



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

# Audit Report

The Department of Energy's  
Weatherization Assistance Program  
under the American Recovery and  
Reinvestment Act for the Capital  
Area Community Action Agency –  
Agreed-Upon Procedures





**Department of Energy**  
Washington, DC 20585

February 1, 2011

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

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

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

**SUBJECT:** INFORMATION: "The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the Capital Area Community Action Agency – Agreed-Upon Procedures"  
Audit Report No.: OAS-RA-11-04

**INTRODUCTION AND OBJECTIVE**

The attached report presents the results of an agreed-upon procedures review of the Department of Energy's (Department) Weatherization Assistance Program for the Capital Area Community Action Agency, located in Tallahassee, Florida under the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Office of Inspector General (OIG) engaged an independent certified public accounting firm, Otis and Associates, PC, to perform the agreed-upon procedures for Capital Area, a sub-recipient of the Department's Recovery Act Weatherization funding for the State of Florida.

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 Assistance Program was implemented to reduce energy consumption for low-income households through energy efficient upgrades. The State of Florida received \$176 million in Weatherization Assistance Recovery Act grant funding, of which \$7.5 million was allocated to the Capital Area Community Action Agency. The Florida Department of Community Affairs was responsible for administering Weatherization grants, including sub-grants provided to the Capital Area. This grant provided more than a seventeen-fold increase in funds available to Florida for weatherization over the amount authorized in Fiscal Year 2009.

**OBSERVATIONS AND CONCLUSIONS**

The review identified opportunities for the State and Capital Area Community Action Agency to improve their administration of Recovery Act funds made available by the Department's Weatherization Assistance Program. In particular, the review found that the State's guidelines for verifying that homes had not been weatherized after September 30, 1994, were not consistent

with Department regulations. Specifically, the State required community action agencies such as Capital Area Community Action Agency to search a centralized data system that could only be searched by the applicant's social security number and not by the address of the home/unit to be weatherized. Additionally, the data system only contained homes/units that had been weatherized for the last ten years. Consequently, there was a risk that homes would be improperly re-weatherized since searches would only identify (a) applicants who had received weatherization assistance and not the weatherized home/units, and, (b) applicants who received assistance since 2001.

The review also determined that one of the 30 weatherization assistance recipients tested did not meet the income eligibility requirements for the Weatherization Program due to a calculation error. The weatherization costs of \$3,502 incurred for the unit were questioned and in response, Capital Area reimbursed the State of Florida.

The attached agreed-upon procedures report makes recommendations to the State of Florida to improve administration of the Department Weatherization Assistance Program grant. The State of Florida and the Capital Area Community Action Agency provided responses that expressed agreement with the recommendations and provided planned and ongoing actions to address the issues identified. While these responses and planned corrective actions are responsive to our recommendations, the Department needs to ensure that the planned actions are taken.

### RECOMMENDATIONS

As part of its responsibilities for managing the national Weatherization Program, we recommend that the Acting Director, Weatherization Assistance and Intergovernmental Programs, Office of Energy Efficiency and Renewable Energy:

1. Ensure that appropriate action is taken by the State of Florida to improve administration of Recovery Act Weatherization Assistance Program funds.

We also recommend that the Contracting Officer:

2. Resolve identified questioned costs.

### MANAGEMENT COMMENTS

In discussions with the Office of Inspector General, Office of Energy Efficiency and Renewable Energy management agreed to address the issues in this report as part of their ongoing monitoring of the State of Florida's Weatherization Assistance Program and to promptly resolve all questioned costs identified.

To its credit, the Florida Department of Community Affairs stated that it has directed all provider agencies that do have Weatherization data pre-dating the State system to retain that data back to 1994 and to use it for purposes stated in the audit. Further, the State has directed its support contractor to incorporate a query in the system to allow for checking of the dwelling address

against the data sorted in the system in addition to the client check that already exists. The State also responded that it had recovered the questioned costs from the Capital Area Community Action Agency. Management comments from the Florida Department of Community Affairs are included in the attached agreed-upon procedures report.

