



**A SPECIAL PERFORMANCE AUDIT
OF THE**

**DEPARTMENT OF COMMUNITY AND
ECONOMIC DEVELOPMENT'S**

WEATHERIZATION ASSISTANCE PROGRAM

AUGUST 2007

August 1, 2007

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
225 Main Capitol Building
Harrisburg, PA 17120

Dear Governor Rendell:

This report contains the results of the Department of the Auditor General's special performance audit of the Weatherization Assistance Program (weatherization program) for the period of July 1, 2001, through June 30, 2006, administered by the Department of Community and Economic Development's Center for Community Services (DCED). This audit was conducted pursuant to Sections 402 and 403 of the Fiscal Code and in accordance with *Government Auditing Standards* which are applicable to performance audits and issued by the Comptroller General of the United States.

Our audit found that DCED was deficient in its administration of the weatherization program and lacked adequate controls, which increased the risk of potential abuse of weatherization funds. As a result, the most vulnerable and needy Pennsylvanians do not always receive priority and could wait up to nine years to receive weatherization services. Additionally, the deficiencies resulted in ineligible clients receiving services, clients waiting more than a year for services after being approved for the program, no action taken within 48 hours for crisis clients who faced emergency situations, and 13 individuals who waited between 19 days and five months for crisis resolution. Other weaknesses included inconsistent income eligibility interpretation guidelines, missing documentation, a lack of adequate policies and procedures to ensure that program objectives were being achieved, and a failure to coordinate the efforts of two local agencies providing services in Philadelphia. Both local agencies violated federal regulations when each provided services at the same 30 dwellings, wasting a total of \$94,081 on ineligible reweatherization services.

We offer 24 recommendations to improve the weatherization program and to eliminate administrative deficiencies so that all eligible clients receive benefits they are entitled to. It is our hope that you will instruct DCED to act on all of these recommendations. We will follow up at the appropriate time to determine whether our recommendations have been implemented.

We are pleased to note that DCED responded to the report in a very positive manner and has agreed to implement most of the recommendations. This cooperative atmosphere will assist in making the necessary improvements to this important program and will ensure that Pennsylvania's most vulnerable residents receive these vital services.

Sincerely,

JACK WAGNER
Auditor General

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EXECUTIVE SUMMARY

The Pennsylvania Department of Community and Economic Development (DCED) is responsible for administering the Weatherization Assistance Program (weatherization program) for the Commonwealth of Pennsylvania. The weatherization program is a federally funded program that minimizes adverse effects of high energy costs on low-income citizens, especially those most vulnerable to high energy bills and unhealthy living environments. Each year, the Pennsylvania Department of Public Welfare (DPW) transfers 15 percent of its federal grant received for the Low Income Home Energy Assistance Program (LIHEAP) to DCED. During the 2005-06 weatherization program year, this transfer represented \$20 million from LIHEAP. The weatherization program also receives funds from the U. S. Department of Energy. In total, DCED received nearly \$35 million during the 2005-06 weatherization program year.

DCED provides weatherization program services to all 67 Commonwealth counties through a network of 42 public and private non-profit agencies (local agencies), such as Community Action Agencies and local or county governments or their affiliates. Low-income citizens apply to the local agencies for energy-saving weatherization services for their homes. These services may include heating system repair or replacement; insulation of attic, wall or basement insulation and ventilation; window repair or replacement; electricity conservation measures; or other energy saving improvements. According to DCED's 2005-06 records, during the period July 1, 2005, through June 30, 2006, 10,368 homes were weatherized for 25,099 residents. However, as detailed in Finding 5, the most vulnerable and needy Pennsylvanians do not always receive priority and DCED reported that 9,249 applicants were waiting for weatherization services at 41 of the 42 local agencies statewide as of June 30, 2006. The waiting period ranged from two months to nine years.

Our audit also found other concerns, such as control weaknesses and potential abuse in administering and monitoring the weatherization program. These concerns are discussed in the main body of this report and are summarized below:

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FINDINGS	SUMMARY
<p><i>Finding No. 1 – Control Weaknesses and Potential Abuse Found in Administering the Weatherization Assistance Program</i></p>	<p>Due to DCED’s lack of adequate policies and procedures, ineffective management oversight, and limited staffing, we disclosed 82 of 100 client files examined contained errors and instances of noncompliance with regulations resulting in 178 audit exceptions. Exceptions included an ineligible client who received \$8,791 worth of weatherization services; 51 percent of the files examined lacked supporting documentation for project costs, including subcontractor and labor charges; and files lacking evidence of re-determining eligibility when services were provided more than 12 months after approval. We also found that local agencies failed to take immediate action to address crisis situations within 48 hours after being notified and 13 out of the 40 crisis clients examined waited between 19 days and 5 months to receive weatherization services. In addition, we noted inconsistent income eligibility guidelines used to approve applicants, renters being treated differently from owners and failure by local agencies to track client complaints to identify systemic problems. Also, written policies and procedures to efficiently administer the weatherization program were lacking.</p>
HIGHLIGHTS OF RECOMMENDATIONS	
<p>DCED should:</p> <p>Develop written program policies and procedures; take a proactive stance to determine income eligibility; require subcontractors to submit detailed invoices; and improve its monitoring of local agencies to ensure consistency and compliance of weatherization program requirements.</p>	

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<i>Finding No. 2 – Two Local Agencies Wasted \$94,081 Providing Weatherization Services to the Same Dwellings in Philadelphia</i>	Our review of two local agencies administering the weatherization program in Philadelphia found that both operated independently in the same geographic area but did not coordinate their efforts. We verified that 30 dwellings received weatherization services from both agencies costing \$171,751, of which \$94,081 represented reweatherization costs on ineligible dwellings.
HIGHLIGHTS OF RECOMMENDATIONS	
<p>DCED should:</p> <p>With cooperation from the two Philadelphia agencies, immediately create a system to ensure re-weatherization services are not provided to ineligible dwellings. This will minimize the potential for fraud and abuse.</p>	

FINDINGS	SUMMARY
<i>Finding No. 3 – DCED Does Not Adequately Review Weatherization Assistance Program Expenditures for Accuracy Prior to Approving Local Agency Grant Payments</i>	DCED only compares local agencies' requests for payments to their weatherization program allocations to ensure that local agencies do not exceed their approved grant amounts. The four local agencies we visited could not provide documentation to support their payment requests. Also, DCED does not reconcile individual project costs to quarterly reports submitted by local agencies.
HIGHLIGHTS OF RECOMMENDATIONS	
<p>DCED should:</p> <p>Develop policies and procedures to ensure expenditures are valid and properly supported. DCED should also reconcile grant payments with reported expenditures to reduce the risk of agency overcharges and also reduce the risk of fraud, waste, and abuse of weatherization program funds.</p>	

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<i>Finding No. 4 – Weaknesses in Contracting for Services Exist at Local Agencies</i>	Local agencies are not awarding contracts through proper bidding procedures. At one local agency that spent more than \$150,000 on furnace work during the fiscal year ended June 30, 2006, management stated that it was not required to place its furnace work out for bid because no single project exceeded \$10,000. Another local agency follows bidding procedures but did not include labor costs in its contracts. Instead, it applies approximately 200 percent markup to the materials' costs. The local agency could not find written authorization to use this markup method.
HIGHLIGHTS OF RECOMMENDATIONS	
<p>DCED should:</p> <p>Adequately monitor local agency contracting procedures and provide guidance to ensure weatherization program dollars are utilized efficiently and services are maximized. We also recommend that bidding procedures be documented, and authorization and approval be obtained by local agencies from DCED regarding contracting/procurement procedures.</p>	

FINDINGS	SUMMARY
<i>Finding No. 5 – The Most Vulnerable and Needy Pennsylvanians Do Not Always Receive Priority and Could Wait Up to Nine Years to Receive Weatherization Services</i>	Four local agencies we visited did not consistently prioritize the most vulnerable and needy applicants so that they would be first to receive weatherization services. Two agencies provided services on a first-come, first-served basis and the other two scheduled some non-priority applicants before priority applicants to ensure services were provided within a year of approval. Three of the four agencies do not maintain a waiting list. They use clients' files or other paperwork to maintain the order in which to provide services. Additionally, the waiting period to receive services at 41 of the 42 local agencies ranged from 2 months to 9 years. As of June 30, 2006, DCED stated that 9,249 applicants were waiting for weatherization services.
HIGHLIGHTS OF RECOMMENDATIONS	
<p>DCED should:</p> <p>Monitor local agencies to ensure that at-risk and needy Pennsylvanians are first in line to receive weatherization services. DCED should consider waiting lists when allocating grant monies to local agencies and consider requesting additional LIHEAP funds from DPW. DCED also should develop policies and procedures to instruct local agencies on how to maintain and prioritize weatherization service waiting lists.</p>	

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<i>Finding No. 6 – Local Weatherization Assistance Program Agencies Do Not Always Verify and Inspect the Work of Their Subcontractors and Employees</i>	Three of the four local agencies we visited failed to conduct some required final inspections of completed weatherization projects at clients’ dwellings. Management at the three local agencies estimated that between 20 and 60 percent of their projects were not inspected. Additionally, one of the agencies allows its work crew foremen to inspect the work of their own work crews.
HIGHLIGHTS OF RECOMMENDATIONS	
<p>DCED should:</p> <p>Develop procedures to ensure that final inspections are independently performed and that no monies be paid to subcontractors or local agencies for services provided at a client’s home until a final inspection is satisfactorily completed.</p>	

FINDINGS	SUMMARY
<i>Finding No. 7 – DCED and Local Agencies Do Not Adequately Promote Awareness of the Weatherization Assistance Program</i>	DCED has no policies or procedures to promote awareness of the weatherization program. DCED management stated that it relies on local agencies and DPW to promote public awareness. However, neither adequately promotes the weatherization program.
HIGHLIGHTS OF RECOMMENDATIONS	
<p>DCED should:</p> <p>In cooperation with local agencies, actively promote the weatherization program to ensure public awareness so that eligible citizens, including the most vulnerable and needy, receive assistance.</p>	

