



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

# Examination Report

Montgomery County Department of  
Housing and Community Affairs —  
Weatherization Assistance Program  
Funds Provided by the American  
Recovery and Reinvestment Act of  
2009



OAS-RA-13-06

January 2013



**Department of Energy**  
Washington, DC 20585

January 17, 2013

MEMORANDUM FOR THE ASSISTANT SECRETARY FOR ENERGY  
EFFICIENCY AND RENEWABLE ENERGY

A handwritten signature in blue ink, appearing to read "Rickey R. Hass", is positioned above the "FROM:" line.

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

SUBJECT: INFORMATION: Examination Report on "Montgomery County  
Department of Housing and Community Affairs — Weatherization  
Assistance Program Funds Provided by the American Recovery and  
Reinvestment Act of 2009"

BACKGROUND

The attached report presents the results of an examination of the Montgomery County Department of Housing and Community Affairs (Montgomery County) Weatherization Assistance Program (Weatherization Program) under the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Office of Inspector General (OIG) contracted with an independent certified public accounting firm, Lani Eko and Company, CPAs, PLLC (Lani Eko), to express an opinion on Montgomery County's compliance with Federal and State laws, regulations and program guidelines applicable to the Weatherization Program. Montgomery County is a sub-recipient of the Department of Energy's (Department) Recovery Act Weatherization Program funding for the State of Maryland.

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 Maryland received \$61 million in Weatherization Program Recovery Act grant funding, of which \$5.5 million was allocated to Montgomery County. The State of Maryland's Department of Housing and Community Development (State) was responsible for administering Weatherization Program grants, including funds provided to Montgomery County.

OBSERVATIONS AND CONCLUSIONS

Lani Eko expressed the opinion that, except for the weaknesses described in its report, Montgomery County complied in all material respects with the requirements and guidelines relative to the Weatherization Program for the period April 1, 2009, to January 31, 2011.

However, the examination found that Montgomery County had not:

- Properly accounted for 6 of 45 transactions reviewed, or 13 percent, charging the Weatherization Program \$13,000 for items, including heating system repairs/replacements that, according to State policy, should have been paid with funds from other energy-related programs; and,
- Maintained records adequately accounting for equipment such as blower door systems, gas detectors and moisture meters purchased with Recovery Act funds.

The report makes recommendations to Montgomery County to improve the administration of its Weatherization Program.

### RECOMMENDATION

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

- Ensure appropriate action is taken by the State of Maryland to improve Montgomery County's administration of Recovery Act Weatherization Program funds.

### DEPARTMENT COMMENTS AND AUDITOR RESPONSE

The Department concurred with the recommendation outlined in this memorandum. The Department's Weatherization Assistance Program Project Officer, as part of the monitoring responsibilities, worked with the State to ensure that Montgomery County complied with the Program's documentation and resource accountability requirements. As a result, a monitoring report, indicating issues with procurement of materials and services, was issued to Maryland in January 2012.

The State concurred with Montgomery County findings and will continue to work with the County to improve the weatherization program. The State took exception to Lani Eko's classification of the "Questioned Costs and Reimbursements" finding as a material weakness.

Montgomery County did not fully concur with Lani Eko's findings. Lani Eko evaluated the Montgomery County comments and revised the report as appropriate.

### EXAMINATION-LEVEL ATTESTATION

Lani Eko 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 Montgomery County'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 performed 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 in which Lani Eko did not comply, in all material respects, with the attestation requirements. Lani Eko is responsible for the attached report dated December 19, 2012, and the conclusions expressed in the report.

Attachment

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

**Report on Examination Level Attestation Engagement  
Of  
Montgomery County  
Recovery Act Weatherization Assistance Program Funds**

**Performed for the U.S. Department of Energy  
Office of Inspector General**

**Under**

**Contract Number: DE-IG0000015  
Work Order Number: 2010-07**

**By**

**Lani Eko & Company, CPAs, PLLC**

**December 19, 2012**

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### **Independent Accountant's Report**

To the Inspector General, U.S. Department of Energy:

We have examined the Recovery Act Weatherization Assistance Program funds awarded by the State of Maryland to the Montgomery County Department of Housing and Community Affairs for the period April 1, 2009 through January 31, 2011. The Montgomery County Department of Housing and Community Affairs is responsible for operating the Weatherization Assistance Program in compliance with applicable Federal and State 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.

