



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

Examination Report

Community Action Partnership of the
Greater Dayton Area –
Weatherization Assistance Program
Funds Provided by the American
Recovery and Reinvestment Act of
2009



OAS-RA-11-18

September 2011



Department of Energy
Washington, DC 20585

September 29, 2011

**MEMORANDUM FOR THE ACTING ASSISTANT SECRETARY FOR ENERGY
EFFICIENCY AND RENEWABLE ENERGY**

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

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

SUBJECT: INFORMATION: Examination Report on "Community Action Partnership of the Greater Dayton Area – Weatherization Assistance Funds Provided by the American Recovery and Reinvestment Act of 2009"

BACKGROUND

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

The Recovery Act was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the Weatherization Program received \$5 billion to reduce energy consumption for low-income households through energy efficient upgrades. The State of Ohio received \$267 million in Recovery Act Weatherization Program funding, of which \$18 million was allocated to Dayton. The State of Ohio Department of Development was responsible for administering Weatherization Program grants, including funds provided to Dayton.

CONCLUSIONS AND OBSERVATIONS

Lopez and Company, LLP expressed the opinion that except for the weaknesses described in its report, Dayton complied in all material respects with the requirements and guidelines relative to the Weatherization Program for the period July 1, 2009 to October 31, 2010. However, the examination found that Dayton:

- Procured weatherization materials, equipment, and services without evidence of a cost or price analysis or competitive bidding. As a result, Lopez and Company, LLP questioned \$70,800 in costs associated with the procurements identified in its review;

- Had a significant percentage of homes requiring re-work prior to completion. Specifically, 19 of 34 homes reviewed had final inspections that identified re-work needed. Examples of re-work needed included adding attic and basement insulation, sealing ductwork, and wrapping pipes for a water heater;
- Did not ensure that administrative employees' timecards reflected actual work activity and contained employee or supervisor approval signatures. As a result, Lopez and Company, LLP questioned \$23,400 in these costs; and,
- Did not track and document the number of homeowners that received follow-up contact after weatherization services were provided, and failed to summarize the results of its follow-up program as required by the State.

The report makes recommendations to Dayton to improve administration of its Weatherization Program. Dayton provided comments that expressed agreement with the recommendations and provided planned and ongoing actions to address the issues identified. The State of Ohio also concurred with the findings and recommendations in the examination report and agreed with Dayton's planned corrective actions. While these comments and planned corrective actions are responsive to our recommendations, the Department needs to ensure the planned actions are taken.

RECOMMENDATIONS

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

1. Ensure appropriate action is taken by the State of Ohio to improve administration of Recovery Act Weatherization Program funds at the Community Action Partnership of the Greater Dayton Area.

We also recommend the Contracting Officer for the State of Ohio Weatherization Program grants:

2. Resolve identified questioned costs.

DEPARTMENT COMMENTS AND AUDITOR RESPONSE

The Department's Office of Energy Efficiency and Renewable Energy concurred with the report's recommendations and stated that during on-site monitoring visits, it would continue to assess the progress towards implementing these and other program improvements. The Department's comments are responsive to our recommendations.

EXAMINATION-LEVEL ATTESTATION

Lopez and Company, LLP conducted its examination in accordance with attestation standards established by the American Institute of Certified Public Accountants as well as those additional standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The examination-level procedures included gaining an understanding of Dayton's

policies and procedures and reviewing applicable Weatherization Program documentation. The procedures also included an analysis of inspection results, records of corrective actions, and re-inspections of completed homes/units to ensure any failures were properly corrected. Finally, an analysis of associated cost data was conducted to test the appropriateness of payments.

The OIG monitored the progress of the examination and reviewed the report and related documentation. Our review disclosed no instances where Lopez and Company, LLP did not comply, in all material respects, with the attestation requirements. Lopez and Company, LLP is responsible for the attached report dated September 23, 2011, and the conclusions expressed in the report.

