

FINAL AUDIT REPORT

DEPARTMENT OF COMMUNITY AFFAIRS

WEATHERIZATION ASSISTANCE PROGRAM
ARRA IMPLEMENTATION

FEBRUARY 14, 2009 THROUGH JANUARY 31, 2010

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Executive Summary

The Department of Community Affairs (DCA), Office of Inspector General, conducted an audit of the implementation of Weatherization Assistance Program (Program) American Recovery and Reinvestment Act (ARRA) requirements for the period February 17, 2009 through January 31, 2010. The purpose of our audit was: 1) to determine whether the Program's internal controls are adequate to ensure compliance with ARRA rules and regulations as well as applicable federal and state policies and procedures; 2) to determine whether the Program implemented all the priorities set forth in the State Program Plan and 3) to determine whether the processes and procedures delineated in the State Plan are working as planned.

The audit found that 1) while some controls over the implementation of ARRA requirements were in place, there are areas that need strengthening; 2) ARRA record retention requirements have not been clearly communicated to the Program staff and the Program guidelines are vague about ARRA record retention requirements; 3) grantee monitoring controls are inadequate to ensure that subgrantees are fully complying with ARRA requirements; 4) the priorities set forth by the Program State Plan were not fully implemented as promised; 5) the Program does not require subgrantees to maintain supporting documentation for Fee for Services expenditures and Program staff are not able to review expenditure supporting documentation prior to processing monthly reimbursements; 6) the Program is not meeting established production goals; 7) numerous errors and inconsistencies were observed on the monitoring documents from the contracted field monitors; and 8) the Program has no procedures in place to verify the subgrantees' supporting data for the reported jobs preserved or created.

The audit findings, control deficiencies, and recommendations as they relate to this audit are further detailed in the **Findings and Recommendations** section of this report.

Introduction

Background:

In February 2009, Congress enacted the American Recovery and Reinvestment Act (ARRA) which provides for unprecedented levels of federal funding designed to promote economic recovery, invest in programs, and preserve and create jobs. As a result, ARRA requires recipients to heighten the level of transparency, oversight, and accountability. The US Department of Energy (DOE) was awarded \$5 billion in funding for the Weatherization Assistance Program. DCA's Program submitted the Weatherization Assistance State Plan to US Department of Energy and received \$175,984,474 million in ARRA monies to fund weatherization activities in Florida. The Program State Plan identified and set forth the Program's priorities and an agenda for designing and implementing the activities that best accomplish the objectives of ARRA. The ARRA requirements for the Program increased the level of monitoring and oversight as well as the program reporting requirements.

Similarly to the regular Weatherization funds, the ARRA Weatherization grant funds were provided to community action agencies, local governments, Indian tribes, and non-profit agencies to provide program services for low-income families. It is through these entities that program services are provided throughout the state. Weatherization assistance is intended to provide energy saving measures, such as replacing air filters, wrapping water heaters, insulating water lines, and installing faucet aerators and low flow showerheads. With the ARRA Weatherization funds, services are provided to any type of dwelling unit, in which the occupants meet the established poverty income guidelines.

US Department of Energy released funds to the Program based on achieving targeted production milestones:

1. 10 percent of total allocation at the time of initial application;
2. 40 percent of total allocation upon DOE approval of the State Plan; and
3. Remaining 50 percent of the total allocation will be released following DOE completion of the progress reviews.

In order to prepare subgrantees for the increased requirements associated with ARRA Weatherization, capacity agreements were executed between the Program and its subgrantees. The capacity agreements permitted the subgrantees to prepare for increased production requirements along with the administrative requirements. Once the mandatory benchmarks of the capacity agreements were met by the subgrantees, the Program executed a second subgrantee agreement to provide funding for the actual weatherization services.

To further carry out the activities set forth in the State Plan, the Program entered into six service provider contracts to conduct field monitoring, fiscal monitoring, inspector and contractor training, and to perform a review of the subgrantees' compliance with the Davis Bacon Act requirements.

Audit Scope and Objectives:

The scope of the audit was the implementation of the ARRA requirements for the Weatherization Assistance Program for the period of February 17, 2009 through January 31, 2010.

The objectives of the audit were to: 1) determine whether the Program's internal controls are adequate to ensure compliance with ARRA rules and regulations as well as applicable federal and state policies and procedures; 2) determine whether the Program implemented all the priorities set forth in the State Plan and 3) determine whether the processes and procedures delineated in the State Plan are working as planned.