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, Montgomery County Department of Housing and Community Affairs complied, in all material respects, with the aforementioned requirements and guidelines relative to Weatherization Assistance Program funds awarded to the Montgomery County Department of Housing and Community Affairs for the period April 1, 2009 through January 31, 2011.

*LaniEko & Company, CPAs, PLLC*

August 1, 2011  
Alexandria, Virginia

**SECTION I. Description of Montgomery County Department of Housing and Community Affairs Weatherization Assistance Program**

The U.S. Department of Energy awarded \$61,441,745 to the State of Maryland to allocate among its network of 18 local governments and various nonprofit organizations participating in the Weatherization Assistance Program (Weatherization Program). From this award, \$5,479,944 was allocated to Montgomery County (County) Department of Housing and Community Affairs (DHCA) to assist with the costs of weatherizing approximately 900 homes. In Maryland, the Weatherization Program is administered by the State Department of Housing and Community Development (State DHCD).

DHCA partners with the State DHCD to operate the Weatherization Program. In accordance with the terms of this agreement, the County is responsible for determining applicant eligibility and taking the necessary steps to weatherize the applicant's home. These steps include procurement of contractor's services, as well as conducting home assessments and inspections.

The Weatherization Program helps eligible low-income households lower their energy costs by increasing energy efficiency. The primary focus is on the problems of heat loss and air infiltration. Energy conservation and efficiency methods utilized by the Weatherization Program include measures that reduce energy consumption and the cost of maintenance for weatherized homes. In addition to the material improvements, energy conservation education is provided to participants. For the period from April 1, 2009 through January 31, 2011, DHCA reported that it had completed weatherization of 255 units under the Weatherization Program.

## **SECTION II. Classification of Findings**

The findings in this report are classified as follows:

### **Significant Deficiency**

A significant deficiency is a deficiency in internal control, or combination of deficiencies, that adversely affects the County'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 Comment**

For purposes of this engagement, an advisory comment represents a control deficiency that is not significant enough to adversely affect the County's ability to record, process, summarize and report data reliably. The advisory comment presented represents a matter that came to our attention during the course of the review and is offered to the County's management as an opportunity for improvement. The advisory comment is provided along with suggestions and discussion of the significance of the comments.

**SECTION III. Summary of Findings**

1. Questioned Costs and Reimbursements – Significant Deficiency
2. Recordkeeping – Significant Deficiency
3. Weatherization Program Eligibility – Advisory Comment

## **SECTION IV. Schedule of Findings**

### **Finding 1. Questioned Costs and Reimbursements — Significant Deficiency**

#### **Condition**

State DHCD reimbursements to DHCA in the amount of \$13,000 from the Recovery Act fund were not supported by DHCA's accounting records. In the Hancock Energy System (Hancock), we noted 6 instances out of 45 where DHCA charged weatherization services to the Recovery Act fund code which, according to DHCA's accounting records, should have been charged to other funding sources. The allocation of weatherization costs to funding sources in the accounting records provided to us by DHCA for examination were approved by DHCA's authorized official. DHCA used Hancock to invoice weatherization costs to the State DHCD. Each weatherization job was invoiced to the State DHCD by the funding source (i.e. U.S. Department of Energy, U.S. Department of Health and Human Services, gas and/or electric utility company, etc.). Payment by the State DHCD, on an invoiced weatherization job, reduced the available cash balance from the funding source.

Following the initial identification of questionable costs, the State performed an extensive review of the Montgomery County Weatherization Assistance Program. In December 2010, the State temporarily suspended reimbursements to Montgomery County until Montgomery County implemented a formalized corrective action plan. As a result of its review, which concluded in May 2011, the State requested reimbursement from Montgomery County in the amount of \$52,990, which included the costs associated with four of the transactions we tested. Montgomery County repaid the State in June 2011.

Per DHCA, weatherization costs should be charged to the funding sources in Hancock in accordance with the cost allocation approved by the appropriate official in the accounting department. Further, Chapter 11 of the State DHCD's Program Operations Manual states that the County's invoice for reimbursement "must be complete, accurate and contain all expenses related to providing WAP services to the subject property." The Program Operations Manual also states that "material and labor costs will be reimbursed as reported in each category of the '*County's invoice*'."

#### **Cause**

We attribute the deficiencies noted above to inadequate supervisory review of the reimbursement process to ensure that requests for reimbursements under the Recovery Act are matched to underlying accounting records, such as invoices and receiving reports.

**SECTION IV. Schedule of Findings (continued)**

**Effect**

We are questioning \$13,000 that DHCA was reimbursed for improperly allocated weatherization services. Uncorrected, improper charges to Recovery Act funds reduce the amount of Recovery Act funds available for weatherization of eligible dwelling units.

