



U.S. DEPARTMENT OF ENERGY

Office of Inspector General

DOE-OIG-26-33

April 30, 2026

Additional Actions Needed to Help Ensure Wisconsin Implements the Weatherization Assistance Program in Accordance With Requirements



AUDIT REPORT



Department of Energy
Washington, DC 20585

April 30, 2026

MEMORANDUM FOR THE DIRECTOR, OFFICE OF STATE AND COMMUNITY
ENERGY PROGRAMS

SUBJECT: Audit Report: *Additional Actions Needed to Help Ensure Wisconsin Implements the Weatherization Assistance Program in Accordance With Requirements*

The attached report discusses our audit of the Department of Energy's Weatherization Assistance Program in Wisconsin. This report contains two recommendations and one suggested action that, if fully implemented, should help ensure that the program is managed in accordance with applicable requirements. Management concurred with our recommendations.

We conducted this audit from December 2024 through January 2026 in accordance with generally accepted government auditing standards. We appreciated the cooperation and assistance received during this audit.

A handwritten signature in blue ink that reads "Sarah Nelson".

Sarah Nelson
Assistant Inspector General
for Management
Performing the Duties of the Inspector General
Office of Inspector General

cc: Deputy Secretary
Chief of Staff

DOE OIG HIGHLIGHTS

Additional Actions Needed to Help Ensure Wisconsin Implements the Weatherization Assistance Program in Accordance With Requirements

Why We Performed This Audit

The Department of Energy's Weatherization Assistance Program (WAP) assists low-income families in reducing energy costs by increasing the energy efficiency of dwelling units while ensuring health and safety. WAP provides billions of dollars in grants to all 50 states, the District of Columbia, Native American tribes, and U.S. territories. These entities then contract with local weatherization providers to offer WAP services to their communities. The *Infrastructure Investment and Jobs Act* added \$3.5 billion to WAP program appropriations.

Due to the importance of WAP and the risk areas we previously identified, we selected one state for review. We performed this audit to determine the extent to which Wisconsin's Division of Energy, Housing and Community Resources (DEHCR) officials managed WAP in accordance with applicable requirements.

What We Found

Wisconsin's DEHCR officials did not always manage WAP in accordance with applicable requirements. We found that DEHCR officials did not: (1) maintain all supporting documentation necessary to support costs claimed by their subgrantees and lower-tier subcontractors, and (2) identify a potential conflict of interest. Lastly, we identified two areas for improvement related to DEHCR's internal control system that, if addressed, should help its officials administer WAP in accordance with applicable requirements.

These issues occurred because DEHCR officials did not have a policy to maintain all supporting documentation, including copies of invoices, from their subgrantees. In addition, DEHCR's conflict of interest policy lacked the rigor to identify potential conflicts of interest. Further, DEHCR officials did not have a formal documented procedure for their Performance Evaluation tool or their process for receipt and resolution of complaints. The Department is responsible for overseeing activities performed under the award. However, its oversight did not ensure compliance with the terms and conditions of the award or identify the issues in our report.

An effective internal control system is necessary to help ensure the overall effectiveness of WAP funding and to demonstrate costs are allowable, allocable, and reasonable.

What We Recommend

To address the issues identified in this report, we have made two recommendations and one suggested action that, if fully implemented, should help DEHCR officials improve their administration of WAP and ensure compliance with applicable requirements.

