



U.S. Department of Energy  
Office of Inspector General  
Office of Audit Services

# Audit Report

The Department of Energy's Use of  
the Weatherization Assistance  
Program Formula for Allocating  
Funds under the American Recovery  
and Reinvestment Act



OAS-RA-10-13

June 2010



**Department of Energy**  
Washington, DC 20585

June 11, 2010

MEMORANDUM FOR THE SECRETARY

FROM:   
Gregory H. Friedman  
Inspector General

SUBJECT: INFORMATION: "The Department of Energy's Use of the Weatherization Assistance Program Formula for Allocating Funds under the American Recovery and Reinvestment Act"

BACKGROUND

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted in February 2009, to strengthen the U.S. economy, create jobs and spur investments in the Nation's energy future. Under the Recovery Act, the Department of Energy's Weatherization Assistance Program (Weatherization Program) received about \$5 billion, a ten-fold increase over the Fiscal Year 2009 funding, to weatherize over 590,000 homes owned or occupied by low-income persons.

The Department's Office of Energy Efficiency and Renewable Energy (EERE) manages the Weatherization Program with support from field offices at the National Energy Technology Laboratory and the Golden Field Office. Through these offices, and based on an allocation formula published in the Code of Federal Regulations (CFR), the Department awarded Weatherization funding to all 50 states, the District of Columbia and 5 U.S. territories. The formula considers a variety of factors and includes a calculation designed to compensate for climate conditions. Given the risk associated with significant program changes, dramatic increases in funding and demands related to weatherizing hundreds of thousands of homes, we have initiated a series of audits to assess the Weatherization Program's ability to effectively allocate, award and monitor Weatherization funds. This report, one in the series, discusses the Department's use of the formula to allocate Recovery Act funds.

RESULTS OF REVIEW

We reviewed the Department's allocation of funds to all Weatherization Program grantees. While nothing came to our attention to indicate that problems existed with the majority of these allocations, we identified significant inaccuracies in the allocation of funds to the U.S. territories. In allocating Weatherization funds to territories, the Department used a different climate factor than it used for all other grantees, resulting in the territories receiving \$17 million less, in aggregate, than they would have received had a consistent allocation formula been used.

The formula used for allocating funding to all grantees, except the territories, incorporated a 2004 climate factor based on the Energy Information Administration's (EIA) 2001 Residential Energy Consumption Survey. The Department's formula for the territories, however, used an outdated 1995 climate factor. As shown in the following table, the Department's decision to use

different factors resulted in the territories receiving less than they would have received had the same factor been used for all grantees.

Weatherization Funding Allocations to the Territories  
under the Recovery Act

Territory	Allocation Using 1995 Climate Factor	Allocation Using 2004 Climate Factor	Difference
American Samoa	\$719,511	\$895,996	(\$176,485)
Guam	\$1,119,297	\$1,430,409	(\$311,112)
Northern Marina Islands	\$795,206	\$997,182	(\$201,976)
Puerto Rico	\$48,865,588	\$65,229,615	(\$16,364,027)
Virgin Islands	\$1,415,429	\$1,826,259	(\$410,830)
Total	\$52,915,031	\$70,379,461	(\$17,464,430)

Department officials reported that, because the EIA had not published climate information for the territories, they used Hawaii's data to allocate Recovery Act funding to the territories. We were unable to reconcile the Department's statements because our testing revealed that the Department had, in fact, allocated Recovery Act funding to Hawaii using the 2004 climate factor and to the territories using the no longer current 1995 factor. The Department's only explanation for using different factors was that the territories had only begun receiving Weatherization funding in 2009. We could find no scientific or other documented analyses, or any other logical basis to support this approach.

Regarding grant allocations, we also found that the Department had not modified the CFR to reflect updated EIA data. When the CFR was updated in 2009, the 14 year-old factor published in 10 CFR 440 was not revised. The failure to update the Regulation made it difficult, if not impossible, for grantees to verify their allocations. In particular, grantees could not use the formula factors shown in the CFR to estimate their allocation since the Department did not disclose that certain factors had been updated.

The Department's Weatherization Program was designed to play an important role in achieving the national goals of creating jobs and reducing energy consumption. As discussed previously, the Office of Inspector General initiated a series of audits evaluating various aspects of the Weatherization Assistance Program. In our *Special Report on Selected Department of Energy Program Efforts to Implement the American Recovery and Reinvestment Act* (OAS-RA-10-03, December 2009), we identified challenges including program staffing resources to adequately monitor and oversee grantees.