**Recommendation**

We recommend that:

- 1.1 DHCA reviews its procedures for monitoring and approving requests for reimbursement prior to submission to the State DHCD. This will help to ensure that DHCA's requests for reimbursement using Recovery Act funds are adequately supported with sufficient, competent and relevant documentation.

**Management Response**

Montgomery County DHCA did not agree that the \$13,000 discussed above was improperly allocated to the Recovery Act program; DHCA management contends the program funding source was correctly identified in the accounting system of record. Management believes that the mismatch of funding sources was merely an input error in the Hancock System rather than a "questioned cost/reimbursement." In addition, management noted that the \$52,990 questioned by State has been repaid.

**Auditor Response**

The State confirmed the erroneous payments to DHCA totaling \$13,000 and noted the error was made because of information mistakenly entered into the Hancock System, which only allocates funds to the Recovery Act code. We continue to believe the \$13,000 is a questioned cost that needs to be resolved.

**SECTION IV. Schedule of Findings (continued)**

**Finding 2. Recordkeeping—Significant Deficiency**

**Condition**

We noted several instances where DHCA failed to maintain proper documentation sufficient to ensure compliance with Weatherization Program requirements. Specifically, we noted the following deficiencies in DHCA's recordkeeping as they pertain to equipment and materials:

- DHCA communicated to us that physical inventory counts are performed every six months, including counts of equipment and materials purchased with Recovery Act funds. However, DHCA did not produce and maintain a written record of the counts.
- DHCA did not maintain an accurate record of equipment and materials. We reviewed DHCA's listing of equipment and materials purchased with Recovery Act funds along with the supporting Equipment Assignment Sheets and invoices, and we determined that the County had not reported all of the approximately \$14,000 equipment and materials acquired with Recovery Act funds on the listing that was provided.

Federal regulations require grantees and sub-grantees receiving financial assistance under the Weatherization Program to maintain records necessary for an effective audit and performance evaluation.

**Cause**

DHCA management did not ensure that inventory control procedures met recordkeeping requirements as a subgrantee of State DHCD and a recipient of Recovery Act funds. In addition, we found no evidence of a formal asset management system maintained by DHCA.

**Effect**

As a result of DHCA's lack of adequate records for its inventory of equipment and materials, there is an increased risk that errors and irregularities may be occurring and not detected in a timely manner. Additionally, there is an increased risk that equipment and materials funded by the Recovery Act may not be used as intended by the terms of the grant.

#### **SECTION IV. Schedule of Findings (continued)**

##### **Recommendation**

We recommend that DHCA's management:

- 2.1 Update current inventory control procedures to separately account for and document the use and maintenance of equipment and materials purchased with Recovery Act funds.
- 2.2 Maintain sufficient, competent, and relevant records of equipment and materials purchased with Recovery Act funds.

##### **Management Response**

DHCA believes its equipment recordkeeping is adequate to ensure effective audit and inventory control. DHCA, for custodial purposes, assigned equipment purchased with Recovery Act funds to two of the four DHCA staff who are responsible for performing audits on homes of income eligible applicants under the Weatherization Program under the Recovery Act. On acceptance of equipment, DHCA staff signed "Weatherization Equipment Assignment" (WEA) sheets, which are maintained by the Weatherization Program Manager. Equipment listed on the WEA is clearly identified and labeled to facilitate on-going tracking.

##### **Auditor Response**

The Department of Energy requires that grantees maintain effective control and accountability over all grant and subgrant cash, real and personal property and other assets. Additionally, grantees must adequately safeguard all such property and assure that it is used solely for authorized purposes. During the scope of our review (April 1, 2009 through January 31, 2011), DHCA was unable to provide evidence that it conducted a physical inventory of equipment. Basic inventory controls, including periodic physical inventories, are essential to ensuring that grant assets are used for stated purposes and protected against theft or damage.

## **SECTION IV. Schedule of Findings (continued)**

### **Finding 3. Weatherization Program Eligibility—Advisory Comment**

#### **Condition A – Dwelling Unit Eligibility**

We noted that DHCA did not have formal procedures in place (and no documentation was provided to us for examination) to indicate that it verified dwelling units' compliance with Federal requirements that prohibit use of Federal funds to weatherize dwelling units designated for acquisition or clearance by a Federal, state or local program within 12 months from the date weatherization of the dwelling units would be completed. DHCA stated they are participants in the County's "Clearinghouse Review" team; as a result, DHCA staff would be aware of potential acquisitions or clearance of dwelling units by a Federal, state or local program. DHCA's participation in the Clearinghouse Review team may assist with the detection of potential acquisitions and clearances; however, further formalization of this process, including agency confirmations with homeowners, can ensure compliance with Federal regulations.