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<i>Finding No. 8 – DCED and Local Agencies Do Not Measure the Effectiveness Resulting From Weatherization Efforts</i>	DCED and local agencies make no attempt to quantify the reduction in home heating costs after weatherization services are completed. While clients are required to sign forms permitting utilities to release their energy usage information, the local agencies do not use this information to calculate actual savings. We believe these analyses are needed to adequately evaluate the effectiveness of the weatherization program.
HIGHLIGHTS OF RECOMMENDATIONS	
<p>DCED should:</p> <p>In cooperation with local agencies, develop a standard approach to calculate energy and monetary savings to determine the weatherization program’s effectiveness. Additionally, the information could be used for decision-making purposes to enhance the weatherization program statewide.</p>	

FINDINGS	SUMMARY
<i>Finding No. 9 – DCED Failed to Adequately Monitor Local Agencies</i>	DCED has no policies and procedures regarding monitoring activities. As a result, DCED monitors do not review waiting lists to determine if weatherization services are being provided first to at-risk citizens. In addition, monitors do not review subcontractor invoices and related wages for accuracy. Also, our review of client files reviewed by DCED monitors found 15 of 20 files, or 75 percent, lacked evidence that the priority list of weatherization services was used to ensure the most cost-effective services were considered first.
HIGHLIGHTS OF RECOMMENDATIONS	
<p>DCED should:</p> <p>Develop written policies and procedures to ensure local agencies are properly monitored and at-risk citizens and other applicants receive weatherization assistance timely. The policies and procedures should address: assessing internal controls; developing a sampling methodology to ensure a representative number of client files are reviewed; ensuring application documents in clients’ files are complete and accurate; and compiling monitors’ results of all local agencies into a summary report.</p>	

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<i>Finding No. 10 – DCED Does Not Have Computer System Integration Capabilities With Local Agencies to Gather, Summarize, and Access Weatherization Assistance Program Information</i>	Local agencies send quarterly reports electronically to DCED but there is no database integrated with the 42 local agencies to gather, summarize, and track weatherization information on an ongoing basis. As a result, DCED cannot closely monitor the status of weatherization projects, the accuracy of waiting lists, and the timeliness and performance of local agencies. This database is essential to improving the performance of the weatherization program.
HIGHLIGHTS OF RECOMMENDATIONS	
<p>DCED should:</p> <p>Develop a database in cooperation with local agencies to assess the performance of local agencies and improve the performance of the weatherization program.</p>	



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BACKGROUND

The Department of Community and Economic Development (DCED) administers the Weatherization Assistance Program (weatherization program), a federally funded program enabling low-income families to reduce their energy bills by increasing the energy efficiency of their homes through weatherization improvements. The weatherization program's purpose is to minimize adverse effects of high energy costs on low-income households and safeguard residents' health and safety, with priority for the elderly, individuals with disabilities, families with children, high residential energy users, and households with a high energy burden.

DCED, through its Office of Community Services, provides weatherization program services to all 67 Commonwealth counties through a network of 42 local governments and non-profit agencies, such as local or county governments and Community Action Agencies (local agencies), operating in single or multi-county areas. DCED contracts with local agencies to provide weatherization services year-round using funds it receives from the U.S. Department of Energy (DOE) and the Pennsylvania Department of Public Welfare (DPW). Each year, DPW transfers fifteen percent of its federal grant received for the Low-Income Home Energy Assistance Program (LIHEAP) to DCED for the weatherization program. During the 2005-06 program year, this transfer represented \$20 million from LIHEAP. In total, DCED received nearly \$35 million to administer the weatherization program for the 2005-06 program year. According to DCED's 2005-06 records, 10,368 homes were weatherized for 25,099 residents between July 1, 2005, and June 30, 2006.

Before July 1 of each year, local agencies submit a Single Application for Assistance to DCED that itemizes projected expenses, sources of income, and proposed number of units to be weatherized. DCED approves the application and signs a grant agreement covering the 15-month weatherization program year. Local agencies may periodically request funds from DCED in advance of weatherization program expenditures or after services have been provided. Local agencies may use employees or subcontractors to provide weatherization services. These services include, but are not limited to:

- sealing to effectively reduce air leakage throughout the dwelling;
- attic, wall, and basement or crawlspace insulation and ventilation to reduce energy loss through the building's structure;
- heating system modification or replacement to increase efficiency and/or safety of the heating system;

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- electricity conservation measures, such as the installation of compact florescent lighting, refrigerator, dehumidifier, and waterbed mattress replacement; and
- minor repairs and/or health and safety measures, when necessary to allow the safe and effective installation of the selected conservation measures.

The weatherization program process at the local agency level begins upon receipt of applications submitted by individuals requesting services. Applications are approved or rejected based on eligibility criteria. According to DCED, a dwelling is eligible for weatherization services if it is occupied by a family:

- whose total income is at or below 150 percent of the federal poverty level for the 12-month period preceding the date of application (e.g., \$29,025 for a family of four);
- that contains a member who received cash assistance payments under Title IV or Title XVI of the Social Security Act or applicable state or federal laws during the 12 months prior to application; or
- that contains a member who has been certified eligible for assistance by DPW under LIHEAP.

Once an applicant is approved, a local agency employee performs an energy audit of the client's dwelling. Using diagnostic equipment to assess conditions such as air leakage (Blower Door Test) and heating system operation, the energy audit identifies cost-effective energy saving measures needed and possible health and safety hazards at each home. Also, to enhance the effectiveness of the weatherization program, local agencies provide client education activities on the proper use and maintenance of installed weatherization improvements and other practices to conserve energy at the client's home.

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In addition to standard weatherization services as described above, DCED and DPW coordinate efforts through the LIHEAP Crisis Weatherization Interface to help low-income citizens in crisis situations, such as having an inoperable heating system. (Note: LIHEAP was the focus of a special performance audit being conducted by the Department of the Auditor General. The results of that audit were discussed in a separate audit report released June 27, 2007). From November through March of each year, LIHEAP personnel refer these “crisis clients” to the local agency in their area for services to eliminate the crisis, usually the repair or replacement of the heating system. DCED’s grant agreement with the local agencies requires them to take action to remedy a crisis situation within 48 hours after being notified. The crisis, however, does not have to be resolved within this time period. The grant agreement does not require local agencies to resolve the crisis within a specific time period. Local agencies must set aside 30 percent of their LIHEAP funding for crisis services, but are permitted to use a greater percentage if it is economically feasible. Crisis funds remaining at the end of March are to be used for standard weatherization services. DCED’s 2005-06 weatherization program year records showed more than \$9 million of LIHEAP funding was used to provide crisis services at 4,773 homes statewide for 11,519 residents as of June 30, 2006.

After weatherization services are provided at a home, local agencies are required to inspect the measures installed to ensure the quality of work. As part of the inspection, a second Blower Door Test is conducted to record the effectiveness of the weatherization measures installed and the heating system is tested for improved efficiency. Once local agencies determine that the installation and/or repairs are satisfactory, they pay their subcontractors for any work performed and report the completed projects and costs to DCED, including any associated labor costs of their own employees. DCED requires a quarterly report from the local agencies showing the number of dwellings and people serviced, budgeted amounts, and cumulative expenditures since July 1 by funding source. The reports are submitted via e-mail and are used by DCED as justification for weatherization program expenditures. To support the quarterly report, local agencies submit lists of the individual projects completed with the materials, labor, and health and safety costs for each. DCED ensures that local agencies do not receive more than their funding allocations as stated in the grant agreements.

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Local agencies' application processing procedures are not standardized across the state. DCED permits each local agency to use its own application form and approval process using the eligibility criteria listed above. DCED does not require local agencies to follow specific procedures for managing waiting lists or prioritizing applicants according to the criteria noted above. Local agencies are required to maintain certain information in client files, such as applications, income eligibility documents, proof of home ownership or landlord agreements, energy audit documentation, subcontractor invoices, and other information. According to federal regulations, DCED must monitor the weatherization program to ensure the quality of work and that adequate financial management controls exist at the local agencies. Three DCED employees, known as monitors, are assigned to conduct on-site monitoring visits of the local agencies. Each local agency is visited at least once during the program year, with some receiving two or more visits. According to a DCED report, 74 monitoring visits were completed for the fiscal year ended June 30, 2006. All 42 local agencies were visited, with 27 visited two or more times.

During a monitoring visit, the monitor reviews local agency records, including weatherization program client files, conducts on-site inspections at client homes, and assesses local agency training needs and other program activities. The monitor reports his results in a weatherization monitoring report which is presented to the local agency. Any deficiencies found are noted in the report. DCED relies on the local agency to correct minor deficiencies, but will follow-up on any significant issues during the next monitor's visit.

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AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

The objectives of this performance audit were to determine if:

- The Department of Community and Economic Development was effective in promoting awareness of the Weatherization Assistance Program and provided services that were most in need (See Findings 1 and 7);
- The weatherization program application process was effective and assess whether citizens who are most deserving of assistance were the first to receive it (See Findings 1, 5 and 9);
- DCED adequately monitored the activities and services provided by subgrantees and subcontractors (See Findings 1 through 10); and
- Weatherization assistance was provided in accordance with weatherization program guidelines, laws, and regulations (See Findings 1 through 6 and 9).

Scope

Our audit covered DCED's duties and responsibilities with regard to the weatherization program for the period July 1, 2001, through June 30, 2006.