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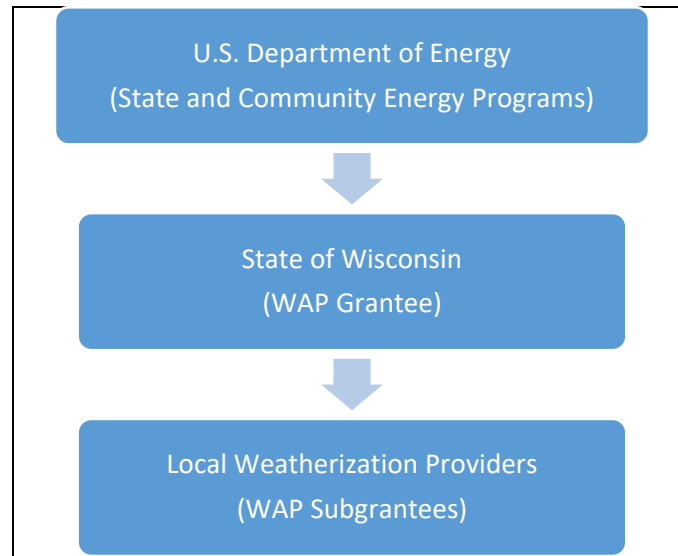
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Background and Objective

Under Title IV of the *Energy Conservation and Production Act*, the Department of Energy launched its Weatherization Assistance Program (WAP) in 1976 to assist low-income families in reducing energy costs by increasing the energy efficiency of dwelling units¹ while ensuring health and safety, also known as weatherization. To meet this objective, WAP provides formula grants, based on a set formula instead of a competitive process, to all 50 states, the District of Columbia, Native American tribes, and U.S. territories. These entities then contract with over 700 local weatherization providers to offer WAP services to their communities.

The Department’s Office of State and Community Energy Programs administers WAP and provides management and oversight. For fiscal year 2022, WAP received \$313 million in appropriations. Signed into law on November 15, 2021, the *Infrastructure Investment and Jobs Act* added \$3.5 billion to WAP program appropriations. According to this Act, the new WAP funds would be “available until expended;” however, the Department initially awarded grants with a 5-year period of performance from July 2022 through June 2027 to execute most of the work. In April 2025, the Department extended the grant period of performance to June 2029. The Department awarded Wisconsin approximately \$95 million for a 5-year period ending in June 2027, and Wisconsin’s Division of Energy, Housing and Community Resources (DEHCR) contracted with local weatherization providers to carry out WAP activities. Figure 1 illustrates the basic structure of WAP implementation in Wisconsin.

Figure 1



The Office of Inspector General has issued numerous audit reports identifying risk areas within WAP. For example, in our special report, *Prospective Considerations for the Infrastructure Law-Funded Weatherization Assistance Program* (DOE-OIG-22-30, April 2022), we highlighted five major risk areas and made several suggestions for Department leadership to consider that would

¹ According to 10 Code of Federal Regulations § 440.3, “Definitions,” a dwelling unit means a house, including a stationary mobile home, an apartment, a group of rooms, or a single room occupied as separate living quarters.

improve internal controls and help prevent fraud, waste, and abuse of WAP funds. These areas included senior leader fraud at the subgrantee level, controls over acceptance of work, compliance with terms and conditions, grantee-level oversight issues, and administrative remedies. Additionally, in our audit report, *Improved Oversight and Enforcement Would Help the Department of Energy Implement the Weatherization Assistance Program Under the Infrastructure Investment and Jobs Act* (DOE-OIG-25-01, October 2024), we found issues to include that states exceeded average expenditure limits per unit, and 21 states and territories did not submit quarterly reports as required, as well as other issues. To address the issues identified, we made several recommendations to the Department that should help maximize the effectiveness of WAP funds.

Because of the risk areas identified in our previous reports, and due to the importance of WAP in stimulating the economy, creating jobs, and improving the quality of life in low-income families, we selected one state for review to determine the extent to which Wisconsin’s DEHCR managed WAP in accordance with applicable requirements.

Results of Review

WISCONSIN’S DEHCR OFFICIALS DID NOT ALWAYS MANAGE WAP IN ACCORDANCE WITH APPLICABLE REQUIREMENTS

Wisconsin’s DEHCR officials did not always manage WAP in accordance with applicable requirements. Specifically, they did not maintain all supporting documentation necessary to demonstrate that costs claimed by their subgrantees and lower-tier subcontractors were allowable, allocable, and reasonable. We also found that DEHCR officials failed to identify a potential conflict of interest (COI). Based on our audit work, we identified areas of improvement within DEHCR’s WAP internal control system that, if implemented, could help DEHCR officials administer WAP in accordance with applicable requirements. These issues highlight the need for the Department, as the grant-making agency, to strengthen its oversight of activities performed under this award.