#### **Condition B – Applicant Eligibility**

We noted 1 out of 45 instances in which DHCA did not verify income of all eligible occupants of a dwelling unit. Specifically, we noted that the person listed as the deed holder of the weatherized dwelling unit and also an occupant in the weatherized dwelling unit was not listed on the application for weatherization assistance and the owner/occupant income was not verified by DHCA.

Following our request for additional detail on this client, the State informed us that this family had been determined eligible for weatherization services by the Maryland Office of Home Energy Programs (OHEP) using Low Income Home Energy Assistance Program (LIHEAP) requirements and that the State is not required to re-certify the work performed by OHEP. While the Department stipulates that certifications by outside agencies are sufficient, the support contained within the file and provided by the State was insufficient to verify applicant eligibility. For instance, the Department requires that third party certifications be accompanied by a memorandum from a third party certification office stipulating the income levels of the family and source documentation for each income source listed on the application.

#### **Cause**

DHCA personnel were not aware of Federal requirements that prohibit use of Federal funds to weatherize dwelling units designated for acquisition or clearance by a Federal, state or local program within 12 months from the date weatherization of the dwelling units would be

#### **SECTION IV. Schedule of Findings (continued)**

completed. Also, DHCA did not have adequate procedures to verify accuracy of representations made in the application forms to ensure that they include income data of all occupants in the dwelling units.

##### **Effect**

There is an increased risk that DHCA improperly provided weatherization services to ineligible applicants and dwelling units, thereby reducing the amount of Recovery Act funds available for eligible applicants and dwelling units.

##### **Recommendation**

We recommend that DHCA:

- 3.1 Include in its application procedures specific inquiries to determine whether the homeowner is aware of any potential Federal, state or local program's designation of their home for acquisition or clearance.
- 3.2 Review applications in detail sufficient to ensure that the income data of all occupants of the dwelling unit are reported in the application forms and verified in accordance with guidelines of the Weatherization Program.

##### **Management Response**

Montgomery County DHCA stated that its participation on the Clearinghouse Review team is sufficient to ensure that dwelling units receiving weatherization services are not scheduled to be razed by a Federal, State or local program within 12 months completion of weatherization services. DHCA is the lead housing agency for Montgomery County, and its senior staff, including the Weatherization Program Manager, are quite aware of any such scheduled activity. To its knowledge, no houses weatherized under WAP have been razed.

DHCA disagreed with our characterization that it did not verify the income of all eligible occupants dwelling within a specific property. The person listed as the deed holder was not an occupant of the property and, therefore, was not included in the calculation of household income. Further, DHCA relied upon the income verification provided by staff from LIHEAP; as such, additional independent income verification was not needed.

##### **Auditor Response**

DHCA's participation in the "Clearinghouse Review" team may assist with the detection of potential acquisitions and clearances; however, formalization of procedures and additional verifications can ensure more comprehensive compliance with Federal regulations. For

**SECTION IV. Schedule of Findings (continued)**

instance, the local agency lacks documented procedures for comparing new weatherization applications with the decisions made during the Clearinghouse Review team meetings. These procedures would ensure continuity of processes should personnel changes occur. Further, an additional check box on the client application could assist DHCA in determining whether the homeowner is aware of any potential Federal, state or local program's acquisition or clearance.

We believe that we received sufficient evidence during the review to determine that the individual involved owned and occupied the home in question. Specifically, we were provided a Real Property Data Search from the Maryland Department of Assessments and Taxation website dated May 19, 2009. The property was described as the "Principal Residence for the individual. Therefore, the individual's income should have been included as part of the Weatherization Assistance application procedures. We agree that Montgomery DHCA did not need to complete a full income verification because an outside agency had already done so; however, third party certifications must be accompanied by a memorandum from a third party certification office stipulating the income levels of the entire family. Without the individual's information, we believe that the support contained within the file and provided by the State and County were insufficient to fully verify applicant eligibility.