Methodology

The methodology in support of the audit objectives included:

- interviewing and corresponding with DCED management from its Office of Community Services, management at local agencies, and clients who received weatherization services to gain an understanding of how the weatherization program operates;

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AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

- reviewing federal regulations, DCED's state plan, grant agreements, grant applications, statewide and local agencies' waiting lists, quarterly reports, monitoring reports, local agency Single Audit reports, and other applicable documents;
- selecting local agencies based on several factors including, type of organization, geographic areas serviced, use of employees or subcontractors to perform the work, and amount of funding received;
- conducting site visits to selected local agencies and dwellings where weatherization services were performed;
- selecting weatherization projects for detail testing and reviewing program applications and required documents to verify applicant eligibility/propriety; and
- as part of audit planning, we performed analytical reviews of weatherization program expenditures over the period July 1, 2001, through June 30, 2006. We also made inquiries and questioned DCED management on any program and control changes over this period. These procedures indicated that there were no significant changes to the weatherization program and no unusual funding stream changes over the audit period. Therefore, we focused on the most current fiscal year for our detailed testing of program activity.

FINDINGS AND RECOMMENDATIONS



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FINDINGS AND RECOMMENDATIONS

Finding No. 1 - Control Weaknesses and Potential Abuse Found in Administering the Weatherization Assistance Program

Condition: As part of our review of DCED’s controls over administering the Weatherization Assistance Program, we reviewed projects completed during the fiscal year ended June 30, 2006, and found client file errors/omissions, situations of potential abuse, and instances of noncompliance with weatherization program regulations. The following five conditions describe those weaknesses:

1. Client files contained audit exceptions. During our on-site visits to four local agencies, we selected 100 client files (25 at each local agency) and found 178 audit exceptions as noted in the following table:

Audit Exceptions

Audit Exceptions	Local Agency				Total
	Dauphin	Lancaster	Philadelphia	York	
Ineligible Clients Received Services	0	0	0	1	1
Lack of Support for Project Costs	21	16	17	16	70
Services Provided More Than a Year After Approval Without Re-verifying Eligibility	0	0	3	0	3
Failed to Follow 48-Hour Crisis Rule	1	0	4	0	5
Crisis Clients Not Serviced Timely	3	1	8	1	13
No Evidence of Using Priority List	15	15	15	0	45
Missing/Incomplete Documentation	15	8	17	1	41
Total Exceptions	55	40	64	19	178

In some instances, multiple audit exceptions were noted in one client file. The 178 exceptions noted in the above table were identified in 82 of the 100 client files selected. The following describes these exceptions:

- Ineligible Clients Received Services.

After we questioned a client’s income eligibility, management at York County agreed that it was miscalculated and that the client was not eligible to receive weatherization services according to income guidelines. As a result, an ineligible applicant improperly received \$8,791 worth of weatherization services.

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Finding No. 1

- Lack of Support for Project Costs.

Out of 100 client files reviewed to verify the propriety of reported project costs, 51 lacked detailed documentation to support \$129,183 of subcontractor cost and employee labor charges.

We noted that the local agencies were accepting and approving for payment summary invoices from subcontractors. Local agencies do not require detailed supporting documentation for the subcontractors' charges on summary invoices. Management at the Lancaster agency stated that there is no way to be sure that subcontractors are not overcharging the weatherization program for hours worked. Management also stated that it is not necessary to review supporting documentation due to familiarity with the subcontractors because they have provided services for the weatherization program for years. When asked if the local agencies perform any on-site audits of subcontractors' invoices, management stated that none are performed. We find that making payments based on summary invoices is not appropriate and presents an opportunity for abuse and overbillings by subcontractors.

In regard to employee labor charges incurred by the Dauphin and Lancaster local agencies, we found unsupported labor and other operating costs. When asked to support some of these costs, the agencies were unable to provide adequate documentation.

- Services Provided More Than a Year After Approval Without Re-verifying Eligibility.

As required in the grant agreements, an applicant's income eligibility must be re-verified if services are not provided within 12 months of approval. We found three instances in Philadelphia where services were provided more than 12 months after the client was approved, including one client who received services nearly 14 months later, without having his/her income eligibility re-verified. Therefore, we could not determine if these three clients were still eligible to receive services. In addition, services for eight other clients were completed more than 12 months after their income eligibility was determined; however, we were unable to identify when services began.

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Finding No. 1

- Failed to Follow 48-Hour Crisis Rule.

We found five instances where the local agency failed to follow the 48-hour Crisis Rule, which requires local agencies to take immediate action to address a crisis situation within 48 hours after being notified. Although local agencies must initiate action within 48 hours, they are not required to resolve the crisis situation during that time period. Crisis situations include inoperable heating systems, broken windows, and/or frozen pipes. Clients in these situations are referred to as “crisis clients.” One crisis client with an inoperable heating system was referred to the Philadelphia agency on November 19, 2005, but the project was not assigned to a subcontractor until November 30, 2005, or 11 days later.

- Crisis Clients Not Serviced Timely.

In addition to the violations of the 48-hour crisis rule noted above, we also found instances in each local agency we visited where services were not provided timely to crisis clients, although most met the 48-hour crisis rule. Even though DCED policy does not specify a time period within which local agencies must resolve the crisis situations, we believe services need to be provided as soon as possible after the crisis was referred to the local weatherization agency. Temporary measures, such as loaning auxiliary heaters and providing blankets, are permitted when the heating system cannot be repaired or replaced timely. We found that 13 out of 40 crisis clients waited between 19 days and 5 months to receive services, which we believe is unreasonable. Additionally, we found no evidence that the local agencies provided any temporary measures to address these crisis situations.

- No Evidence of Using Priority List.

For three of the four local agencies listed, we could not determine if Pennsylvania’s prioritized list of weatherization services was used as a basis to provide the most needed and beneficial services. This priority list was developed using the National Home Energy Audit and Mobile Home Energy Audit, which are industry accepted methods of determining the cost-effectiveness of weatherization services. DCED requires local agencies to follow it when selecting weatherization services to provide. However, only York County maintained the priority list in each client’s file as evidence that it was used to determine the most appropriate weatherization services to provide.

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Finding No. 1

- Missing/Incomplete Documentation.

Although the documentation required to be maintained in each client's file is listed in the grant agreements, we found 41 client files having missing/incomplete documentation. For example, 15 Dauphin County files did not contain a signed Client Education Form, which is used to confirm that clients have received information on energy conservation methods they can use to lower their energy costs. In addition, 8 Philadelphia files contained incomplete Crisis Referral Forms, which are required to gather information for annual reporting.

2. Inconsistent income eligibility guidelines are used to approve weatherization program applicants. During our review of applicable regulations, we noted that weatherization program applicants must provide proof of actual income for all household members for the 12 months preceding the date of application. Acceptable documents include: pay stubs, W-2 forms, a statement from an employer validating wages, Social Security Administration statements or other reliable proof of income. In addition, regulations also allow for local agencies to automatically approve an applicant for weatherization services if any household member received assistance under the Department of Public Welfare's Low-Income Home Energy Assistance Program, or when they are referred to the local agency through the LIHEAP Crisis Weatherization Interface. This is based on the premise that income eligibility would have already been determined and approved through LIHEAP. However, DPW policy allows income eligibility for LIHEAP to be determined using various thresholds to include 12 months of income or a prorated calculation based on 30 days or 90 days of income prior to application submission.

As a result of applying inconsistent income guidelines, applicants who may not be eligible based on their actual income for the 12 months preceding the date of application would be approved if they received LIHEAP assistance based on their 30-day or 90-day prorated income. For example, people who work in seasonal industries, such as construction, may earn most of their annual income during certain times of the year and less income during other periods. If they applied for LIHEAP assistance after a month of less income, they may qualify using LIHEAP's 30-day prorated calculation, which would then make them eligible for weatherization services. We believe the inconsistent application of income criteria in determining eligibility promotes client abuse in the weatherization program. Finally, a situation could occur where two weatherization program applicants with similar income circumstances finds one qualifying for the weatherization program because he/she first applied for and qualified under one of the LIHEAP income guidelines, but the second applicant only applies for the weatherization program and does not meet the weatherization program-only income qualification guideline.

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Finding No. 1

3. Local agencies treat renters differently from owners. Some renters may or may not receive weatherization services depending on their local agency's policy. For example, the local agencies we visited in Dauphin and Philadelphia provide services to all renters, including furnace replacement, provided the landlord gives permission for the local agency to do the work. In York County, renters will only receive a furnace replacement when the landlord agrees to pay half the cost, except in a crisis situation. In a crisis situation, the York County agency will replace the furnace with no money provided by the landlord. Renters covered by the Lancaster agency will not receive new furnaces, even in a crisis situation. DCED management stated that local agencies are permitted to obtain reimbursement from landlords; however, agencies should not maintain a blanket policy of refusing to replace furnaces at rental properties. During our review of 100 client files at the four local agencies, we found that \$23,224 was expended on 11 rental properties, including one property that incurred costs of \$3,559, without any reimbursement from the landlord.

4. There is no system in place to track client complaints. Local agencies are required to maintain a signed client appeal form in each client's file. This form includes procedures on how to report complaints regarding the services received. However, complaints are not tracked to identify potential systematic problems and not evaluated to determine the effectiveness and timeliness of complaint resolutions.

5. Written policies and procedures necessary to efficiently administer the weatherization program were lacking. These included policies and procedures for monitoring local agency activities, promoting the weatherization program, and allocating project costs.