Wisconsin’s DEHCR Officials Did Not Maintain Records for Costs Claimed

We found that DEHCR officials did not maintain all supporting documentation necessary to demonstrate that the costs claimed by their subgrantees and their lower-tier subcontractors were allowable, allocable, and reasonable. Specifically, DECHR officials did not have supporting documentation (invoices) for costs claimed by their subgrantees for the 30 dwelling units that we reviewed. Instead, DEHCR officials had to obtain invoices from their subgrantees. The “Special Terms and Conditions” section of Wisconsin’s award requires it to document and maintain records of all project costs, including, but not limited to, costs claimed by its subgrantees, adequate to demonstrate that they have been incurred and are allowable, allocable, and reasonable.

DEHCR officials stated that starting in May 2024, at the direction of the Department’s Technical Project Officer of Record, they began obtaining and maintaining invoices. However, because the Technical Project Officer of Record was only responsible for overseeing activities related to two

out of seven cost categories, DEHCR officials only collected and maintained invoices for those specific categories. Absent similar direction for the other five cost categories, DEHCR officials did not apply a similar methodology to obtain and maintain invoices for all cost categories. As such, DEHCR officials did not have copies of invoices for the other five cost categories, contrary to the award’s “Special Terms and Conditions” section. DEHCR officials also stated they do not plan to obtain and maintain invoices for the other five cost categories or for the two cost categories prior to May 2024.

DEHCR officials’ noncompliance with the award’s “Special Terms and Conditions” section, and the Department not enforcing the requirement, mean that the state may not be able to provide reasonable assurance that costs claimed have been incurred and are allowable, allocable, and reasonable. This becomes a greater risk when a subgrantee similarly fails to maintain appropriate records or goes out of business. In fact, one of DEHCR’s subgrantees included in our scope ceased weatherization activities during our audit. As a result, DEHCR officials may be unable to obtain invoices from the subgrantee to support costs claimed and reimbursed. According to Wisconsin’s Department of Administration legal counsel, DEHCR officials have been trying to collect all documentation from the subgrantee since October 2023. As a pass-through entity, Wisconsin is responsible for ensuring that costs incurred by their subgrantees are allowable and subsequently claims those costs for reimbursement from the Department. This flow of costs claimed—from the subgrantees to Wisconsin, and then from Wisconsin to the Department—requires that all costs submitted for reimbursement are allowable and properly supported. In the absence of invoices from subgrantees, Wisconsin lacked sufficient documentation to substantiate the costs claimed to the Department.

This issue occurred because DEHCR officials did not have a policy to maintain all supporting documentation, including copies of invoices, from their subgrantees. Instead, it considered it sufficient for the subgrantee to maintain invoices. In addition, the Department stated that it provides grantees with flexibility when it comes to compliance with the award’s “Special Terms and Conditions” section in cases where deviations are minor and unlikely to undermine the program’s efficacy. From the Department’s perspective, DEHCR officials had been meeting WAP objectives, and the Department had access to invoices from the subgrantees when needed. Therefore, the Department had no compelling reason to ask DEHCR officials to maintain invoices. The Department also stated that program effectiveness, flexibility, and the reduction of administrative burden are guiding principles for its oversight of grantees. Nevertheless, the Department, as the grant-making agency, must exercise normal Federal stewardship overseeing the award, which includes, but is not limited to, assuring compliance with special terms and conditions.