**Department of Energy**  
Washington, DC 20585

NOV 7 2012

MEMORANDUM FOR: RICKEY R. HASS  
DEPUTY INSPECTOR GENERAL  
FOR AUDITS AND INSPECTIONS  
OFFICE OF INSPECTOR GENERAL

FROM: KATHLEEN B. HOGAN   
DEPUTY ASSISTANT SECRETARY  
FOR ENERGY EFFICIENCY  
ENERGY EFFICIENCY AND RENEWABLE ENERGY

SUBJECT: Response to Office of Inspector General Draft Examination Report on  
"Montgomery County Department of Housing and Community  
Affairs-Weatherization Assistance Program Funds Provided by the  
American Recovery and Reinvestment Act of 2009"

The Office of Energy Efficiency and Renewable Energy (EERE) appreciates the opportunity to review and make comments related to the Office of Inspector General's (OIG) July 2012 Draft Examination Report on "Montgomery County Department of Housing and Community Affairs (MCDHCA) Weatherization Assistance Program (WAP). EERE provides guidance and support to all grantees pursuant to Code of Federal Regulations (CFR), 10 CFR 600 and 2 CFR 225 (A-87). Also, when applicable, EERE will provide grantees with guidance pursuant to 2 CFR 220 (A-21), 2 CFR 230 (A-122), and 10 CFR 400. EERE assures compliance with guidance through continued monitoring and communications with grantees.

The OIG made one recommendation for DOE's oversight of the Maryland Department of Housing and Community Development (DHCD) Weatherization Assistance Program (WAP). EERE concurs with OIG's recommendation and has been working with Maryland DHCD for the past year to help them improve the administration of their WAP funds.

**OIG Recommendation 1:** Ensure appropriate action is taken by the State of Maryland to improve Montgomery County's administration of Recovery Act Weatherization Program funds.

**EERE Response:** Through ongoing monitoring and communication efforts, the WAP Project Officer continues to work with the Maryland DHCD to ensure that MCDHCA complies with all requirements of the Program's documentation requirements and resource accountability. These efforts included a visit completed by the WAP Project Officer to the subgrantee in November of 2011. That visit indicated issues with procurement of materials and services and the monitoring report was issued to Maryland on January 24, 2012. The Grantee response dated February 25,



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2012 indicated that changes were made to the Procurement section of the Maryland Operations Manual to include the requirements of 10 CFR 600.140-148.

The WAP Project Officer will visit the MCDHCD offices with the grantee during a scheduled November 2012 site visit to validate that all corrective actions are implemented.

DOE thanks the OIG for its examination report.



MARTIN O'MALLEY  
Governor  
ANTHONY G. BROWN  
Lt. Governor  
RAYMOND A. SKINNER  
Secretary  
CLARENCE J. SNUGGS  
Deputy Secretary

October 17, 2012

Rickey R. Hass  
Deputy Inspector General  
for Audits and Inspections  
Office of the Inspector General  
United States Department of Energy  
1000 Independence Ave., SW  
Washington, DC 20585

Re: Draft Examination Report on Montgomery County Department of Housing and Community Affairs -  
Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act  
of 2009

Dear Mr. Hass:

We appreciate the opportunity to respond to this report. We are working with the Department of Energy's staff and County officials to manage and improve the Weatherization Program operations.

We have reviewed the response made to this report by Montgomery County, and based upon our reading of their response, we concur with the County's comments to the findings identified in the report.

Additionally, we would take exception to that portion of the report that characterizes Finding One of the report as a material weakness. The report defines a material weakness as ... *"a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the subject matter will not be prevented or detected."* We do not feel this is appropriate given the specific circumstances described below.

The report states that 6 out of 45 transactions were reviewed and that \$13,000 of reimbursements were sought from the State Department of Housing and Community Development (DHCD) which should not have been paid with Weatherization Program funds, but rather through other energy related programs. Given that the program for Montgomery County came to approximately \$5.5 million, this questioned amount represents only 2/10<sup>th</sup> of 1 percent of the County's funding. Furthermore, the report does not identify the basis of sample selection, whether random or judgmental and certainly does not state the finding as based upon a statistical projection. Therefore, we question the context in which this finding has been reported and request that the OIG amend the report stating that while you believe the reported error may be significant, it does not rise to the level of a material finding relative to the full scope of the program.

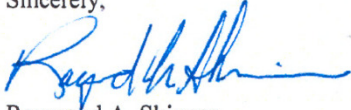


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If you have questions regarding this matter, please contact Gary Beaver, our Internal Audit Manager, by telephone at 410-514-7032.