Additionally, our *Special Report on Progress in Implementing the Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act* (OAS-RA-10-04, February 2010), pointed out that many grantees had made little progress in deploying Recovery Act provided funds and had weatherized few homes. In that report, we

noted that pressure will increase to accelerate the weatherization of homes in a compressed timeframe. Such a situation may lead to an environment conducive to waste and inefficiency. Accordingly, we recommended in that report that the Department re-evaluate its monitoring and staffing plans.

To its credit, the Department informed us that it continues to address the matters discussed in these reports. For example, the Department reported that as of the end of April it had hired 18 project officers and another 10 were to be added within the next 60 days. Further, an official noted that the Department finalized the Weatherization monitoring plan in March 2010. Despite these accomplishments, the Department continues to face staffing shortages and monitoring challenges. We will continue to monitor the Department's progress in these areas as part of our ongoing and planned Recovery Act work.

As a result of not updating the formula and not providing notice to grantees of the basis for funding decisions, the Department denied the grantees the ability to evaluate the fairness and accuracy of the awards they received. While we found no indication of mal-intent, this appeared to undermine the Department's efforts to ensure transparency and accountability.

#### RECOMMENDATIONS

To address the particular allocation issue discussed in this report and to help improve the overall effectiveness of the Weatherization Program, we recommend that the Assistant Secretary for Energy Efficiency and Renewable Energy:

1. Review the basis for allocating Recovery Act funding to the territories to determine if adjustments are warranted; and,
2. Revise the Weatherization grant allocation formula in the Code of Federal Regulations to reflect current EIA data.

#### MANAGEMENT COMMENTS

The Department provided a response to our report that included planned actions to address our recommendations. Specifically, management indicated that it will recalculate the allocations for the U.S. territories resulting in an increase in their funding for the Weatherization Program. In addition, management indicated that it would conduct an overall review of the Code of Federal Regulations section pertaining to the Weatherization Program to determine if changes are necessary to better reflect the use of data as it is updated and examine the need to propose changes to the methodologies used to calculate allocations.

Management's response and planned corrective actions are responsive to our recommendations. Management's comments are provided in their entirety in Attachment 2.

Attachments

cc: Deputy Secretary  
Under Secretary of Energy

Assistant Secretary for Energy Efficiency and Renewable Energy  
Chief of Staff  
Chief Financial Officer  
Director, Office of Risk Management, CF-80  
Team Leader, Office of Risk Management, CF-80  
Audit Resolution Specialist, Office of Risk Management, CF-80  
Audit Liaison, Energy Efficiency and Renewable Energy, EE-3A  
Audit Liaison, Golden Field Office  
Audit Liaison, National Energy Technology Laboratory

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

### **OBJECTIVE**

The objective of this audit was to assess the Weatherization Assistance Program's (Weatherization Program) ability to effectively allocate, award and monitor weatherization funds.

### **SCOPE**

This audit was performed between June 2009 and April 2010 at the Department of Energy's (Department) Headquarters in Washington, D.C.; the National Energy Technology Laboratory (NETL) in Pittsburgh, Pennsylvania; and, the Golden Field Office (GFO) in Golden, Colorado.

### **METHODOLOGY**

To accomplish the audit objective, we:

- Reviewed applicable laws, regulations, and guidance pertaining to the Weatherization Program under the American Recovery and Reinvestment Act of 2009 (Recovery Act);
- Evaluated ongoing efforts to implement the requirements of the Weatherization Program under the Recovery Act;
- Analyzed the formula used to allocate Weatherization Program funds to recipients;
- Reviewed current and projected staffing plans for the Weatherization Program; and,
- Held discussions with Department, GFO and NETL personnel to determine current and ongoing efforts to implement the requirements of the Weatherization Program under the Recovery Act.

We conducted this performance audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective. We assessed performance measures in accordance with the Government Performance and Results Act of 1993 and determined that performance measures were established for the Weatherization Assistance Program. Because our review was limited, it would not necessarily have disclosed all internal deficiencies that may have existed at the time of our audit. We conducted an assessment of computer generated data and we deemed the data to be sufficiently reliable to achieve our audit objective.

We held an exit conference with Department officials on June 10, 2010.