Criteria: Good internal control dictates that required applications, files, and reports are prepared accurately and properly reviewed by supervisors prior to approval. DCED is required to ensure that the quality of work and financial management controls at the local agency are adequate. These controls ensure an expected or required outcome and prevent or detect undesirable results. For example, controls are needed to ensure local agencies comply with the 48-hour crisis rule and complete services timely to resolve the crisis situations. DCED regulations state that, upon notification of a crisis situation, local agencies must begin action to remedy the crisis situation within 48 hours. However, because DCED policy does not specify a time period in which crisis situations must be resolved and local agency management stated that time may be needed to obtain parts, we believe it is reasonable to expect crisis situations be resolved within two weeks, barring any extenuating circumstances that should be adequately documented in the client's file. Regardless of the reason for any delay, local agencies should provide temporary measures to alleviate the crisis until permanent solutions are available. When processing applications, adequate controls ensure that applicant eligibility is being consistently determined using criteria specified in the regulations and that all required documentation is accurate and maintained. Also, an adequate system to track complaints is necessary to measure weatherization program effectiveness and timely resolution. In addition, policies and procedures are essential to adequately administer the weatherization program.

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Cause: DCED and the local agencies lack adequate policies and procedures to ensure weatherization program objectives are being achieved and the risk of fraud, waste, and abuse is reduced. DCED management monitors the local agencies; however, we found that these procedures were inadequate due to ineffective management guidance and oversight. DCED management also stated that limited staffing has prevented them from providing more guidance on the fiscal management of the weatherization program to the local agencies.

Effect: Inadequate controls at DCED and local agencies resulted in non-compliance with weatherization program regulations and failure to achieve certain weatherization program objectives, such as providing services timely. Additionally, inadequate control increases the risk of potential abuse of weatherization funding. It also resulted in ineligible applicants receiving assistance, such as the applicant who received more than \$8,700 worth of weatherization services even though the applicant was ineligible based on income. Finally, a situation could occur where two weatherization program applicants with similar income circumstances finds one qualifying for the weatherization program because he/she first applied for and qualified under one of the LIHEAP income guidelines, but the second applicant only applies for the weatherization program and does not meet the weatherization program only income guideline.

Recommendations: We recommend that DCED strengthen its controls over the administration and oversight of the weatherization program by developing written policies and procedures for its local agencies. For example, DCED should require local agencies to adequately document their oversight to ensure that crisis situations were resolved timely or temporary measures were provided when delays occurred. Also, DCED should take a proactive stance to determine the 12-month income eligibility of all weatherization program applicants regardless of their LIHEAP eligibility. For clients in crisis situations referred to local agencies through the LIHEAP Crisis Weatherization Interface, we recommend that DCED develop policies and procedures to verify income eligibility based on actual income for the 12 months preceding the date referred, while maintaining the health and safety of these clients. DCED should also require that subcontractors submit detailed invoices with the labor and materials breakout to avoid the potential of subcontractor over billings. Finally, DCED should improve its monitoring of the local agencies to ensure consistency and compliance of weatherization program requirements.

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Agency Response: DCED concurs in part with the DAG [Department of the Auditor General] position regarding documentation and the importance of consistent, enforceable, and appropriate policies and procedures. DCED did have existing policies in the form of Weatherization Directives. In recent years, these have been implemented as part of the Work Plan (administrative directives) and thus incorporated into the contract between DCED and Weatherization grantees; or as part of the Weatherization Standards and Field Guide (addressing technical issues).

We will update and re-issue separate policies and guidelines and require agencies to sign off on them as part of the contract. Technical issues will remain in the Standards and Field Guide.

We will also require all monitors to pay closer attention to eligibility and documentation when reviewing files, and will make it a part of the Monitoring Guide (see Response to Finding No. 9). We will also require that subcontractors submit detailed invoices for work completed.

DCED disagrees in part with the DAG findings regarding eligibility. Federal regulations allow the use of LIHEAP eligibility as a criterion for Weatherization eligibility as noted below. In accordance with DOE regulation 10 CFR 440.22 (a) (3), units are eligible for assistance under the Low-Income Home Energy Assistance Act of 1981.

INCOME: the 30-day, 90-day or one-year LIHEAP policy found at section 601.83 (a) of the FY 2007 LIHEAP State Plan requires that gross income be determined for a year. The interpretation of the use of the 30-day, 90-day or one-year gross income is that which is the most advantageous to the applicant. (This is cited in LIHEAP Policy Clarification PLC 7613710, dated February 25, 1998.)

The intent of the regulation is to provide as much flexibility as possible in determining household eligibility for services. This eligibility perspective is cited in LIHEAP Information Memorandum dated 6/1999, Optional Use of DOE Weatherization Rules for LIHEAP Funds Spent on Weatherization Activities.

Redetermination of eligibility of all DPW LIHEAP-determined-eligible households that are referred to the local weatherization agency via the LIHEAP Crisis Interface Program would be contrary to the intent of the program and the current operating policy and procedure in place between DPW and DCED. We will consult with DPW to determine how the policy can be strengthened so as to avoid future audit exceptions.

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Finding No. 1

In one part of the findings, additional information is required before DCED can determine whether it disagrees with this finding. In the audit exceptions, DAG stated that, in thirteen cases, DCED grantees did not serve clients in a timely manner. Specific case information is needed to follow-up on those clients and this audit exception in greater detail and to offer further clarification on possible case-by-case exceptions.

Auditors' Conclusion: We acknowledge DCED's efforts to implement many of the recommendations reported in the finding. However, we disagree with DCED's comments regarding eligibility determination. Inconsistent eligibility determination between DPW and DCED can promote client abuse in the weatherization program. As noted in the finding, inequities can occur when two applicants with similar income receive different eligibility determinations as a result of applying inconsistent income guidelines, one based on a 30-day or 90-day prorated income and the other based on actual income for a 12-month period. We are encouraged by DCED's plan to consult with DPW to strengthen its policy.

With regard to DCED's comment that it needed additional information concerning 13 crisis cases that were not served timely, we submitted the requested information to DCED prior to receiving this response.

Based on DCED's response, the finding and recommendations remain as stated.

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Finding No. 2 - Two Local Agencies Wasted \$94,081 Providing Weatherization Services to the Same Dwellings in Philadelphia

Condition: During interviews with DCED and local agency management, we learned that the Philadelphia Housing Development Corporation (PHDC), run by the city of Philadelphia, and the Energy Coordinating Agency of Philadelphia (ECA), a non-profit community action agency, administer the weatherization program to residents in Philadelphia. These local agencies receive an allocation of funds from DCED to operate their weatherization programs independently. We found that both local agencies provide weatherization services for the same geographic region but do not coordinate their efforts to ensure that weatherization funds are not wasted on dwellings previously weatherized by the other local agency. Although reweatherization is permitted in certain circumstances, dwellings initially weatherized after September 30, 1993, typically are not eligible for additional weatherization services.

We reviewed an electronic file representing five years of PHDC completed projects through June 30, 2006. We also requested similar information from ECA in order to determine if any dwellings were weatherized by both local agencies; however, our review was limited because ECA only provided two years of information through June 30, 2006. ECA indicated that providing more than two years of information would be difficult because reports in different formats needed to be combined requiring more staff time than was available. After comparing the data from both local agencies, we identified 32 dwellings listed on their files that were potentially ineligible to receive services from one local agency or the other. We then requested the client case files for these projects. PHDC, however, was unable to locate two files. As a result, we could only verify that 30 dwellings received weatherization services from both local agencies, costing \$171,751, of which \$94,081 represented reweatherization costs on ineligible dwellings. Each dwelling received weatherization services costing between \$2,853 and \$8,810. The following table lists 30 dwellings by initial weatherization and reweatherization dates and their associated costs:

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Finding No. 2

**Dwellings Weatherized by Both Philadelphia
Local Agencies**

Dwelling	Initial Weatherization		Reweathering		Total Weatherization Cost
	Date	Cost	Date	Cost	
1	12/11/2001	\$ 2,547	7/21/2005	\$ 2,632	\$ 5,179
2	1/22/2002	2,203	3/1/2004	2,267	4,470
3	2/22/2002	1,996	4/5/2006	4,975	6,971
4	5/14/2002	1,914	3/8/2006	2,282	4,196
5	6/18/2002	1,481	11/6/2005	2,333	3,814
6	8/7/2002	1,867	6/26/2004	4,323	6,190
7	11/19/2002	2,074	7/29/2005	2,307	4,381
8	2/25/2003	3,027	2/10/2006	3,617	6,644
9	3/3/2003	2,742	8/17/2005	2,440	5,182
10	6/26/2003	2,394	1/8/2006	2,813	5,207
11	7/29/2003	3,682	4/27/2005	2,597*	6,279
12	8/13/2003	2,673	3/3/2004	2,226	4,899
13	8/22/2003	1,825	8/22/2005	2,644	4,469
14	12/2/2003	3,454	7/21/2005	4,348*	7,802
15	12/4/2003	1,664	1/15/2005	3,190	4,854
16	12/18/2003	1,148	5/10/2005	1,705	2,853
17	1/18/2004	1,617	5/26/2006	3,411*	5,028
18	2/5/2004	2,608	6/3/2004	2,951*	5,559
19	3/3/2004	3,157	8/9/2004	1,075*	4,232
20	3/8/2004	3,109	3/8/2006	2,168	5,277
21	5/5/2004	4,919	6/7/2006	997*	5,916
22	6/29/2004	3,644	7/19/2005	4,758*	8,402
23	8/1/2004	2,626	1/3/2006	909*	3,535
24	11/17/2004	3,538	12/28/2005	4,830*	8,368
25	12/2/2004	2,575	4/22/2005	1,634	4,209
26	3/17/2005	2,543	4/21/2005	5,371*	7,914
27	4/29/2005	2,553	11/15/2005	3,007*	5,560
28	7/15/2005	2,448	2/22/2006	5,471*	7,919
29	9/8/2005	3,546	6/12/2006	5,264*	8,810
30	9/22/2005	2,096	11/4/2005	5,536*	7,632
Total		\$ 77,670		\$94,081	\$171,751

* Reweatherized by PHDC, totaling \$50,525

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Finding No. 2

As shown in the above table, PHDC and ECA weatherized the same 30 dwellings for a total cost of \$171,751, spending an average of \$5,725 per dwelling. Management at PHDC stated that it was possible for the same dwelling to be serviced by both local agencies and admitted it was a weakness. PHDC explained that, if its energy auditors suspect that a home was previously weatherized, PHDC would contact ECA to determine whether it provided services at that dwelling. However, we noted that 14 of the 30 dwellings were initially weatherized by ECA for \$42,431, then subsequently reweatherized by PHDC for \$50,525. It appears that PHDC failed to recognize the initial weatherization and did not contact ECA prior to reweatherizing these dwellings. Of the 16 dwellings that received reweatherization service from ECA for \$43,556, PHDC provided initial weatherization for \$35,239. We also found that four clients indicated on their applications that their homes were previously weatherized, but ECA provided reweatherization services anyway totaling \$13,110.