Sincerely,



Raymond A. Skinner  
Secretary

cc: Clarence Snuggs, Deputy Secretary, DHCD  
Frank Coakley, Assistant, DHCD  
William Ariano, Deputy Director, DHCD  
James McAteer, Weatherization Program Manager, DHCD  
Gary Beaver, Internal Audit Manager, DHCD  
Richard Nelson, Director, Montgomery County Department of Housing and Community Affairs



## DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Isiah Leggett  
County Executive

Richard Y. Nelson, Jr.  
Director

June 6, 2012

Shona J. Mollison, CGFM  
Lani Eko and Company, CPAs, PLLC  
110 South Union Street, Suite 101  
Alexandria, VA 22314

Dear Ms. Mollison:

Please find below the official response from Montgomery County to the Draft Audit Report.

**FINDING 1. QUESTIONED COSTS AND REIMBURSEMENT – MATERIAL DEFICIENCY**

**Questioned Costs and Reimbursements**

The Draft is questioning the manner in which \$13,000.00 was recorded in the Hancock System and suggests that reimbursement to DHCA for these expenditures should have been allocated to complementary weatherization funding sources other than WAP. The program funding source was correctly identified in DHCA's accounting records. The mismatch of funding sources was merely an input error in the Hancock System rather than a "questioned cost/reimbursement." DHCA's accounting system is very tightly controlled and all costs are correctly identified and allocated to appropriate funding sources. The extremely minor cost allocations identified in the Draft were corrected and no WAP funds were used for these expenditures.

In addition, the Draft refers to a payment by DHCA to MDDHCD in the amount of \$52,990 for a number of weatherization related items. This payment by DHCA to MD DHCD was made after it was jointly determined by both DHCA and MDDHCD, that while the costs incurred were legitimately related to necessary scopes of appropriate weatherization activities in the properties, such costs were not eligible under WAP guidelines. These issues were identified by MDDHCD prior to the time of this audit. These items were charged against the WAP program in the early phases of the start-up of the ARRA program. Subsequent clarification from DOE, as well as discussions between MDDHCD and DHCA, as the program ramped up, has effectively mitigated against such inadvertent misapplications of such costs.

**FINDING 2. RECORDKEEPING – SIGNIFICANT DEFICIENCY**

**Recordkeeping**

The Draft is questioning whether DHCA has sufficient inventory control procedures in place to ensure that all equipment purchased with WAP funding is accounted for in an appropriate manner. All of the equipment purchased with WAP funds was assigned for custodial purposes to two of the four DHCA staff

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Shona J. Mollison, CGFM  
June 6, 2012  
Page 2

who are responsible for performing audits on homes that are candidates for WAP funded weatherizations only. These two DHCA staff signed "Weatherization Equipment Assignment" (WEA) sheets. The WEA sheets are maintained by the Manager of the ARRA Weatherization Program. All equipment listed on the WEA is clearly identified and labeled to facilitate on-going tracking. It is DHCA's position that recordkeeping regarding equipment is more than adequate to ensure that an effective audit and performance evaluation regarding inventory control can be accomplished.

**FINDING 3. WEATHERIZATION PROGRAM ELIGIBILITY – ADVISORY COMMENT**

Condition A-Dwelling Unit Eligibility

The Draft raises a concern regarding whether DHCA has in place a procedure to ensure that a house selected for weatherization is not scheduled to be razed by a Federal, State or local program within the ensuing 12 months. The authors of the Draft did not identify any database that DHCA would be able to access to establish if such a razing event was scheduled. However, in response to this concern, be advised that the senior staff at DHCA, as the lead housing agency for Montgomery County, including the Manager of the ARRA Weatherization Program, are quite aware of any such scheduled activity. It is important to note that no houses weatherized under WAP have, in fact, been razed. In the absence of the Draft providing any definitive source of information that could be accessed regarding this concern, it is DHCA's position that its current practice is more than adequate to ensure programmatic compliance.

Condition B – Applicant Eligibility

The Draft states that in one instance DHCA did not verify the income of all eligible occupants of a property to be weatherized. It is DHCA's position that the Draft is not correct regarding this matter. The "person listed as the deed holder" was not an occupant of the property and, therefore, was not included in the calculation of household income. While Mr. Luis Abreu is listed on the deed, he was not an occupant of the property at the time weatherization work was done. Finally, regarding verification as to income eligibility for this particular household, DHCA relied upon the income verification provided by staff from the Low Income Home Energy Assistance Program (LIHEAP). This particular household was a referral from LIHEAP. Additional independent verification as to income eligibility is not needed.

Sincerely,



Jalal Greene  
Chief

JG:jgs

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