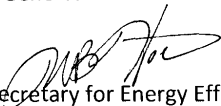
**MANAGEMENT COMMENTS**



**Department of Energy**  
Washington, DC 20585

JUN 03 2010

MEMORANDUM FOR: George W. Collard  
Assistant Inspector General for Performance Audits  
Office of Inspector General

FROM: Kathleen B. Hogan   
Deputy Assistant Secretary for Energy Efficiency  
Office of Technology Development  
Energy Efficiency and Renewable Energy

SUBJECT: Response to the Office of Inspector General Draft Report:  
"Management Controls over the Department of Energy's Use of  
the Weatherization Assistance Program's Formula for Allocating  
Funds under the American Recovery and Reinvestment Act"

The Office of Energy Efficiency and Renewable Energy (EERE) appreciates the opportunity to Review the Office of Inspector General's (IG) draft report "Management Controls over the Department of Energy's Use of the Weatherization Assistance Program's Formula for Allocating Funds under the American Recovery and Reinvestment Act."

EERE concurs with the recommendations as stated:

**Recommendation 1:** Review the basis for allocating Recovery Act funding to the territories to determine if adjustments are warranted.

**Response 1: Concur**

DOE completed a review of the available data regarding the allocation of Recovery Act funding to the territories. DOE recognizes that in applying the formula used to allocate funds, a different value was used for a climate factor in calculating the allocation for the U.S. Territories (American Samoa, Guam, Northern Marian Islands, Puerto Rico, and the U.S. Virgin Islands) as compared to the value used for the States. DOE will recalculate the allocations for the U.S. Territories applying the same climate factors as used for the States. This will result in an increase in allocations to the U.S. Territories as follows:

American Samoa                    \$ 176,485



Printed with soy ink on recycled paper

Guam	\$ 311,112
Puerto Rico	\$16,364,027
Northern Mariana Islands	\$ 201,976
Virgin Islands	<u>\$ 410,830</u>
TOTAL	\$17,464,430

**Estimated Completion Date:** September 30, 2010

**Recommendation 2:** Revise the Weatherization grant allocation formula in the Code of Federal Regulations to reflect current Energy Information Administration (EIA) data.

**Response 2:**

Under 10 CFR section 440.10(d), all data sources used in the formula are publicly available. The relevant data is available from the Bureau of the Census, the Department of Energy’s Energy Information Administration and the National Oceanic and Atmospheric Administration. Further, 10 CFR section 440.10(e) states that should updates to the data used in the formula become available in any fiscal year, these changes would be implemented in the formula in the following program year.

A description of the various components of the allocation formula is contained in the attached spreadsheet entitled, “Weatherization Allocation Formula: Data Sources and Update Schedule.”

DOE will review the current regulations to determine if changes may be necessary to better reflect the use of data as it is updated. As part of an overall review of 10 CFR 440, DOE will examine the need to propose changes to the methodologies used to calculate the allocation formula. DOE will also consider a periodic review of the regulations every five years.

We concur with the Monetary Impact Statement. There is no potential budget impact.

ATTACHMENT



## CUSTOMER RESPONSE FORM

The Office of Inspector General has a continuing interest in improving the usefulness of its products. We wish to make our reports as responsive as possible to our customers' requirements, and, therefore, ask that you consider sharing your thoughts with us. On the back of this form, you may suggest improvements to enhance the effectiveness of future reports. Please include answers to the following questions if they are applicable to you:

1. What additional background information about the selection, scheduling, scope, or procedures of the inspection would have been helpful to the reader in understanding this report?
2. What additional information related to findings and recommendations could have been included in the report to assist management in implementing corrective actions?
3. What format, stylistic, or organizational changes might have made this report's overall message more clear to the reader?
4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report which would have been helpful?
5. Please include your name and telephone number so that we may contact you should we have any questions about your comments.

Name \_\_\_\_\_ Date \_\_\_\_\_

Telephone \_\_\_\_\_ Organization \_\_\_\_\_

When you have completed this form, you may telefax it to the Office of Inspector General at (202) 586-0948, or you may mail it to:

Office of Inspector General (IG-1)  
Department of Energy  
Washington, DC 20585

ATTN: Customer Relations

If you wish to discuss this report or your comments with a staff member of the Office of Inspector General, please contact Felicia Jones at (202) 253-2162.

The Office of Inspector General wants to make the distribution of its reports as customer friendly and cost effective as possible. Therefore, this report will be available electronically through the Internet at the following address:

U.S. Department of Energy Office of Inspector General Home Page  
<http://www.ig.doe.gov>

Your comments would be appreciated and can be provided on the Customer Response Form.