### AGREED UPON PROCEDURES

The agreed-upon-procedures were performed in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) as well as those additional standards contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

The OIG monitored the progress of the agreed-upon procedures performed and reviewed the report and related documentation. Our review disclosed no instances where Otis and Associates, PC, in all material aspects, did not comply with the attestation requirements. Otis and Associates is responsible for the attached report dated January 26, 2011, and the conclusions expressed in the report.

The agreed-upon procedures included obtaining an understanding of policies and procedures and reviewing documentation from the Capital Area Community Action Agency. They also included an analysis of inspection results, records of corrective actions, and re-inspections of completed homes/units to ensure that any failures were properly corrected. Finally, an analysis of associated cost data was performed to test the appropriateness of payments.

Attachment

cc: Deputy Secretary  
Acting Under Secretary for Energy  
Chief of Staff  
Assistant Secretary for Energy Efficiency and Renewable Energy

AGREED-UPON PROCEDURES REPORT

OF

Capital Area Community Action Agency

Weatherization Assistance Program Recovery Act Funds

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PERFORMED FOR

U.S. DEPARTMENT OF ENERGY  
OFFICE OF INSPECTOR GENERAL

Prepared by

Otis and Associates, PC

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**INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

To the Inspector General, Department of Energy:

We have performed the procedures, which were agreed to by the U. S. Department of Energy's (Department) Office of Inspector General (Inspector General), solely to assist the Inspector General in evaluating whether the Capital Area Community Action Agency, Inc. (Capital Area), located in Tallahassee, Florida, was in compliance with relevant Federal requirements and program guidelines in administering the Department's Weatherization Assistance Program funds provided by the American Recovery and Reinvestment Act of 2009 (Recovery Act) for the period July 28, 2009 through January 7, 2010. Capital Area's management is responsible for compliance with relevant Federal requirements and program guidelines.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the U.S. Government Accountability Office. The sufficiency of these procedures is solely the responsibility of the Inspector General. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

The agreed-upon procedures performed and our findings and recommendations are presented on the following pages.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on Capital Area's compliance with relevant Federal requirements and program guidelines used in administering the Department's Weatherization Assistance Program funds provided by the Recovery Act. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Inspector General, and is not intended to be and should not be used by anyone other than the specified party.

Otis & Associates, PC  
January 26, 2011

**SECTION I. Capital Area Community Action Agency's Weatherization Assistance Program**

The Capital Area Community Action Agency, Inc. (Capital Area) was chartered in 1965 as a 501 (c) (3) charitable organization, to provide advocacy and services for the poor in Leon County in the State of Florida. In the early 1980s, Capital Area became a provider agency for the Low Income Home Energy Assistance Program (LIHEAP), Community Services Block Grant (CSBG), Weatherization Assistance Program (Weatherization Program), and USDA Commodities.

Under the Recovery Act, the State of Florida's Department of Community Affairs received an allocation of approximately \$176 million from the Department for the Weatherization Program, of which about \$7.5 million was allocated to the Capital Area. The purpose of the Weatherization Program is to increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total expenditure on energy, and improve their health and safety.



## **SECTION II. Agreed-Upon Procedures Performed**

1. We obtained an understanding of Capital Area's Weatherization Program management, administration of risks and mitigating controls through interviews with Capital Area's officials. We also reviewed available information, policies and procedures documentation, and conducted preliminary analyses of completed homes/units and associated cost data in order to substantiate sampling size and focus our testing, as outlined in the agreed-upon procedures (AUP) provided by the Inspector General.
2. Based on the AUP provided, we judgmentally selected a sample of thirty completed homes/units and their related cost transactions to be used for attribute and substantive testing.
3. We reviewed the sampled homes/units project files for documentation supporting their eligibility under the Program – including the income eligibility of the occupants. We attempted to determine whether the sampled homes/units had prior weatherization work performed that was completed after September 30, 1994. The Recovery Act indicates that dwelling units partially weatherized during the period September 30, 1975 to September 30, 1994 may receive further financial assistance for weatherization. This indicates that homes weatherized after September 30, 1994 are not eligible for any further financial assistance for weatherization under the Recovery Act.
4. We reviewed the sampled home/unit project files for inspection results and records of corrective actions and re-inspections, to determine whether any noted failures were properly corrected. We also interviewed sampled home/unit occupants to confirm that weatherization work took place on the sampled homes/units, and that they were satisfied with the services.
5. For the sampled homes/units, we reviewed relevant cost data to determine whether:
  - a) Costs incurred were allowable;
  - b) Weatherization measures/materials were in compliance with standards established in 10 CFR 440.18(d) (1) and 10 CFR 440 Appendix A; and whether stated unallowable items, such as freezer-only units and/or sub-standard weatherization measures/materials were not used.
6. Using Capital Area's vendor master list, employee master list, and the accounts payable disbursements file for the period under review, we:
  - a) compared vendor names, per the disbursement's database, with those on the vendor master list and employee master list to determine whether there were unauthorized and/or ghost vendors, and/or same vendor/similar name (e.g., S.D. Baker, SD Baker, SDBaker) schemes;
  - b) compared vendor names and addresses with employee names and addresses to determine whether there were employees disguised as vendors; and,