Criteria: According to U.S. Department of Energy regulations, no grant funds may be used to weatherize a dwelling that was previously weatherized after September 30, 1993, unless the dwelling unit was damaged by fire, flood, or act of God and repair of the damage to weatherization materials is not paid for by insurance. This language is included in the local agency grant agreements with DCED. None of the 30 client files contained documentation authorizing reweatherization services.

Cause: DCED has no system in place to ensure the two local agencies in Philadelphia are not providing services to the same dwellings. DCED management stated that Philadelphia is the only geographic area in the state where local agencies service areas overlap. Additionally, PHDC and ECA do not compare client data to identify dwellings previously serviced by the other local agency.

Effect: Both Philadelphia agencies wasted weatherization program funding resources on certain dwellings that were ineligible because they were previously serviced by the other local agency. As a result, both local agencies have limited the number of eligible clients served and potentially jeopardized the health and safety of eligible at-risk clients by lengthening the period they are waiting for services. Using the state's maximum average cost per dwelling of \$2,744, the \$94,081 wasted on reweatherizing ineligible dwellings could have been used to weatherize 34 additional dwellings in Philadelphia. In addition, due to the lack of monitoring, the opportunity exists for fraud and abuse to occur.

Recommendations: DCED, with cooperation from the two Philadelphia agencies, should immediately create a system to ensure reweatherization services are not provided to ineligible dwellings as required by U.S. Department of Energy regulations so 1) more eligible clients will be served and the period they are waiting for services will be shortened and 2) the potential for fraud and abuse will be minimized.

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Finding No. 2

Agency Response: DCED concurs with the findings of DAG. Philadelphia currently has two agencies that oversee Weatherization services in the same geographic area because advocates in the city stated that the legacy agency, PHDC, did not have the capacity to meet the needs of the population. ECA was added as the second Weatherization provider in 2001. PHDC, which is the larger of the two agencies, has a centralized intake system and a single point of entry for applicants, whereas ECA has many Neighborhood Energy Centers where potential applicants can walk in off the streets and apply for services. Such a process, although beneficial to the client, makes tracking applications for the city as a whole very difficult. To address this issue, we will require immediately that each agency share a list of dwellings weatherized as well as require that waiting lists and/or units in progress be shared on a quarterly basis. As detailed below in response to Finding No. 10, we will acquire a database system that will allow both the local agencies and the state to track weatherized units as well as work in progress.

Auditors' Conclusion: We acknowledge DCED's concurrence with the finding and are encouraged by the corrective actions noted in its response.

Based on DCED's response, the finding and recommendations remain as stated.

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FINDINGS AND RECOMMENDATIONS

Finding No. 3 - DCED Does Not Adequately Review Weatherization Assistance Program Expenditures for Accuracy Prior to Approving Local Agency Grant Payments

Condition: During our review of DCED's procedures for monitoring weatherization program activity of the local agencies, we found that DCED approves grant payments based only on the amount of their weatherization program allocation to ensure grant payments do not exceed a local agency's allocation for that program year. However, local agencies are not required to submit documentation that supports their grant payment requests. Also, DCED management stated that it does not reconcile local agencies' weatherization program expenditures to grant payment requests because it relies on each local agency undergoing an annual independent financial audit. We disagree with DCED's exclusive reliance on local-level financial audits. DCED is responsible under Commonwealth regulations to monitor subrecipients'/subgrantees' incurrence of costs relating to federal grants and contracts.

Because DCED does not adequately review weatherization program expenditures, we selected two weatherization projects at each of the four local agencies we visited to trace weatherization project costs to the respective local agencies' grant payment requests and found that none of the four local agencies could provide documentation that supported their grant payment requests. Each indicated that it has been using the same methodology for years to request payments and DCED never objected to it. When asked to illustrate with supporting documentation how the costs of a project rolled-up to the eventual grant payment request, the local agencies were unable to provide detailed supporting documentation.

We noted that local agencies submit quarterly reports to DCED showing cumulative weatherization program expenditures from July 1 through September 30 of the subsequent year. These reports also include the number of dwellings serviced by funding source. They also submit a listing of the individual projects and associated materials, operating, and health and safety costs for the quarter; however, DCED does not reconcile the individual projects and associated costs to the quarterly reports. Because DCED's monitoring of the weatherization program hinges on the data contained in the quarterly reports, it is important to verify the accuracy of this information. When we compared the data on these reports, we found numerous differences. DCED management stated that its three internal monitors review a sample of individual projects' expenditures for appropriateness as part of their client file review and site inspections during monitoring visits at the local agencies. However, these monitoring procedures are not documented; therefore, we could neither determine their adequacy nor confirm their results and conclusions contained in the monitors' reports.

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Finding No. 3

When we questioned DCED about how its internal monitors compare weatherization project costs to grant payment requests, management stated that the monitors' reviews were limited to a reasonableness test of materials costs which we determined were properly supported in each client file. Operating costs, including wages, and health and safety costs were not adequately reviewed during DCED's monitors' visits and not adequately supported in the clients' file. In addition, the internal monitors do not review grant payment requests.

Criteria: DCED is required to ensure that adequate financial management controls at the local agency exists. Procedures to monitor local agency activity must be effective to ensure weatherization program expenditures are valid and to reduce the risk of fraud, waste and abuse. According to Management Directive 305.12 Amended, dated January 25, 1999, Commonwealth agencies are required to monitor subrecipients'/grantees' incurrence of costs related to federal grants, contracts, and agreements. Also, prudent business practice dictates that a reconciliation of local agency grant payments to actual weatherization program expenditures be performed to prevent and/or detect any overbilling.

Cause: DCED is relying too heavily on 1) each local agency to ensure weatherization program expenditures are valid, accurate, and appropriate, 2) its three internal monitors who conduct on-site visits, and 3) independent financial audits that are required to be conducted on each local agency. DCED management stated that it lacks the resources to provide better financial guidance to the local agencies. In addition, DCED provides inadequate policy and procedures to local agencies addressing how operations should be functioning.

Effect: Without adequate DCED oversight of weatherization program expenditures and activities, local agencies may be overbilling DCED for invalid costs and receiving funds they are not entitled to receive. As a result, these funds are not available to eligible residents. During our audit, we found that the Energy Coordinating Agency of Philadelphia billed DCED twice for the same project. ECA management admitted that it owed the state \$3,092 for this overbilling which was attributed to inadequate controls at the local agency. Additionally, the lack of adequate controls of local agency expenditures and activities increases the risk of fraud, waste, and abuse of weatherization program funds.

Recommendations: We recommend that DCED develop policies and procedures to ensure expenditures reported by the local agencies are valid and properly supported. We also recommend that DCED develop procedures that adequately instruct monitors on how to document and support the results of their reviews. Also, DCED should periodically reconcile local agency grant payments with reported expenditures to reduce the risk of local agencies overcharging DCED and reduce the risk of fraud, waste, and abuse of weatherization program funds.

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Finding No. 3

Agency Response: DCED concurs with the DAG findings. As a result, we will develop procedures to ensure expenditures reported by the local agencies are valid and properly supported, initially through revising our monitoring format to include documentation of expenditures. We will also create a monitoring procedures handbook for all program monitors. Last, we will implement procedures to reconcile agency grant payments with reported expenditures, which will be the responsibility of a new staff person. This person will fill an existing complement position that is being vacated through a retirement and restructured to focus on invoicing and payment procedures. We are expecting to post this position by the end of July, 2007.

Auditors' Conclusion: We acknowledge DCED's concurrence with the finding and are encouraged by the corrective actions noted in its response.

Based on DCED's response, the finding and recommendations remain as stated.



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Finding No. 4 - Weaknesses in Contracting for Services Exist at Local Agencies

Condition: Local agencies are not awarding contracts through proper bidding procedures. In addition, the local agencies were unable to provide documentation to substantiate their review and approval process in selecting subcontractors. Our review noted the following weaknesses:

- For the Lancaster agency, its employees do not work on furnaces but instead contract such work out to subcontractors. The agency considers furnace work a specialty beyond its normal weatherization work and uses seven or eight furnace contractors throughout the three counties (Lancaster, Lebanon, and Chester) it services. Total furnace work during the fiscal year ended June 30, 2006, amounted to more than \$150,000. Local agency management stated that, because no furnace work on a single project exceeds \$10,000, the agency is not required to contract this work under proper bidding procedures.
- For the Dauphin agency, its employees also do not perform furnace work but instead contract it out to subcontractors. Local agency management requested bids for contracting furnace services but only received one or two bids, which did not include the cost to service gas furnaces. The last time the Dauphin County agency solicited bids was approximately six years ago. Instead, the local agency uses the recommendations of its clients. However, if the local agency contacts the client's preferred subcontractor and the furnace repair cost differs significantly from past experience, the local agency will contact a second furnace repair shop, then select the lowest price estimate. When asked if it documents this process to include substantiating the lowest price, the local agency stated that the process is not documented.
- One Philadelphia agency followed written bidding procedures when it contracted with 15 companies for standard weatherization and furnace work for the fiscal year ended June 30, 2006. However, upon review of selected contracts, we noted that, although material costs are specifically defined, labor costs are not defined anywhere in the contracts. When we asked the local agency how it determines labor costs, management stated that it applies approximately 200 percent markup to the materials' cost and was unaware of receiving any official written authorization from DCED or the federal government to use this percentage/methodology.