Attachment

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



Lopez and Company, LLP
Certified Public Accountants and Business Consultants

EXAMINATION REPORT ON COMPLIANCE

OF

Recovery Act Weatherization Assistance Program

Community Action Partnership of the Greater Dayton Area

PERFORMED FOR

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL

Prepared by

Lopez and Company, LLP

Report Submission Date: September 23, 2011

CONTRACT NUMBER: DE-IG0000017

WORK ORDER NUMBER: 2010-06

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Lopez and Company, LLP
Certified Public Accountants and Business Consultants

INDEPENDENT ACCOUNTANT'S REPORT

To the Inspector General,
Department of Energy:

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

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

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

In our opinion, except for the weaknesses described in Section IV of this report, the Agency complied in all material respects, with the aforementioned requirements and guidelines relative to the Weatherization Assistance Program for the period July 1, 2009 through October 31, 2010.

Lopez and Company, LLP

Lopez and Company, LLP
Chino Hills, California
August 11, 2011

Section I Description of the Community Action Partnership of the Greater Dayton Area Weatherization Assistance Program

The Community Action Partnership of the Greater Dayton Area (Agency) is a non-profit Community Action Agency committed to eliminating poverty and promoting self-sufficiency by providing various programs and services for individuals and families in Butler, Darke, Greene, Montgomery, Preble and Warren Counties within the State of Ohio. The Agency receives its grant support primarily from the State of Ohio Department of Development (State of Ohio) for the purpose of participating in the Home Weatherization Assistance Program (HWAP) with funds appropriated under the authority of the American Recovery and Reinvestment Act of 2009 (Recovery Act).

Under the Recovery Act, the State of Ohio received an allocation of approximately \$267 million from the U.S. Department of Energy Office of Energy Efficiency and Renewable Energy for the Weatherization Assistance Program (Weatherization Program). The State of Ohio allocated about \$18 million of its grant to the Agency to weatherize 2,144 homes. Under the Weatherization Program, homeowners and renters received assistance for replacement of existing building components and improvements to reduce energy consumption and lower heat gain by sealing duct systems and by installing insulation, cooling and heating systems, and energy efficient windows and doors. Eligible households must have income of less than 200 percent of the poverty level as defined by the U.S. Department of Health and Human Services. The Agency's grant was to be expended over a two-year period from April 1, 2009 through March 31, 2011. On April 1, 2011, the State of Ohio extended the period of award to March 31, 2012.

Section II Classification of Findings

The findings in this report are classified as follows:

Material Weakness

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

Significant Deficiency

For purposes of this engagement, a significant deficiency is a deficiency in internal control, or combination of deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria or framework, such that there is more than a remote likelihood that a misstatement of the subject matter that is more than inconsequential will not be prevented or detected.

Advisory Comments

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

The advisory comments presented in this section represent matters that came to our attention during the course of the review, and are offered to the Agency's management as an opportunity for improvement. The advisory comments are provided along with recommendations and discussion of the significance of the comments.

Section III Summary of Findings

Area/Finding

Material Weakness

Questioned Costs

IV.1 Lack of Cost or Price Analysis and Competitive Bidding

Significant Deficiencies

Quality of Work

IV.2 Numerous Projects Required Follow-up Work

Questioned Costs

IV.3 Deficiencies in Administrative Timecards

Advisory Comment

Quality Assurance

IV.4 Compliance with Follow-Up Communications

Section IV Schedule of Findings

QUESTIONED COSTS FINDING

IV.1 Lack of Cost or Price Analysis and Competitive Bidding (Material Weakness)

Condition

Weatherization materials, equipment, and services were procured without evidence of a cost or price analysis or competitive bidding. Based on our review we found that the Agency failed to comply with Federal and State procurement regulations as required by the grant agreement between the State of Ohio and the Agency. Procurement transactions should have been conducted in a manner that provided for full and open competition. Further, for smaller procurements not requiring competitive bidding, a cost or price analysis should have been performed to ensure that weatherization costs were reasonable and supportable.