- c) applied data-mining algorithms to determine whether there were duplicate payments and split transaction payments (i.e. breaking one large invoice amount into two or more smaller invoices; and whether there were multiple payments for the same or similar invoice number from the same vendor using a similar name scheme).
7. We obtained a list of Recovery Act Weatherization Program reimbursements made to the Capital Area by the State of Florida, and reviewed all such reimbursements to determine whether each reimbursement was adequately supported by detailed documentation, reconciled to appropriate summary ledgers, and reviewed and approved by appropriate management personnel.
8. We inquired whether Capital Area purchased vehicles and equipment (with a value of \$5,000 or greater) using Recovery Act funds to determine whether the purchased vehicles and equipment were properly accounted for, inventoried, maintained, and used only for the authorized purposes. The master list obtained and reviewed indicated that there were no vehicles or major equipment purchased with Recovery Act funds. Although Capital Area did not purchase equipment that met the capitalization threshold of \$5,000 each, we determined that it purchased three "Thermal Image Cameras" at a cost of \$2,995 each and three "Peak Detector Power Meters" at a cost of \$149.95 each. The total value of equipment purchased with Recovery Act funds is approximately \$9,435.
9. We obtained and reviewed a sample of fifteen executed subcontract agreements between Capital Area and its subcontractors for Recovery Act Weatherization Program work to determine whether the agreements were properly executed by both parties, and whether the agreements provided for weekly certified payroll with corresponding approved Davis-Bacon wage rates. For five of the subcontracts selected, we reviewed a sample of nine weekly certified payrolls to determine whether the subcontractors paid the prevailing wages according to the provisions of the subcontract agreements.
10. We obtained a master list of program identification or job codes used by Capital Area to separately record transactions under the Recovery Act Weatherization Program, and those under other programs. We traced the codes to the sample detailed cost data to determine whether the Recovery Act Weatherization Program code was specifically used in recording and identifying weatherization transactions.
11. We selected the most recent quarterly performance progress report mandated by the Recovery Act that contained the "Number of Jobs Created and Saved" information. We reviewed relevant definitions and supporting calculation schedules to determine whether "Jobs Created and Saved" was consistently applied, and whether the number of "Jobs Created and Saved" was calculated accurately.
12. We evaluated whether the Capital Area calculated Savings to Investments Ratios (SIR) as required. If not, we determined the reason(s) for the non-compliance.

### **SECTION III. Classification of Findings**

#### **DEFINITIONS**

Each finding is categorized as either a Significant Deficiency, or Advisory Comment, as defined below:

#### **Significant Deficiency**

A significant deficiency is a deficiency in internal control, or combination of deficiencies, that adversely affects the Capital Area'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 Capital Area's ability to record, process, summarize, and report data reliably.