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Finding No. 4

Criteria: The grant agreement between DCED and each of the 42 local agencies states that the type of procurement method selected should promote the best interest of the weatherization program. The advertising method is required when sealed bids and public bid openings exceed \$10,000. Awards must be made to the responsible bidder whose bid is most advantageous to the local agency.

Local agencies are required to adhere to procurement policy and procedures when awarding contracts. A strong system of internal control should ensure that contracts and related costs are properly justified and supported and adequately reviewed prior to the letting of the contract. Strong internal controls should also ensure that grantees only contract with responsible subcontractors.

Cause: DCED does not adequately monitor the contracting procedures of the local agencies to ensure compliance with the grant agreements and that weatherization services provide the maximum benefit. Local agency management indicated that the methodology supporting the contract process is considered to be adequate. The Lancaster agency does not believe bidding is necessary because the individual project costs for furnace work is under \$10,000. We questioned the \$10,000 threshold being applied on a project basis rather than the total contract value. While individual projects may not exceed \$10,000, cumulatively these projects will exceed \$10,000 in value; therefore, this work should be let through proper bidding procedures. When we asked the Lancaster agency if it had prior approval from DCED to use this threshold, management replied that DCED instructed it to follow federal guidelines; however, management indicated that specific guidelines were not relevant to contracting procedures. The Dauphin County agency believes bidding to be impractical due to a lack of bids from subcontractors in the past. At one Philadelphia agency, management indicated that it had not included labor costs as criteria in the bidding process because the 200 percent markup methodology has been used for years. Good internal controls require management to maintain sufficient documentation to demonstrate that proper purchasing procedures were reasonably followed and contract awards and costs were properly accounted for. It is important that contractors or subcontractors are competent and responsible, and that the contracting process is free of fraud, waste, and abuse.

Effect: Local agencies may not be getting weatherization services performed for the best price, and the most responsible subcontractors may not be performing the work. Also, weatherization program dollars may not go as far and serve the most low-income residents possible because the local agencies may not be receiving the best price for services rendered. In addition, maintaining written procedures and proper documentation will minimize the risk of impropriety and abuse. We again note that the system of internal controls over the review and approval of contract terms is weak. Documentation supporting a proper review of contracts and bids by management is lacking.

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Finding No. 4

Recommendations: We recommend that DCED adequately monitor local agency contracting procedures and provide guidance to ensure weatherization program dollars are efficiently utilized and weatherization services are maximized. We also recommend that the agency in Lancaster submit the furnace work out for competitive bidding. In addition, we recommend that the Dauphin agency document if bidding procedures are not feasible and document alternative procedures when obtaining two or more quotes from local furnace repair shops. The bidding criteria at the Philadelphia agency we visited should include labor costs to be evaluated for competitive bidding. Finally, all local agencies should immediately obtain written authorization and approval from DCED regarding respective contracting/procurement procedures.

Agency Response: DCED concurs with DAG's findings. As part of the request for work plans/contracts issued each year, we will request a copy of procurement/bidding procedures to review and approve prior to the contract being issued. As work plans have already been issued for the 2007-2008 fiscal year, we will ask agencies to supplement the work plan with this information. Prior to that, we will issue directives for the agencies in preparing their contracting/procurement policies. We will also add a follow-up step via the monitoring tool to ensure compliance.

With respect to those agencies specifically noted in the audit we will: 1) require that Lancaster subject furnace work to competitive bidding; 2) require Dauphin to document all bidding procedures; and 3) require PHDC to include labor costs as a criterion in all bidding procedures. Any claims of superseding local laws will be submitted to DCED Legal Counsel for a legal opinion.

Auditors' Conclusion: We acknowledge DCED's concurrence with the finding and are encouraged by the corrective actions noted in its response.

Based on DCED's response, the finding and recommendations remain as stated.



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Finding No. 5 - The Most Vulnerable and Needy Pennsylvanians Do Not Always Receive Priority and Could Wait Up to Nine Years to Receive Weatherization Services

Condition: Our review of four local agencies' procedures for prioritizing applicants on their waiting lists found that the most vulnerable and needy do not always receive priority for weatherization services. They are low-income elderly or persons with disabilities and considered to be the most at-risk from high energy costs and unhealthy or unsafe living environments. Additionally, DCED reported that 9,249 applicants were waiting for weatherization services at 41 of the 42 local agencies statewide as of June 30, 2006, including 1,100 applicants waiting for service in Fayette County. The waiting periods to receive services ranged from two months to nine years.

DCED management indicated that it currently requires local agencies to only give priority to households with elderly residents or persons with disabilities. In spite of this requirement, we found that the Lancaster and Philadelphia local agencies we visited did not give priority to applicant households with elderly residents or persons with disabilities. Management at both local agencies stated that applicants are served on a first come, first served basis once approved for weatherization services. At the Dauphin and York local agencies, management stated that they occasionally prioritize applicants. When they schedule applicants for service, they select some non-priority applicants before other priority applicants to ensure services are provided within a year of approval. However, this contradicts the weatherization program's emphasis on providing services to the most vulnerable citizens first.

This lack of prioritization was evident in a case we reviewed from York County. In this case, weatherization services began on September 26, 2005, only one month after the applicant was approved on August 26, 2005. Total weatherization cost of this project amounted to \$10,108. With the average waiting time for recipients in York County of four months and York County's inconsistent prioritization of applicants, we are skeptical that all priority applicants on the waiting list as of September 26, 2005 received services before this applicant, who was not classified on York's waiting list as a priority or crisis client. These circumstances indicate a weakness in York County's application process, which could permit manipulation of its waiting list order.

During our on-site visits, we found there are no standard procedures for maintaining waiting lists because neither DCED nor the local agencies have policies and procedures in place. Of the four local agencies tested, only York County had some resemblance of a waiting list. However, the list only captured information as of the date an application was approved and did not include the listing of applicants who requested but was not yet approved to receive services. The other three local agencies had to create a waiting list from individual client files maintained in file cabinets. Also, when we asked DCED for its weatherization waiting list as of June 30, 2006, it had to request this information from the 42 local agencies.

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Finding No. 5

Criteria: Low-income citizens, especially those at-risk, need to receive weatherization assistance timely in order to improve their health and safety and lower energy costs, saving money to meet their other basic needs. According to federal regulations, DCED must ensure that local agencies have the capacity to provide weatherization services timely and effectively.

Cause: DCED does not have policies and procedures in place to instruct local agencies on how to maintain weatherization service waiting lists, including prioritizing applicants. In addition, DCED weatherization monitors do not review waiting lists at local agencies to determine whether they are maintained and if the agencies prioritize service for at-risk citizens.

We were informed during our on-site visits at three of the four local agencies that if more money was available, waiting lists would be much shorter. However, DCED has never requested an increase in the percentage of LIHEAP funds transferred from DPW even though more than \$30 million of LIHEAP surplus existed at June 30, 2006. Management at the fourth site, located in Philadelphia, stated that additional funding would help to shorten its waiting list; however, management also stated that not having enough contractors to perform weatherization services also contributes to its waiting list.

Effect: By not ensuring that weatherization services are first provided to the most vulnerable and needy citizens at-risk, local agencies may be jeopardizing the health of one or more of these applicants. In addition, DCED and the local agencies are failing to achieve part of the objective of the weatherization program: to increase the energy efficiency of dwellings owned or occupied by low-income persons, especially those particularly vulnerable such as the elderly, persons with disabilities, families with children, high residential energy users, and households with high energy burden. These at-risk citizens could be saving money on heating their dwellings, thereby having more money available to meet their other basic needs.

Recommendations: DCED should monitor the local agencies to ensure that the most at-risk and needy Pennsylvanians are the first to receive weatherization program services. Because some agencies have longer waiting lists than others, DCED should take into consideration the length of an agency's waiting list when allocating the federal grant monies among the 42 local agencies. In addition, DCED should consider requesting additional LIHEAP funds from DPW. DCED should also develop policies and procedures to instruct local agencies on how to maintain and prioritize weatherization service waiting lists.

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Finding No. 5

Agency Response: DCED concurs with DAG's findings and is developing a point scoring system to prioritize homes for weatherization service, taking into consideration such factors as whether there are children present in the home, whether there are elderly and/or disabled in the household, and whether the household is a high energy user. A point value will be assigned to each of those factors, and households with the highest point totals would be placed at the top of the list to be weatherized. DCED will develop procedures to standardize the waiting list and will explore using waiting lists as part of the prioritization procedure.

Additionally, in order to address the issue of backlog/waiting lists, we will explore the feasibility of increasing the percentage of funds available through DPW/LIHEAP.

Auditors' Conclusion: We acknowledge DCED's concurrence with the finding and are encouraged by the corrective actions noted in its response.

Based on DCED's response, the finding and recommendations remain as stated.



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Finding No. 6 - Local Weatherization Assistance Program Agencies Do Not Always Verify and Inspect the Work of Their Subcontractors and Employees

Condition: After weatherization and heating system improvements are completed at a client's dwelling, a final inspection is required to determine whether all the improvements were adequately performed. This is documented on a Quality Inspection Sheet. Through discussions with four local agencies, we found that local agencies do not always perform final inspections.