Methodology:

To accomplish our objectives, we:

- Reviewed the State Plan;
- Reviewed established Program Guidance;
- Reviewed Program ARRA training materials;
- Reviewed Field Monitor Contracts;
- Reviewed Subgrantee agreements;
- Reviewed Subgrantee files;
- Inspected the Financial Status Reports;
- Inspected Field Monitoring Reports;
- Reviewed and analyzed the jobs data reported.

In obtaining and documenting our understanding of selected components of the controls over the implementation of the ARRA requirements, we interviewed key Program personnel responsible for the programmatic and fiscal administration of the Program and we interviewed the contracted service providers. We also reviewed applicable laws, rules, regulations, and Program policies and procedures. Furthermore, we documented our understanding and tested selected controls to determine whether the controls are in place and working effectively.

Standards:

Our audit was conducted in accordance with Government Auditing Standards issued by the United States General Accounting Office; Standards and Professional Practices for Internal Auditing issued by the Institute of Internal Auditors; and other applicable federal, state and local regulations.

Results of Audit

In our opinion, except as noted in the findings and recommendations listed below, the Division of Housing and Community Development, Weatherization Assistance Program, implemented the ARRA requirements as set forth in the Weatherization State Plan and complied with applicable policies and procedures, rules and regulations.

Internal Control

Internal control is a process, affected by management that is designed to provide reasonable assurance regarding the achievement of established goals and objectives. Internal controls include the processes for planning, organizing, directing, and controlling program operations. They include the system for measuring, reporting, and monitoring program performance.

We noted areas in which internal controls could be strengthened. These findings are discussed in detail throughout the Findings and Recommendations section of this report.

Findings and Recommendations

Finding 1: While some controls over the implementation of ARRA requirements were in place, there are areas that need strengthening.

With the onset of the stimulus funding, it is more important now to ensure that the Program has strong and sufficient controls in place to properly monitor the ARRA funds and compliance with ARRA requirements. Although the Program had some controls in place to ensure adherence to the ARRA requirements and the State Plan, the Program:

1. Provided no fraud prevention training to either Program staff or subgrantees.
2. Did not request expenditure supporting documentation, prior to reimbursement approval, to substantiate that reported expenditures on the Financial Status Report were true, correct, and allowable.
3. Performed no regular desk audit of subgrantee invoices to ensure reported expenditures were true, correct, and allowable.
4. Did not periodically sample invoices to verify that supporting documentation exists and expenditures were true, correct, and allowable.
5. Had no guidance for staff to review ensuring only allowable expenditures and activities are approved and reimbursed. They indicated that they “just know” what is an allowable expenditure and an unallowable expenditure.
6. Program staff review the expenditures by verifying that only allowable categories are used to report expenditures on the Financial Status Report. The expenditure categories on the Financial Status Report have been approved by the Program office and cannot be edited in eGrants, the system responsible for transmitting the Financial Status Reports from the subgrantee to the Program office. The verification performed by the Program staff does not provide

evidence that the expenditures are true and allowable, but that the approved expenditure categories are used when reporting financial data.

7. Had no specific steps or tasks in the close out procedure that addressed the "review of the close out report." The lack of clearly defined guidance for grant close out procedures could lead to omissions and inconsistencies during the close out phase of the subgrant's lifecycle.
8. Focused heavily on the last payment made to the subgrantee in the close out procedures and omitted the programmatic element of the grant close out process, such as determining whether all services were provided and were acceptable, whether program objectives were met, whether all required reports were submitted, and any sanctions were collected for non-performance or non-compliance.

Recommendation 1:

We recommend that the Program:

1. Provide fraud prevention training to both employees and subgrantees to help identify and manage risks associated with fraud.
2. Develop desk audit procedures that include periodic verification of expenditures to the actual supporting documentation and determining whether expenditures were allowable. A sufficient sample should be selected to provide adequate data regarding the subgrantee's fiscal accountability.
3. Revise the close out procedures in the standard operating procedures manual to include detailed, specific steps necessary to close out the subgrant agreement. The grant close out procedures should address the fiscal and programmatic elements of the process, such as disallowed costs, unused grant funds, submission of all required reports, assessment of sanctions for noncompliance, accomplishment of program objectives, and satisfaction of services provided.