#### **SECTION IV. Summary of Findings**

1. Historical Weatherized Homes Listing is Limited – Significant Deficiency
2. Weatherization Assistance Income Limits Exceeded – Advisory Comment

## **SECTION V. Schedule of Findings**

### **Finding 1 – Historical Weatherized Homes Listing is Limited – Significant Deficiency**

#### **Condition:**

We found that the data collection system available to determine whether a home/unit was weatherized after September 30, 1994 was limited. More specifically, the system provided by the State of Florida for use by Capital Area could not search/query based on the addresses of the homes/units weatherized and only contained homes/units completed for the last ten years based on homeowners'/occupants' social security number. Hence, this database indicated whether the applicant had received assistance in the last 10 years rather than whether the home/unit had been weatherized since 1994, as required by Federal program regulation. The State of Florida's Weatherization Assistance Program Procedures and Guidelines specifically states that the sub-grantees – in this case Capital Area – should utilize the eGrants Social Security Number (last 4 digits) query to check for prior service to an applicant before providing services. The Procedures also state that: (a) a dwelling should only receive weatherization services once during a 10 year period; and, (b) with the prior approval of the State Office, an applicant can receive services a second time for a re-weatherization. Capital Area was following the State of Florida guidelines and using the eGrants system to test for re-weatherization eligibility. Although inspectors evaluated existing weatherization and questioned homeowners and/or occupants to see if previous weatherization service had been provided, the State did not require, and Capital Area did not maintain, historical information of individual applicants and/or addresses of homes/units weatherized in its service area that would provide assurance that ineligible homes were not weatherized.

Under the Recovery Act and Departmental requirements, weatherization service providers are required to ensure that homes/units weatherized using Weatherization Program funding after September 30, 1994 do not receive additional weatherization assistance, unless the home/unit has been damaged by fire, flood or act of God and repair or damage to weatherization materials is not paid for by insurance. The Department of Energy's Office of Weatherization and Intergovernmental Programs was very clear that grantees and sub-grantees are required to ensure that a "duplicate application check" is performed for every address deemed eligible to determine that weatherization services had not been provided after September 30, 1994 because the weatherization program is aimed at weatherizing buildings, not individuals.

#### **Cause:**

Information showing the addresses of homes/units weatherized using the Department's weatherization program funding since September 30, 1994 is not readily available. Although our review focused on Capital Area, we determined that the State's guidelines were not in compliance with Federal requirements in that they only required that the Agency review the State data system to prevent the re-weatherizing of homes/units that received weatherization services funded by the Department's Weatherization Program. This data system only contained homes/units completed for the last ten years based on homeowners'/occupants' social security number, as discussed under the condition for this finding.

**Effect:**

There is an increased risk that ineligible homes/units have been weatherized.

**Recommendations:**

In order to ensure that only eligible homes/units are weatherized in the State of Florida, we recommend that:

- 1.1 The State of Florida develop a methodology to provide assurance, in the future, that the homes/units being weatherized using Recovery Act funds were not weatherized using Departmental Weatherization Program funding after September 30, 1994.

**Management's concurrence or non concurrence**

The Department of Community Affairs concurred with our recommendation that it develop a methodology to provide assurance that homes weatherized after September 30, 1994 were not re-weatherized using Recovery Act funds.

In responding to an earlier version of this report, Capital Area stated that it is a subgrantee of the State of Florida, and, therefore, required to follow the dictates in its contract with the State of Florida. However, Capital Area indicated that if and when the State of Florida implements a new methodology that is compliant with Federal requirements, it will adhere to revised contractual requirements.

**Corrective actions already taken or planned to be taken by the State of Florida**

The Department of Community Affairs has directed all provider agencies that do have Weatherization data pre-dating the state system to retain that data going back to 1994, and to use it for purposes stated in the audit. Further, the Department's eGrants supporting contractor has been directed to incorporate into the eGrants query system a feature to allow for checking of the *dwelling address* against the data stored in the system in addition to the client check that already exists. This enhancement should be completed by March 2011.

## **Finding 2 – Weatherization Assistance Income Limits Exceeded – Advisory Comment**

### **Condition:**

There was one instance in our sample of 30 out of 49 completed units where an applicant's income exceeded the established income limits for weatherization program eligibility by \$9,041. More specifically, we found that the applicant's annual reported income of \$30,701 exceeded the 200 percent poverty level of \$21,660 by the amount noted. Under the Recovery Act Weatherization Program, a dwelling unit shall be eligible for weatherization assistance if it is occupied by a family unit whose income is at or below 200 percent of the poverty level as determined in accordance with criteria established by the Director of the Office of Management and Budget. Therefore, a dwelling unit was weatherized even though the home/unit was not occupied by an eligible applicant.