The Agency conducted an annual survey of local suppliers and contractors and prepared a Price Book containing average price quotes of specific and identifiable weatherization materials and related labor costs pertaining to weatherization activities. The Price Book represented the results of the Agency's price analysis. In procuring weatherization materials, the Agency compared price quotes from suppliers to the Price Book for reasonableness. If the price quote was determined to be reasonable, the procurement was made without competitive bidding.

Additionally, the Agency did not have support for its sole source selection of contractors or procurement of services from those contractors. While examining a sample of 30 completed projects, we found the Agency had selected six contractors through sole source procurements but without written justifications. Based on our review of all 15 weatherization invoices from the six contractors, we found that the contractor files lacked a price analysis for services purchased for Heating, Ventilation, and Air Conditioning (HVAC) work funded with Recovery Act Weatherization Program funds.

At the time of our examination, we determined that:

- a) 57 of 99 material items in inventory totaling \$31,300 were not included in the Price Book, and no evidence of competition or cost or price analysis was performed for these items;
- b) 17 of 20 equipment procurements totaling \$18,100 did not have documentation evidencing either competition or a cost or price analysis as required by the State; and,
- c) Six sole source contractor procurements totaling \$21,400 did not have a written justification or price analysis for services performed.

Section IV Schedule of Findings

Cause

Management was not aware of the Federal and State requirements to have a competitive bidding process or a supportable cost or price analysis methodology for all weatherization procurements.

Effect

The lack of competitive bidding or a cost or price analysis to support the above procurements may not ensure the Agency acquires the most cost effective weatherization materials, equipment, and services. We therefore question the \$31,300 charged for the 57 material items, the \$18,100 for the 17 equipment items, and the \$21,400 in HVAC costs from the six contractors charged to the Weatherization Program.

Recommendation

- 1.1. To ensure reasonable and supportable material, equipment, and contractor costs, we recommend the Agency develop and implement documented policies and procedures requiring competitive bidding and a cost or price analysis in conformity with Federal and State of Ohio regulations.

Management Response

Management agreed with the finding and recommendation. Management stated that its procurements were approved by the State and that in some cases, the issue was lack of documentation rather than not following proper procurement procedures. However, management outlined corrective actions it is taking. Currently, the Agency is in the process of writing a policy and procedure manual for the HWAP department. Also, the Agency is finalizing an open bidding process to select subcontractors in accordance with Federal and State regulations.

Section IV Schedule of Findings

QUALITY OF WORK FINDING

IV.2 Numerous Projects Required Follow-up Work (Significant Deficiency)

Condition

We found that a significant proportion of homes required additional work prior to completion. Of 34 homes we reviewed for quality of work, 19 had final inspections that identified follow-up work needed. As part of our testing, we reviewed 30 weatherization client files, which included five actual home re-inspections accompanied by a State inspector. Additionally, we accompanied the State inspector on four final inspections. Examples of such work included adding attic and basement insulation; sealing ductwork; and wrapping pipes for a water heater. Federal and State of Ohio regulations required agencies to ensure the quality of weatherization work performed. However, this level of additional work indicated that the Agency may need to reexamine its current process for monitoring and tracking project progress in order to minimize the amount of follow-up work.

Cause

Management believed that its current project monitoring approach was adequate, and therefore the Agency did not develop written policies and procedures to create a reporting system to track weatherization progress for homes. Instead, tracking of progress was performed by manually monitoring individual project files and was classified as "start up work," "work in progress," and "completed work." All projects that required crew callbacks were included in the "work in progress" section. However, there was no overall tracking mechanism to provide the Agency with timely, periodic reports on project status.

Effect

The lack of periodic (monthly or quarterly) project status reports did not allow for timely tracking and monitoring of projects and assessing work crew performance for weatherization work. Further, frequent follow-up work consumes resources that could otherwise be devoted to additional weatherization work.