Management's Response:

#1 & #2- We concur with this finding and in fact, procedures have been initiated since the field work phase of this audit was completed. Through the ARRA WAP Training and Technical Assistance funds FDCA contracted with a financial consulting group that has provided fraud prevention and risk training to our subgrantees and staff. The monitoring tool developed by the contractor includes a desk audit checklist to be used by staff for performing monthly desk audits to include fiscal accountability with each subgrantee for proper grant management. The desk audits will be implemented by June 30, 2011.

#3 - Procedures for recommendation #3 will be completed by June 30, 2011. The Community Assistance Section has contracted with a firm that is upgrading and updating policies and procedures for WAP. A full and proper close out procedure with the elements outlined in the OIG recommendation will be a part of the upgrade.

Finding 2: ARRA record retention requirements have not been clearly communicated to the Program staff and the Program guidelines are vague about ARRA record retention requirements.

Department of State, General Records Schedule, GS1-SL, Item #109, requires that grantor agencies maintain documents for the administration of a grant program for 5

fiscal years after the completion of the grant cycle, provided applicable audits have been released. During our audit, Program management indicated that Program staff were aware of the record retention requirements. However, during the interview with the Program staff, it came to our attention that the record retention requirements for grant programs had not been communicated to the Program staff. The policy and procedures manual did not address the record retention requirements for the grant program. Because the policy and procedures manual omitted this guidance, the Program staff had no source to consult for information on the record retention requirements.

Recommendation 2:

We recommend that the Program inform their staff of the record retention requirements and update the Program policy and procedures manual to contain a provision addressing record retention requirements for grant programs. The Program should consider providing training to the staff on the record retention requirements.

Management's Response:

Program policy and procedures will be updated by June 30, 2011, to include record retention requirements. All WAP staff will be required to read and remain familiar with the new policy and procedures.

Finding 3: Grantee monitoring controls are inadequate to ensure that subgrantees are fully complying with ARRA requirements.

Grantee monitoring is a process of providing oversight of subgrant agreements to track and verify compliance with ARRA requirements. It should include, but not limited to, onsite visits, a review of fiscal and performance data, and it should involve actions to evaluate compliance with ARRA requirements. While a portion of the field monitoring was outsourced, the Program hired additional in-house staff to assist in the performance of the grantee monitoring duties. The Program modified the in-house monitoring tool to include certain ARRA requirements, but the monitoring tool was not adequately modified given the Program's high risk nature associated with such a significant amount of funding. We noted that the monitoring tool primarily focused on the programmatic oversight, rather than the fiscal oversight.

Our review of the Program staff's monitoring records indicated the following weaknesses:

1. The fiscal portion of the annual monitoring visit consists of reviewing only one invoice and its supporting documentation. There appears to be insufficient documentation reviewed to determine whether funds are properly spent.
2. We found no evidence that Program staff reviews the monthly tracking report to identify the subgrantees that need to be monitored during the next quarter as required by the Program's operating procedures.
3. Program staff permit the subgrantees to select the homes to be visited or inspected during the onsite visit, potentially biasing the sample toward homes that had no issues and satisfactory workmanship.
4. One of the Program consultants performing the monitoring visits was not requiring the subgrantees to submit a photo documenting the lead safe

weatherization being performed on the first pre-1978 weatherized dwelling as required by the State Plan.

Recommendation 3:

We recommend that the Program:

1. Establish good fiscal monitoring policy and procedures to ensure sufficient number of invoices and supporting documentation are reviewed in order to evaluate the subgrantee's fiscal accountability.
2. Comply with their operating procedure to review the monthly tracking report and identify those subgrantees that need to be monitored during the next quarter.
3. Revise the monitoring procedures to ensure that Program staff select homes for onsite review and inspection.
4. Enforce the requirement of the State Plan to obtain photos of the first pre-1978 lead safe weatherized dwellings from the subgrantees.

Management's Response:

#1 - WAP staff completed a fiscal monitoring training provided by a financial consultant firm contracted through ARRA WAP funding referenced in Finding 1. The training provided staff with a fiscal procedure and guidance manual that includes a fiscal monitoring instrument to be utilized during on-site monitoring visits. From this monitoring instrument, staff will develop a desk review instrument. Commencing with the February production reports (due March 5, 2011) staff will begin requesting invoices to review. This will enable staff to test the instrument. Based upon this initial review and the results of the next on-site fiscal monitoring, staff will determine a monthly minimum number of requested job invoices to be submitted per subgrantee.

