery and Reinvestment Act era. Likewise, proactive use of award-level remedies such as additional reporting, switching from draws to reimbursements, award suspension, and claim denials would enhance program integrity.

To address these prior issues with administrative remedies, the Department should consider policies and procedures that would support the expeditious identification and handling of administrative remedies, including, but not limited to, suspension, debarment, and Program Fraud Civil Remedies Act matters. The Department should complement any structural improvements with training and resources. All personnel in a position to observe evidence that would support these proceedings should appreciate the significance of that evidence and know where to go with the evidence so that appropriate officials can protect the Government's interests. Offices responsible for administrative remedies must, likewise, have sufficient resources to ensure the handling of referrals in a timely manner.

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<sup>36</sup> See *supra* note 4.

<sup>37</sup> See *supra* note 8.

<sup>38</sup> See *supra* note 6.

## **PROSPECTIVE CONSIDERATIONS**

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As the Department moves forward with its Infrastructure Law projects, this report identifies prospective considerations that Department leadership should consider for WAP to improve internal controls and prevent fraud, waste, and abuse. Considerations include the following:

- More rigorous oversight over subgrantee leadership and subcontractors.
- Exploration of opportunities to use modern oversight tools, such as specialized software and data analytics.
- Reservation and allocation of sufficient resources to:
  - Enable the Department to conduct appropriate oversight of these funds.
  - Assist grantees and subgrantees in designing proper internal controls.
  - Ensure a substantial level of review and oversight of WAP grants at all levels—the primary grantee level, the subgrantee, as well as the construction contractors performing WAP services.
  - Perform real time testing of compliance with grant terms and conditions, as well as testing of internal controls, especially in acceptance of work and final invoicing processes.

## Appendix 1: Prior Reports

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- [Management Alert on the Department's Monitoring of the Weatherization Assistance Program in the State of Illinois](#) (OAS-RA-10-02, December 2009)
- [Selected Department of Energy Program Efforts to Implement the American Recovery and Reinvestment Act](#) (OAS-RA-10-03, December 2009)
- [Progress in Implementing the Department of Energy's Weatherization Assistance Program Under the American Recovery and Reinvestment Act](#) (OAS-RA-10-04, February 2010)
- [The State of Illinois Weatherization Assistance Program](#) (OAS-RA-11-01, October 2010)
- [Selected Aspects of the Commonwealth of Pennsylvania's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program](#) (OAS-RA-11-02, November 2010)
- [The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the City of Phoenix – Agreed-Upon Procedures](#) (OAS-RA-11-03, November 2010)
- [Management Controls over the Commonwealth of Virginia's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program](#) (OAS-RA-10-11, May 2010)
- [The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the Capital Area Community Action Agency – Agreed-Upon Procedures](#) (OAS-RA-11-04, February 2011)
- [The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Wisconsin](#) (OAS-RA-11-07, May 2011)
- [The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of West Virginia](#) (OAS-RA-11-09, June 2011)
- [The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Missouri](#) (OAS-RA-11-12, August 2011)
- [The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act in the State of Indiana](#) (OAS-RA-11-13, August 2011)
- [The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the Commonwealth of Virginia](#) (OAS-RA-11-14, August 2011)



## Appendix 1: Prior Reports

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- [\*The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Tennessee\*](#) (OAS-RA-11-17, September 2011)
- [\*Community Action Partnership of the Greater Dayton Area – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009\*](#) (OAS-RA-11-18, September 2011)
- [\*Cuyahoga County of Ohio Department of Development – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009\*](#) (OAS-RA-11-19, September 2011)
- [\*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)
- [\*Action for a Better Community, Inc. – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009\*](#) (OAS-RA-11-21, September 2011)
- [\*Alleged Misuse of American Recovery and Reinvestment Act Grant Funds by the Western Arizona Council of Governments\*](#) (INS-RA-12-01, February 2012)
- [\*Saratoga County Economic Opportunity Council, Inc. – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009\*](#) (OAS-RA-12-05, January 2012)
- [\*The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of New York\*](#) (OAS-RA-12-07, April 2012)
- [\*The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Ohio\*](#) (OAS-RA-12-13, June 2012)
- [\*Community Action Partnership of Orange County – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009\*](#) (OAS-RA-13-03, October 2012)
- [\*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)
- [\*Montgomery County Department of Housing and Community Affairs – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009\*](#) (OAS-RA-13-06, January 2013)

## Appendix 1: Prior Reports

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- [\*The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Maryland\*](#) (OAS-RA-13-07, January 2013)
- [\*Fresno County Economic Opportunities Commission – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009\*](#) (OAS-RA-13-11, February 2013)
- [\*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)
- [\*Travis County Health & Human Services and Veteran Services – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009\*](#) (OAS-RA-13-18, April 2013)
- [\*Area Community Services Employment and Training Council – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009\*](#) (OAS-RA-13-23, June 2013)
- [\*Southwest Michigan Community Action Agency – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009\*](#) (OAS-RA-13-24, June 2013)
- [\*The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Michigan\*](#) (OAS-RA-13-25, June 2013)
- [\*Alamo Area Council of Governments – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009\*](#) (OAS-RA-13-30, September 2013)
- [\*Selected Recipients of Maryland Weatherization Assistance Program Funds\*](#) (DOE/IG-0942, July 2015)

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