At York County, management estimated that it does not inspect 20 percent of completed projects each year, which equated to 23 projects during the fiscal year ended June 30, 2006. In Lancaster, local agency management told us that it inspects all heating system replacements but did not inspect approximately 60 percent of projects that had other weatherization improvements, or 231 projects. The Philadelphia agency stated that it inspected all weatherization and heating system improvements. However, our review of 15 client files at that local agency found that one did not contain sufficient evidence that a final inspection was performed. Dauphin County informed us that the foreman of each work crew has the duty to conduct the final inspection of the weatherization improvements installed by his own work crew for the 144 projects completed during the fiscal year ended June 30, 2006. For projects that included heating system improvements, only 50 percent were inspected/tested due to a shortage of equipment.

Criteria: According to U.S. Department of Energy (DOE) regulations, no dwelling may be reported to DOE as completed until all weatherization materials have been installed and the local agency has performed a final inspection. All weatherization projects should be inspected by a local agency energy auditor to verify that the work was performed and completed to acceptable standards. Final inspections should not be performed by personnel who performed the work. According to DCED's grant contracts with the local agencies, a signed and dated Quality Inspection Sheet is required to be maintained in each client file.

Cause: Local agency personnel informed us that some clients will not respond to a request to re-enter their home to inspect the weatherization improvements. Also, a lack of sufficient staff and large geographic area to cover was given as a reason for not performing final inspections. In addition, the Dauphin County agency feels that an inspection performed by a work crew foreman is sufficient.

Effect: Local agencies are not ensuring that the weatherization and heating system improvements were adequately performed and that weatherization funds expended were justified.

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Finding No. 6

Recommendations: We recommend that DCED develop procedures to ensure final inspections are independently performed. We also recommend that no monies be paid to subcontractors and local agencies for services provided at a client's home until a final inspection is satisfactorily completed.

Agency Response: DCED needs more specific information before it can determine how to respond to this finding. The examples provided in the report are statements from program managers and are estimates. A true sampling of files is a more appropriate assessment and such a sampling was not cited as part of this report.

Agencies are required to inspect and verify that weatherization work is performed and performed to the appropriate standards. This determination is to be documented on a Quality Inspection Sheet, as noted in the audit. One hundred percent of homes weatherized are to be inspected, and if this is not possible for some reason (for example, sometimes clients are not available during the day because of work); agencies are to make and document three attempts to reach the client for final inspection. To address a potential problem and to ensure final inspections are performed, DCED will include as part of its program policies and procedures a request for copies of the Quality Inspection Sheets as part of the payment and invoicing process.

Auditors' Conclusion: Adopting procedures that will require a copy of the Quality Inspection Sheet to be submitted to DCED as part of the payment process will help ensure final inspections are performed. With regard to DCED's opinion that our audit evidence lacked detail, we interviewed the local agency management personnel responsible for the daily operation of the weatherization program, who, in three of the four local agencies, admitted that final inspections were not always performed. Although the percentages of inspections may have been estimates provided by management, it is clear that 100 percent of homes weatherized are not inspected.

Based on DCED's response, the finding and recommendations remain as stated.

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Finding No. 7 - DCED and Local Agencies Do Not Adequately Promote Awareness of the Weatherization Assistance Program

Condition: DCED and local agencies do not adequately promote awareness of the weatherization program to the public. DCED management stated that it relies on local agencies to promote awareness. Management at the local agencies stated that it does not actively promote the weatherization services. In addition, DCED stated that it relies on DPW to promote the weatherization program as a component of LIHEAP, which partially funds the program. However, we determined that this reliance is inadequate. We also found that DCED has no policies or procedures relating to promoting awareness of the weatherization program.

As part of our audit, we performed on-site visits to four local agencies to determine if they are properly advertising weatherization services to the public. The York County agency stated that it has advertised in local newspapers when the number of weatherization applications decreased, but had not done so in two years because the number of applications had increased. The Dauphin County agency stated that it provides weatherization information to community service organizations that request weatherization information to include in their promotional literature. The Lancaster agency stated that it calls the local newspaper to get free advertisements, but recently has not been successful. At one Philadelphia agency, no advertising exists except for its website and distribution of flyers to community service organizations.

Regarding DPW's promotion, we found that its promotion of the program consisted of two sentences in a LIHEAP brochure that is mailed annually to community service organizations and County Assistance Offices. Also, LIHEAP applicants may check a box on their application authorizing DPW to submit their names to DCED and the local agencies for weatherization assistance.

Criteria: Active outreach efforts are necessary to ensure eligible citizens, especially at-risk residents, are aware of the program and the enrollment process to receive assistance to reduce fuel consumption and lessen the impact of higher fuel costs on low-income families.

Cause: DCED believes the responsibility for promoting awareness of the weatherization program belongs to the local agencies because they run the day-to-day operations of the weatherization program. DCED management also stated that there is no need to advertise the weatherization program because there is a waiting period to receive services. As of June 30, 2006, the waiting period ranged from two months to nine years. Management at the local agencies stated that attracting more applicants through advertising would only lengthen its waiting lists. We disagree with management's perspective; the program should be actively promoted regardless of the number of applicants on waiting lists because citizens, especially those at-risk who should receive priority, need to be made aware that assistance is available.

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Finding No. 7

Effect: Eligible citizens, especially those at-risk, may be unaware that the weatherization program exists and assistance is available to help alleviate the impact of high fuel costs and poorly insulated homes.

Recommendations: DCED, in cooperation with the local agencies, should actively promote the program to ensure public awareness of the program so eligible citizens, including the most vulnerable and needy, are provided assistance.

Agency Response: DCED disagrees with the finding that local agencies do not adequately promote awareness of the program. There are several agencies that actively promote Weatherization via newsletters, TV ads, radio spots, and brochures. Additionally, the program is listed on or linked to the websites of other state agencies, including DPW, PUC [Pennsylvania Public Utility Commission] and Aging [Pennsylvania Department of Aging]. The program is also listed on the web sites of several local providers. For providers that are multi-purpose, e.g., Community Action Agencies, Weatherization is one of the many services provided, and is part of the intake process, regardless of what the client initially comes in for.

We have, however, been actively identifying opportunities to increase support of the program through education, awareness and showcasing of local provider accomplishments and successes. Strategies include: encouraging local agencies to conduct site demonstrations, holding Weatherization Day (October 30th of each year) celebrations, including expos, fairs and open houses, developing and implementing state legislator awareness strategy, preparing an annual report, and using success stories to get press coverage locally. DCED will provide templates for local agencies to utilize for press releases and other forms for communicating with both the public and partner agencies, including Area Agencies on Aging and County Assistance Offices and will continue to explore other avenues to increase the program awareness.

Auditors' Conclusion: Although DCED disagrees with the finding, based on its response, DCED appears to be exploring other avenues to promote awareness, including encouraging promotional efforts by local agencies. We commend DCED for identifying opportunities to promote the weatherization program.

Based on DCED's response, the finding and recommendations remain as stated.

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Finding No. 8 - DCED and Local Agencies Do Not Measure the Effectiveness Resulting From Weatherization Efforts

Condition: Local agencies do not measure the success or failure of the weatherization program by determining energy savings through the reduction of home heating costs. We found during on-site visits at four local agencies located in York, Dauphin, Lancaster, and Philadelphia counties that they receive approval from the weatherization program clients to have utilities release energy usage information to the local agencies, but the local agencies do not use this information to calculate actual savings. In addition, DCED fails to provide proper oversight in requiring this information to be reported.

Criteria: Performance procedures to measure the efficiency and effectiveness of the weatherization program are necessary to evaluate weatherization methods and their effectiveness. One measure would be to analyze energy usage billings before and after weatherization improvements to determine the savings created. Energy usage information could be compared to services performed and costs incurred to determine cost-benefit savings. Performance procedures also allow an analysis of the program's effectiveness based on the savings achieved from expending weatherization funds. Additionally, DCED could compare the effectiveness of different local agencies to improve services state-wide.

Cause: According to DCED management, clients are required to sign a fuel release waiver, giving permission for DCED to obtain fuel usage information for their residence from utility providers. However, DCED management stated that currently the U.S. Department of Energy does not require any analysis of actual savings, so none is performed. Local agency management stated that no analysis is done because DCED does not require it. DCED management further explained that before weatherization program services are to be performed at a residence, a blower door test is performed by trained personnel. The same test is performed after weatherization improvements are completed. This measurement is used to determine the effectiveness of the weatherization improvements made to the residence through the reduction in air flow. Some weatherization program personnel believe that, because the reduction in air flow is measured before and after the weatherization services are performed, this reduction must lead to a corresponding reduction in the amount of energy needed to heat the residence, and that, therefore, other performance measures are not needed. However, this measurement of air flow reduction does not provide information to analyze the state's return on investment of weatherization funds.

Effect: The effectiveness of the weatherization program cannot be adequately evaluated without an analysis of actual energy costs from clients' billing information. Once determined, this measurement of savings can be applied to specific weatherization improvements to determine a cost-benefit savings.

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Finding No. 8

Recommendations: We recommend that DCED, in cooperation with local agencies, develop a standard approach to calculate energy and monetary savings. This information could be summarized and reported to allow stakeholders in the weatherization program to better determine the weatherization program's efficiency and effectiveness. In addition, this information could be used for decision making purposes to enhance the weatherization program statewide.

Agency Response: DCED concurs with this finding and, has already applied to piggy-back on the national evaluation that is being conducted by the Department of Energy for Weatherization programs. We have set aside funds in the Weatherization program budget for this as well as for the conduct of an independent evaluation and have submitted correspondence to the contractor for the national evaluation expressing our interest to have a more complete and representative sample of PA agencies included at this time.

Auditors' Conclusion: We acknowledge DCED's concurrence with the finding and are encouraged by the corrective actions noted in its response.

Based on DCED's response, the finding and recommendations remain as stated.