#2 & #3 - At the present time, staff determines the priority order of subgrantee monitoring visits for each month based on the monthly review of FSR production along with email and phone communication with each subgrantee. Staff will begin projecting these monitoring visits on a quarterly basis. WAP management and program staff will ensure that the required percentage of dwelling inspections are completed in accordance with federal guidelines and State Plan provisions. Program staff indicates in the "coming to visit" letter the number of dwellings that should be made available for inspection during the monitoring visit. In addition, staff will include dwellings that, based upon the desk review, appear to warrant an on-site inspection.

#4 - Since the ARRA WAP is a two year agreement, to ensure compliance of the photo documentation requirement, in addition to receiving photos for first pre-1978 dwelling which requires LSW, during monitoring visits staff will also review the subgrantee files for photos of other pre-1978 lead safe weatherization dwellings and any subgrantees that are not in compliance will be required to submit photos of the next dwelling receiving weatherization services that are pre-1978.

Finding 4: The priorities set forth by the Program State Plan were not fully implemented as promised.

The Program used the State Plan as means to identify and design specific activities that would accomplish the objectives of the ARRA requirements. We found that Program

management did not implement all measures reported in the State Plan; however, some of the unimplemented measures were compensated with other activities not specifically included in the State Plan. The remaining unimplemented measures were determined by Program management to be unnecessary. We noted the following unimplemented measures:

1. Subgrantees were not required to submit a Training and Technical Assistance questionnaire along with the ARRA Weatherization subgrantee agreement. Program staff later decided to discuss with the subgrantees their specific training needs and then assess and coordinate for those training needs.
2. No State Training and Technical Assistance visit was conducted to provide overall programmatic and guideline training to inspectors after the initial inspector training. As part of the monitoring visits, the training and technical assistance for the inspector's competencies would be addressed.
3. No training was provided to workers currently under the supervision of a licensed contractor and interested in performing weatherization work. No curriculum was developed for the training although the Program attempted to develop the curriculum with another state agency. The collaborative efforts were unsuccessful in producing a training curriculum.
4. The targeted expenditure average of \$3,243, for the installation of an approved renewable energy saving system, was not applied by the Program. The failure to apply this target was due to a misunderstanding by the Program. The targeted \$3,243 expenditure limit for renewable energy saving system was to be included in the average \$6,500 per home limit, rather than in addition to the average expenditure per home limit.
5. The quarterly status reports submitted by subgrantees unable to meet production goals did not reflect the required explanation for unmet production goals and the corrective actions needed to meet the future production goals. Program staff stated that this measure was not implemented and that they now work with the subgrantees on issues discovered during the monthly review process.
6. The deadlines for submitting monthly reports are inconsistent among the State Plan, the subgrantee agreement, and the Program policy and procedures manual. Both the State Plan and Policy and Procedures manual require that the monthly Financial Status Reports be submitted by the 10th of the following month. However, the subgrantee agreement states that monthly reports are due no later than 15 days after the end of the each production cycle (first day through the last day of each month.) We noted that the Program's current practice is to receive the monthly reports by the 5th of the following month.
7. No provisions were implemented to ensure whistleblower protection for employees disclosing mismanagement, waste, and abuse or to require the subgrantee to post notice of such rights and remedies.
8. The Program does not require subgrantees to refer to DOE or other appropriate Inspector General any credible evidence that a person submitted false claims, or has committed criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity or similar misconduct involving ARRA funds.

Recommendation 4:

We recommend that the Program review the process and procedures set forth in the State Plan and develop a plan to fully implement and comply with the remaining unmet initiatives, or update the Program's State Plan.

Management's Response:

WAP management will review the ARRA WAP State Plan to determine the status of all remaining initiatives and evaluate each. Based upon this evaluation, it will be determined which initiatives will not be undertaken. Per consultation with USDOE, a state plan does not need to be updated unless there are budgetary changes or major deviations from USDOE mandated requirements that were provided in the USDOE guidance documents. States have the latitude to deviate from the original planned activities as circumstances dictate and are not required to update the State Plan for activities that will not be performed.