Recommendation

- 2.1. We recommend that the Agency develop and implement a documented system of tracking and reporting the progress and completion of work, including trends in crew performance, additional work needed, and re-inspections for homes being weatherized.

Section IV Schedule of Findings

Management Response

Management agreed with the finding and recommendation. Management stated it has developed and will implement a new system of tracking and reporting job progress and completion of work performed by its weatherization crews.

Section IV Schedule of Findings

QUESTIONED COSTS FINDING

IV.3 Deficiencies in Administrative Timecards (Significant Deficiency)

Condition

The Agency did not ensure that administrative personnel labor costs were supportable by complying with Federal regulations requiring all timecards to have employee signatures or approvals by appropriate supervisory personnel. The Office of Management and Budget (OMB) Circular A-122 required that reports must reflect an after-the-fact determination of actual employee activity, and must be signed by the individual employee or a responsible, knowledgeable supervisor.

However, based on our review of five administrative employees' labor hours, we selected 19 timecards covering five time periods and found the following:

- a) Inaccurate timecard data - Three employees' time cards did not appear to reflect actual work activity. For multiple periods, timecards with similar numbers of hours were charged to the Weatherization Program; and,
- b) No verifying signature – The review identified 14 timecards that lacked employee signatures or supervisory approval.

Cause

The Agency had written policies and procedures related to time card preparation and supervisory review which did not comply with OMB Circular A-122 regulations requiring that all timecards have employee signatures or approvals by appropriate supervisory personnel. Management did not adequately review and implement Federal guidance related to payroll procedures. Administrative labor hours were charged directly to projects. OMB requirements indicate that a pre-determined allocation plan be reasonable, allowable and supportable. Officials believed that under OMB Circular A-122, they were only required to sign timecards once a month even though time cards were submitted twice a month.

Effect

Due to the lack of an appropriate and reasonable methodology to allocate administrative costs to projects and lack of signatures on timecards, we question the \$23,400 in these costs charged to the Weatherization Program.

Recommendations

We recommend that the Agency develop and implement:

- 3.1. An overhead cost allocation plan in accordance with OMB Circular A-122; and,

Section IV Schedule of Findings

- 3.2. Policies and procedures to ensure all timecards are signed by the individual employee or a responsible supervisory official.

Management Response

Management agreed with the finding and recommendations. In February 2011, the Agency implemented policies and procedures requiring that all timesheets be signed by each employee and supervisor, or by a supervisor with firsthand knowledge of the employee's hours. In addition, the Agency is in the process of retraining all employees to ensure that all times incurred and reported are documented for each program charged.

Section IV Schedule of Findings

QUALITY ASSURANCE FINDING

IV.4 Compliance with Follow-up Communications (Advisory Comment)

Condition

The Agency did not track and document the number of follow-up contacts with households for which weatherization work had been completed. The State's Weatherization Manual required the Agency to follow up with 25 percent of all homeowners receiving weatherization work and to document its compliance with this requirement. Agency officials informed us that follow-ups were performed and the completed follow-up contact report was kept in each project folder after communication was made to the homeowner. However, based on our review of 30 completed homes/units, we noted only one of the 30 had a documented follow-up. Moreover, the Agency did not document which homeowners it selected to meet the requirement and did not summarize results of homeowner follow-up.

Cause

The Agency did not have a procedure to ensure that the number of follow-up contacts with households for completed work was documented and results summarized. Moreover, management was not aware of the requirement to document and summarize the results of follow-up communications.

Effect

Failure to document and summarize follow-up contact reports may lead to quality of work and energy efficiency issues not being identified and addressed in a timely manner.

Recommendation

- 4.1. We recommend that the Agency implement policies and procedures for documenting and summarizing follow-up contact reporting activities.

Management Response

Management agreed with the finding and recommendation. The Agency is now tracking follow up reports in an Excel spreadsheet on a daily basis to ensure that State requirements are met.