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FINDINGS AND RECOMMENDATIONS

Finding No. 9 - DCED Failed to Adequately Monitor Local Agencies

Condition: DCED has three individuals who monitor and review activities at the 42 local agencies. These monitors determine compliance with weatherization program regulations and grant agreement requirements. They review client files for required documents, inspect weatherization services performed at selected dwellings, assess the reasonableness of materials costs, identify local agency employees' training needs, and review inventory records. DCED presents a monitor's report to the local agencies, which includes any issues identified during the monitor's visit. However, DCED does not always verify if local agencies remedy these issues. According to a DCED monitor, he only verifies that local agencies correct significant deficiencies. From our review of four monitors' reports, we noted no significant deficiencies reported. When asked if DCED compiles a summary report of all monitors' reported deficiencies, management stated that a summary report is not compiled.

As part of our audit, we selected 20 weatherization program client files reviewed by DCED monitors from their last monitoring reports to determine whether they were adequately reviewed and monitoring activities were adequately performed. As a result of our review, we noted several monitoring deficiencies, including: DCED monitors do not review waiting lists to determine that weatherization services are being provided first to at-risk citizens and then on a first come, first served basis; monitors do not review subcontractor invoices and related wages for accuracy and propriety; and documentation to support monitor reviews of client files was inadequate. We also noted that DCED monitors do not review promotional activities performed by local agencies. In addition to these deficiencies, we noted that DCED has no policies and procedures regarding monitoring activities, including a sampling methodology that ensures a representative number of client files are being reviewed.

Regarding missing documentation in client files, we found that 15 out of 20 client files reviewed by DCED monitors lacked evidence that a priority list of weatherization services was used to ensure the most cost-effective services were considered first, even though the monitors reported that the priority list was used. Additionally, we noted seven other required documents missing from six client files, including; five client energy education forms, one furnace test report, and one fuel release waiver. The monitor checked these items on his client file review form as existing and part of the client files.

Criteria: Although DCED delegates the responsibility of administering the weatherization program services to the local agencies, DCED still has a responsibility to ensure that the citizens of the Commonwealth are adequately and properly served by the weatherization program. According to federal regulations, DCED must monitor the activities of the local agencies to ensure the quality of work and the existence of adequate financial management control.

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Finding No. 9

Promotional activities should be monitored to ensure that the Commonwealth's most at-risk residents are aware of the weatherization program so they can apply for assistance. Also, waiting lists should be reviewed for accuracy and reported to DCED so they are aware of the waiting times and the current status of the weatherization program. This would allow DCED to monitor waiting times to determine that weatherization services are provided first to at-risk citizens and then on a first come, first served basis.

In addition, material, labor and overhead costs should be reviewed by the DCED monitors to ensure that all costs charged to the weatherization program are proper for both subcontractors and employees. Also, DCED monitors should ensure that all necessary documentation is present in the client files, and that a representative number of client files are selected for review.

Cause: DCED has no policies and procedures regarding monitoring activities and delegates responsibilities for administering the weatherization program to the local agencies.

Effect: Without adequately monitoring activities performed at the local agencies, DCED lacks assurance that weatherization program applications are processed properly and internal controls are adequate for preventing, detecting, and reporting fraud and abuse.

Recommendations: We recommend that DCED develop written policies and procedures to ensure local agencies are properly monitored and at-risk citizens and other applicants are receiving assistance in a timely manner. These policies and procedures should include, but not be limited to:

- assessing internal controls;
- developing a sampling methodology that ensures a representative number of client files are reviewed;
- ensuring application documentation in client files is complete and accurate; and
- compiling the monitors' results into a summary report of all local agencies.

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Finding No. 9

Agency Response: DCED disagrees in part with the DAG report findings. During the five-year period of this review, 59,976 units were weatherized by the 42 local program providers. Of that number, 3,380 units were inspected by DCED's three monitors and 6,521 files were reviewed. DCED feels that these numbers represent an adequate sampling of the units completed. It has been our practice for many years to inspect five percent of completed units and 10% of client files, and that is incorporated into the State Plan submitted to, and accepted by, the US DOE. In selecting client files to review and units to inspect, the "random sample" is modified somewhat to ensure that a cross-section of housing stock, subcontractors, unit costs, and geographic area are reviewed and inspected.

The checklist used by the monitors is designed to ensure all relevant data is reviewed and contained in the files. However, DCED agrees the monitors do not have the expertise to adequately review an agency's internal controls. To remedy this, we are meeting with the Comptroller's Office on July 13th, 2007 to discuss the extension of the MOU [Memorandum of Understanding] that will allow the Comptroller's Office to conduct fiscal reviews of program providers in addition to Community Action Agencies. Additionally, we will comply with the recommendation to compile the monitor's results into a summary report of all local agencies twice yearly, and we will develop a Monitors Guide/Manual for use by DCED monitors that will enhance and formalize procedures already in place, and add those recommended by this audit.

Auditors' Conclusion: We acknowledge DCED's commitment to implement most of our recommendations and to utilize Comptroller Office personnel to assist in fiscal reviews of the local agencies. However, regardless of the number of units and client files reviewed by DCED's monitors, we found numerous discrepancies after reviewing selected client files and comparing our results with the DCED monitors' results. We identified several operations that DCED failed to adequately monitor, including verification of weatherization expenditures, waiting list procedures, subcontractor invoices, and promotional activities.

Based on DCED's response, the finding and recommendations remain as stated.



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FINDINGS AND RECOMMENDATIONS

Finding No. 10 - DCED Does Not Have Computer System Integration Capabilities With Local Agencies to Gather, Summarize, and Access Weatherization Assistance Program Information

Condition: Local agencies send quarterly reports electronically to DCED that summarize the cumulative number of weatherization projects completed and cumulative expenditures during a calendar quarter. However, DCED does not have a database integrated with the 42 local agencies to gather, summarize, and track weatherization information on an ongoing basis. As a result, DCED cannot continuously monitor the weatherization program. In addition, DCED does not have pertinent information of who received weatherization services, the type of weatherization received, and the number of low-income citizens waiting to receive weatherization services.

Criteria: For DCED to properly monitor the implementation of the weatherization program, local agencies should have access to a centralized database to input information regarding weatherization services provided and to be provided to clients. This would enable DCED to determine what corrective action is needed and provide timely guidance to local agencies to improve the performance of the weatherization program.

Cause: DCED permits the local agencies to manage weatherization program activities using whatever computer system they prefer. Because local agencies may provide other services in addition to weatherization program services, they are reluctant to implement a specific system to manage the weatherization program and run a separate system for their other services. Additionally, DCED management believes that the current system is adequate for reporting weatherization program activity, while other information can be requested from the local agencies by telephone, as needed.

Effect: DCED does not know the status of weatherization projects and does not know the detailed information supporting the quarterly reports submitted by local agencies. In addition, DCED does not know the accuracy of waiting lists detailing how many clients are waiting and how long it will take them to receive weatherization services, including the most vulnerable and needy citizens at-risk. Also, DCED cannot measure the timeliness and performance of local agencies in providing weatherization services to clients.

Recommendations: We recommend that DCED develop a database, in cooperation with local agencies, to assess the performance of local agencies and determine whether any corrective action is required to improve performance of the weatherization program.

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Finding No. 10

Agency Response: DCED concurs with this finding, and has already held internal discussions on what such a database should include. We have explored what other states are using, and will be identifying a web-based software system that we feel will meet our needs. Software Solutions by Roering is one of the packages we are going to review as part of this assessment.

Auditors' Conclusion: We acknowledge DCED's concurrence with the finding and are encouraged by the corrective actions noted in its response.

Based on DCED's response, the finding and recommendations remain as stated.

DISTRIBUTION LIST

**DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
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DISTRIBUTION LIST

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Dennis Yablonsky (3)
Secretary
Department of Community and Economic
Development
4th Floor, Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

The Honorable Robin L. Wiessmann (2)
State Treasurer
129 Finance Building
Harrisburg, PA 17120

Secretary of Administration
Governor's Office
207 Finance Building
Harrisburg, PA 17120

The Honorable Gibson E. Armstrong
Chair
Senate Appropriations Committee
281 Main Capitol Building
Harrisburg, PA 17120

The Honorable Gerald J. LaValle
Acting Democratic Chair
Senate Appropriations Committee
545 Main Capitol Building
Harrisburg, PA 17120

The Honorable Dwight Evans
Chair
House Appropriations Committee
512-E, Main Capitol Building
Harrisburg, PA 17120

The Honorable Mario Civera
Republican Chair
House Appropriations Committee
245 Main Capitol Building
Harrisburg, PA 17120

The Honorable Robert M. Tomlinson
Chair
Senate Consumer Protection and
Professional Licensure Committee
362 Main Capitol Building
Harrisburg, PA 17120

The Honorable Lisa Boscola
Democratic Chair
Senate Consumer Protection and
Professional Licensure Committee
458 Main Capitol Building
Harrisburg, PA 17120

The Honorable Joseph Preston, Jr.
Chair
House Consumer Affairs Committee
332-A Irvis Office Building
Harrisburg, PA 17120

The Honorable Robert W. Godshall
Republican Chair
House Consumer Affairs Committee
150 Main Capitol Building
Harrisburg, PA 17120

The Honorable Roger A. Madigan
Chair
Joint State Government Commission
108 Finance Building
Harrisburg, PA 17120

The Honorable Mark B. Cohen
C/O Leon Czikowsky
House of Representatives
417 Main Capitol Building
Harrisburg, PA 17120

The Honorable Donald L. Patterson
Inspector General
Executive House
101 South Second Street, 3rd Floor
Harrisburg, PA 17101

Mr. Philip R. Durgin, Executive Director
Legislative Budget and Finance Committee
400 Finance Building
Harrisburg, PA 17120

Ms. Sharon Anderson (4)
State Library of Pennsylvania
Serials Records Section
218 Forum Building
Harrisburg, PA 17120

Ms. Connie S. Huber (2)
Comptroller
Department of Community and Economic
Development
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