Finding 5: The Program does not require subgrantees to maintain supporting documentation for Fee for Service expenditures and the Program staff are not able to review expenditure supporting documentation prior to processing monthly payments.

The Fee for Service expenditure category represents the program support costs, directly associated with weatherizing homes, such as salaries, mileage, space, utilities, and other personnel activities directly involved with weatherizing a home. This category is reported on the monthly Financial Status Report and is limited to 30 percent of the materials and labor costs reported on the Financial Status Report. The eGrants system, used by the subgrantees to report financial and programmatic data to the Program, automatically limits the amount of Fee for Service expenditures to be claimed in this category to the 30 percent of material and labor costs reported for the period. The weatherization guidance states that the Fee for Service amount cannot be edited until the grant close out period begins; however, Program management indicated to us that subgrantees can edit this field to report less than the 30 percent limit. Program management stated that no subgrantee has requested or reported less than the automatic 30 percent calculated for this expenditure category. During the implementation of the ARRA grant, it appears that the Program did not consider the impact that the substantial increase in Weatherization funding would have on the automatic Fee for Service computation. Due to the current method of determining Fee for Service expenditures, subgrantees are billing ten times more expenditures now as compared to previous years. While some increase in this category is to be expected, it seems unreasonable that Fee for Service expenditures would increase at a rate of ten times that of the previous years. Our audit revealed that the Fee for Service expenditures were not justified with supporting documentation and the Program did not require subgrantees to maintain supporting documentation for Fee for Service expenditures.

Recommendation 5:

We recommend that the Program modify eGrants to ensure that subgrantees can enter actual allowable expenditures for the Fee for Service category, up to the 30 percent limit, rather than rely solely on eGrants to automatically calculate the Fee for Service

expenditures. Furthermore, we recommend that the Program provide guidance clarifying the allowable expenditures for the Fee for Service category, and require the subgrantees to maintain supporting documentation justifying the expenditures claimed in the Fee for Services category.

Management's Response:

Procedures are being developed to require subgrantees to document cost reported in the Fee For Service category and train consultants on the process of periodically reviewing the documentation. A financial consultant group has been retained through the ARRA WAP funding to work with FDCA WAP staff to determine what the allowable expenditures would be, develop a reporting document for the subgrantees and provide training and technical assistance to each subgrantee. State staff will periodically request a copy of that report from subgrantees when performing desk reviews and during monitoring visits to ensure only allowable expenditures are charged to the ARRA WAP. This initiative will be implemented by June 30, 2011.

Finding 6: Numerous errors and inconsistencies were observed on the monitoring documents from the contracted field monitors.

Due to the significant amount of ARRA stimulus funding awarded to the Program and the increased levels of production, Section 4 of the State Plan indicated that the State would increase the subgrantee monitoring. Subgrantee monitoring is an internal check built into a system of internal controls in order to minimize the risk of errors and omissions and to ensure compliance with laws, rules, and regulations. The increased level of subgrantee monitoring was accomplished by hiring additional in-house staff and outsourcing the field monitoring function to two providers. The outsourced field monitoring function consists of inspections conducted on 50 percent of the dwellings weatherized and a review of 100 percent of the client files and subgrantees' records to ensure that the following documents were on file prior to submitting the reimbursement requests to the Program in the eGrants system:

1. Priority List Assessment Tool (PLAT) was utilized;
2. Bidding process was documented;
3. Required permits were obtained;
4. All measures were installed as indicated on the Building Work Report (BWR);
5. Workmanship for measures installation was acceptable;
6. Supporting invoices for measures installed existed.

Subgrantees enter financial and programmatic data in the eGrants system which interfaces with the Program's Grants Administration System (GAS) and transmits the data that is reported on the Financial Status Report.

The field monitors prepare a Field Monitor Monthly Agency Report for each monitoring visit conducted on a subgrantee. The Field Monitor Monthly Agency Report identifies the number of client files reviewed, the number of dwellings inspected and the number of homes uploaded in eGrants for review and approval for reimbursement processing. This report further identifies those client files reviewed that passed or failed, dwellings visited that passed or failed and homes uploaded in eGrants that passed or failed. The

field monitor's onsite monitoring visit is documented on the ARRA Field Monitoring Report, which is prepared for each home weatherized by the subgrantee. The ARRA Field Monitoring Report identifies the documents reviewed per client file, and the installed weatherization measures observed during the onsite dwelling inspection. The Field Monitor Monthly Agency Report documents the date of the field monitor's approval of the client file review, the onsite dwelling inspection, and the reimbursement in eGrants. Once the client files pass the field monitor review, the field monitor sends a faxed copy of the ARRA Field Monitoring Report to the Program for review, approval and reimbursement processing. The Program staff compare the faxed ARRA Field Monitoring Report to the client list attached to the Financial Status Report in GAS for agreement and the Financial Status Report is then approved for payment.