Section V Complete Management Response



RESPONSE TO EXAMINATION REPORT ON COMPLIANCE
OF
RECOVERY ACT WEATHERIZATION ASSISTANCE PROGRAM
COMMUNITY ACTION PARTNERSHIP OF THE GREATER DAYTON AREA

Contract# DE-IG0000017
Work Order Number: 2010-06

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Section V Complete Management Response



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Joyce E. Price
Vice President & COO

Stephen V. Ppenger
Vice President & CFO

IV.1 Lack of Cost or Price Analysis and Competitive Bidding

Response

To date, procurement was done in a manner with approval of the Office of Community Services by the Ohio Department of Development. For some of the items discussed, it is not so much a question of whether procurement was proper, but rather, there was a need for better evidence and record retention of the types of procedures that were followed for purchasing. Currently, the agency is in the process of writing a Policy and Procedure Manual for the HWAP department. Also, it has been determined that at least a part-time person should be hired to handle the HWAP department's purchasing, assuring compliance with policy and procedure set-forth. Thus far, the agency has followed Federal and State procurement standards and engaged in open, competitive bidding for cellulose, windows and boilers. The agency is also finalizing an open bidding process to select subcontractors, again, following standards set forth by Federal and State standards.

IV.2 Numerous Projects Required Follow-up Work

Response

Based upon the recommendations and findings of this report, the weatherization department has developed and will be implementing a new system of tracking and reporting the progress and completion of work being performed by the weatherization crews. Our new procedures will track and reflect trends in crew performance, additional work needed and re-inspections of jobs to ensure a higher quality work

All jobs will be reviewed by that crew's field supervisor before turning that job in for final inspection.

All field supervisors have completed *inspector* training at the state training center (COAD) to improve their ability to monitor the quality of weatherization work performed.

Final inspectors will maintain a call back log which will contain the following information:

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A Community Action Agency with programs in Butler, Darke, Greene, Miami, Montgomery, Preble and Warren Counties.
An Equal Opportunity Employer/Service Provider.

Section V Complete Management Response

Name of crew leader assigned to job

Details of additional work need

Date follow up work begins and ends

Date for re-inspection of job

Entries to this log will be made daily after the completion of the final inspection.

The energy coordinator will monitor and review this log daily and make monthly reports to reflect the content of that log.

IV.3 Deficiencies in Administrative Timecards

Response

Prior to July 2009, CAP of the Greater Dayton Area (CAP) required that all time sheets be signed by the employee and supervisor.

CAP implemented a new electronic time sheet process around July of 2009. At that time, CAP put in place a policy that signed time sheets would only be submitted once per month, for the first bi-weekly pay period of each month. In January of 2011, Lopez and Company, LLP, questioned this practice. CAP acknowledges that its policy was not correct. In February of 2011, CAP ceased the practice. All time sheets are either signed by each employee and supervisor or by a supervisor with firsthand knowledge of the employee's hours.

CAP does not believe that pre-determined allocation of time to projects is an acceptable practice. CAP champions an after-the-fact allocation of time based on actuality and supported by calendars, logs, lists of work performed, etc. CAP is in the process of retraining all employees who charge time to multiple programs to insure that time reported is adequately documented for each program charged. Each employee will be required to support all work charged to a program by calendar, logs, list of work performed, etc.

CAP will again have an appropriate and reasonable methodology to allocate time sheet charges to programs and has signatures on time sheets and asks that the \$23,400 in questioned costs be allowed.

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Section V Complete Management Response

IV. 4 Compliance with Follow-up Communications

Response

The agency is now tracking the follow-up reports in an excel spreadsheet, when they come in on a daily basis. This spreadsheet is located on the agency's "T" drive under the HWAP folder; allowing access to the appropriate personnel. These follow-up reports are being documented by the customer's first and last name, the job number, and the date of completion of weatherization services and BWR report to the state. By utilizing these measures the agency will be able to continue to ensure the 25% follow-up contacts for our weatherization homeowners is met.

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