### **Cause:**

While Capital Area does have a procedure that requires an independent review/verification of the applicant income eligibility determination, the control in place was not effective in preventing or detecting the noted error in a timely manner. In this one instance, Capital Area did not properly calculate the applicant's total income when determining the applicant's eligibility for the Weatherization Program. Although the applicant had provided the required information, Capital Area miscalculated the total and erroneously determined the applicant as eligible through human error.

### **Effect:**

The weatherization costs of \$3,502 incurred for the specific unit reviewed should be considered questioned costs because the applicant was not eligible for weatherization services provided under the Recovery Act.

### **Recommendations:**

We recommend that the State of Florida's Department of Community Affairs:

2.1 Work with the Capital Area to determine whether the costs questioned should be disallowed.

### **Management's concurrence or non concurrence**

Both Capital Area and the Department of Community Affairs concurred with our finding and recommendation that they should determine whether costs questioned should be disallowed.

### **Corrective actions already taken or planned to be taken by the agency**

Capital Area indicated that it has started working with the Department of Community Affairs to resolve the issues related to the questioned costs based on each specific unit identified by the audit. In addition, Capital Area indicated that it has instituted other procedures to ensure that ineligible clients do not receive weatherization services. The Department of Community Affairs stated that it has collected the disallowed costs from Capital Area.



STATE OF FLORIDA

## DEPARTMENT OF COMMUNITY AFFAIRS

*"Dedicated to making Florida a better place to call home"*

RICK SCOTT  
Governor

January 5, 2011

Ms. Tara Lewis  
U.S. Department of Energy  
Office of Inspector General  
1000 Independence Ave. SW  
MS 5D-031, ATTN:IG-30  
Washington, DC 20585

Re: Audit Response to Draft Report on "The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the Capital Area Community Action Agency – Agreed Upon Procedures"

Dear Ms. Lewis:

Enclosed is the response provided by the Florida Department of Community Affairs as referenced above to the U.S. Department of Energy draft audit report developed by Otis and Associates, PC.

If you have any questions regarding the responses provided by the Florida Department of Community Affairs, please contact Mr. Norm Gempel, Manager at 850-922-1846 or by email at [norm.gempel@dca.state.fl.us](mailto:norm.gempel@dca.state.fl.us).

Sincerely,

Ken Reecy, Acting Director  
Division of Housing and Community  
Development

KR/pl

Enclosure

cc: Candace Fuller, Inspector General

2555 SHUMARD OAK BOULEVARD ♦ TALLAHASSEE, FL 32399-2100  
850-488-8466 (p) ♦ 850-921-0781 (f) ♦ Website: [www.dca.state.fl.us](http://www.dca.state.fl.us)

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Enclosure

Draft Response

SECTION V. Schedule of Findings

**Finding 1 – Historical Weatherized Homes Listing is Limited – Significant Deficiency**

**Management's concurrence or non concurrence:**

The Department of Community Affairs (Department) concurs with the finding as described.

**Corrective actions already taken or planned to be taken by the agency:**

The earliest available information on clients receiving Weatherization date to approximately 2001, and reside on the state eGrants database as stated in the audit. There are no existing records dating back to 1994 at Capital Area Community Action Agency, and none can therefore be created. However, the Department has directed all provider agencies that do have Weatherization data pre-dating the state system to retain that data back to 1994 and to use it for purposes stated in the audit. Further, the Department's eGrants supporting contractor has been directed to incorporate into the eGrants query system a feature to allow for checking of the *dwelling address* against the data stored in the system in addition to the client check that already exists. This enhancement should be completed by March 2011.

**Finding 2 – Weatherization Assistance Income Limits Exceeded – Advisory Comment**

**Management's concurrence or non concurrence:**

The Department concurs with the finding as described.

**Corrective actions already taken or planned to be taken by the agency:**

The supporting documentation for the client referenced in the report was reviewed and the client was determined not eligible for this program. Capital Area Community Action returned all disallowed costs to the Department of Community Affairs.

State monitors will be sampling client files at the next monitoring visit.

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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?
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