We reviewed five client files from the subgrantees' office and noted the following errors:

1. Four subgrantee client files had no bid documentation on file although the field monitor indicated the documents were found in the client files.
2. One subgrantee client file had no income documentation on file for the second household member and the field monitor reported that it was found in the subgrantee's client files.
3. Two subgrantee client files had no invoices on file while the field monitor reported to have found those items in the file.
4. One subgrantee client file had no completed Priority List Assessment Tool, blower door readings, monoxor tests, or permits on file, but the field monitor noted these items as found in the subgrantee client files.

We reviewed nine subgrantee files at the Program office and noted the following errors:

1. One Field Monitor Monthly Agency Report listed six client files reviewed while the field monitors prepared 12 ARRA Field Monitoring Reports for 12 client files reviewed.
2. One ARRA Field Monitoring Report reflected that a refrigerator was ordered, but not installed at the time reimbursement for payment was submitted and reimbursed. All measures must be complete prior to submitting a request for reimbursement.
3. Field Monitors failed to document on the ARRA Field Monitoring Report that two homes failed the dwelling inspection.
4. The Field Monitors failed to notify the Program that two homes failed inspection. At the time of discovery, the Program had already approved the Financial Status Report for payment.

Our original sample of nine Program office subgrantee files only contained three client files that had been monitored as evidenced by the ARRA Field Monitoring Report. Therefore, we selected an additional nine ARRA Field Monitoring Reports, for a total of 12 ARRA Field Monitoring Reports reviewed. Out of the 12 ARRA Field Monitoring Reports reviewed, we noted that five reports had errors made by the field monitors:

1. One ARRA Field Monitoring Report failed to identify a home that exceeded the 3000 CFM maximum, and the aerator and floor insulation were charged to the

grant, but uninstalled. It also reported that installed windows were not air sealed and window screens were incorrectly installed.

2. One ARRA Field Monitoring Report failed to note that PLATs were incomplete, dates on the Building Work Report and the Pre Work Order Assessment form were out of sequence, confirmation of required measures were omitted as required on the Building Work Report and uninstalled measures were reported on the Building Work Report.
3. One ARRA Field Monitoring Report failed to note that an energy audit had not been performed on units that had HVAC systems replaced, that initial inspections were not properly completed, that the subgrantee was not following the Priority List and that a HVAC system was installed in an ineligible home.
4. One ARRA Field Monitor Report failed to document that a water heater had not been insulated.
5. One ARRA Field Monitor Report failed to note that disability documentation was missing from the file.

While field monitors are utilizing the required field monitoring checklists and performing the requisite number of onsite dwelling inspections according to the State Plan, the monitoring services provided need more attention to detail in order to eliminate errors and achieve the desired quality necessary to demonstrate compliance with program procedures. Based on the field monitoring contracts, field monitors are paid based on the number of dwelling inspections and client files that "pass" the field monitoring review. As a result, the field monitors have a personal, financial incentive to "pass" client file reviews and dwelling inspections rather than to report issues that cause inspections to fail. Additionally, the field monitors are not paid for time spent assisting the subgrantees with noncompliance matters.

Recommendation 6:

We recommend that the Program increase the training and technical assistance provided to the field monitors to reduce errors and omissions made during the field monitoring review.

Management's Response:

All field monitors received additional training on proper dwelling and client file inspection procedures and guidelines in December, 2010. Technical assistance is also given to field monitors when the FDCA consultants are on-site with the agencies. Individual issues are reported to management by the consultants and then shared with the two contracting organizations for dissemination to their staff as needed. The state office will coordinate followup webinars and conference calls if further clarification is needed on issues or to solicit feedback from the field monitors. Supplements to the Field Monitor Manual will also be issued as needed.

Finding 7: The Program has no procedures in place to verify the subgrantees' supporting data for the reported jobs preserved or created.

ARRA mandates increased the level of reporting and record keeping on a number of elements, such as ARRA dollars awarded, money spent, and jobs created and preserved to name a few. While the Program has been diligent in reporting the jobs

preserved and created data to the Federal government, we found that the Program accepts and reports the jobs data, without verification to the subgrantees' supporting records or data. Furthermore, there is no established procedure in place to verify a sample of the reported jobs data to the subgrantee's records, which were used to determine the number of jobs preserved and created.

Recommendation 7:

The Program should develop and implement a procedure to verify the accuracy of the jobs data received from the subgrantees.

Management's Response:

WAP staff will utilize the Fee For Service expenditure supporting documentation (as referenced in WAP Response #5) to verify the accuracy of jobs data received from subgrantees. This will be implemented by July 31, 2011.

Other Observations

ARRA Production Goals

As the Program prepared to receive ARRA funding, subgrantees were required to submit projected production goals. Based on the projected production data from the subgrantees, the number of units to be weatherized throughout the state was determined and reported in the Program State Plan. As of March 31, 2012, 19,090 units were slated to be weatherized using the ARRA funds. However, actual weatherization activities were delayed approximately two to four months causing the production goals to be unmet. This was due in part to the delayed dissemination of the Federal guidance on Davis Bacon Act requirements which directly delayed the Program's processing and executing subgrantee agreements.

Section 5 of the State Plan, Policy, Program Guidance and Regulatory Changes requires that subgrantees submit a quarterly report along with the Financial Status Report explaining the reason for the unmet production goals and the action implemented to ensure that the next quarter's production goals are met along with the previous quarter's shortage. We reviewed nine Program office subgrantee files to determine whether production goals were achieved and noted that six of the nine subgrantees reviewed were significantly below their established production goals. We found no documentation that explained the shortage and the corrective actions taken to meet future goals as well the goal shortage. We were unable to determine whether the six subgrantees had been contacted by the Program to discuss the unmet production goals because there was no documentation found in the Program office subgrantee files. The Program office stated that this procedure had not been implemented, but that they review production goals monthly and follow up with the subgrantees on their issues. We found no documentation of the contacts made with the subgrantees to support that work had been done on the subgrantee's issues. However, we reviewed two letters sent to two subgrantees indicating that replacement providers may be obtained if production goals could not be achieved.

During our audit, we also noted that the Program set aside 25 percent of the ARRA funds to weatherize 5,278 multi-family units. As of April 2010, the Program was negotiating two contracts for weatherizing 320 multi-family units. By October 31, 2010, we noted that only one contract had been executed for the weatherization of 100 multi-family dwelling units, and three contracts were awaiting execution, that totaled 192 multi-family units, for a total of 292 multi-family units. The Program is currently working on four other proposals although the units have not been determined. The number of multi-family dwelling units to be weatherized according to contracts currently executed or in negotiations has decreased from April 2010 to October 2010.

We also noted that the Program received additional funding due to achieving the 30 percent overall production goal by September 30, 2010. As of September 30, 2010, subgrantees weatherized 6,078 units, (32 percent) of the promised 19,090 units, leaving 13,021 units to be weatherized by March 31, 2012. In order to achieve the Program's overall production goal of 19,090 units by March 31, 2012, 765 units would have to be weatherized per month.

We recommend that the Program continue to work with subgrantees that are failing to meet production goals and begin documenting the contacts made and the assistance provided to the subgrantees for meeting production goals. Deadlines should be established for executing contracts for weatherization of multi-family dwelling units and if contracts cannot be obtained for the multi-family unit weatherization, then the Program should consider reallocating the multi-family weatherization funding to higher producing subgrantees in order to ensure that production goals are met and that funding is spent on the weatherization initiatives.

Prior Audit Recommendations

The prior audit report on the Weatherization Assistance Program, No. 08-A401, dated June 30, 2009, contained three recommendations. Audit follow up on these recommendations disclosed that none of the recommendations had been implemented.

Conclusion

We believe that the implementation of the recommendations we have presented will serve to strengthen internal controls and provide greater assurance that the Weatherization Program and ARRA objectives are achieved. While we did observe some weaknesses in the controls and some areas of noncompliance with the State Plan, overall, it is our opinion that the Program implemented the essence of the ARRA requirements.

The assistance and cooperation provided by the personnel of the Weatherization Assistance Program during the audit were greatly appreciated.

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