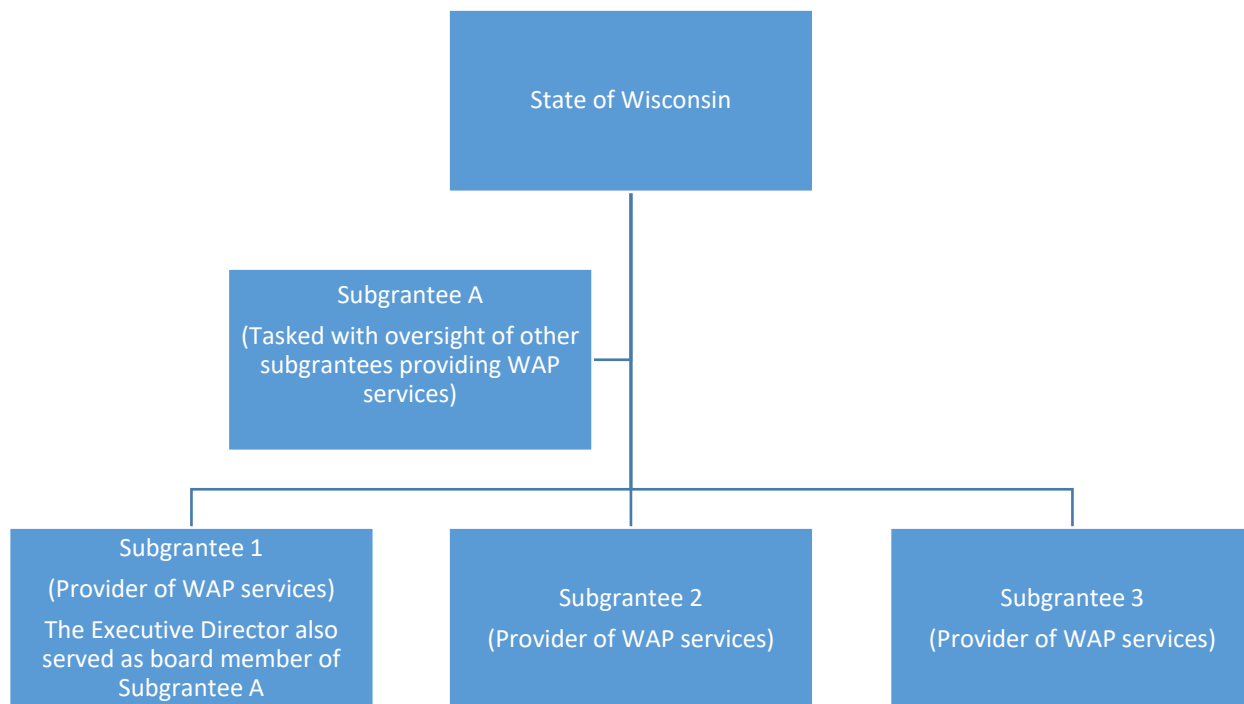
The “Special Terms and Conditions” section of Wisconsin’s award specifically requires that it not only ensure access to records but also maintain sufficient documentation to substantiate costs claimed under the award, including those incurred by subgrantees. The Department acknowledged that the award’s “Special Terms and Conditions” section requires Wisconsin to document and maintain records of all project costs, including costs claimed by its subgrantees, making Wisconsin responsible for maintaining adequate records to demonstrate that costs claimed are allowable, allocable, reasonable, and comply with cost principles. Although the “Special Terms and Conditions” section does not require Wisconsin to maintain records in a

specific location, they do require it to maintain records in a location where it has access and does not need to rely on another party to provide them. A Department official told us that they plan to address this with Wisconsin and find an alternative solution to bring it in compliance with the award’s “Special Terms and Conditions” section.

Wisconsin’s DEHCR Officials Did Not Identify a Potential COI

Wisconsin’s DEHCR officials did not identify a potential COI wherein an individual served in roles with two different subgrantees. Specifically, we identified one individual who concurrently served as both the Executive Director of a subgrantee responsible for delivering weatherization services (herein referred to as Subgrantee 1), and a board member of a separate subgrantee responsible for providing training, technical assistance, and oversight of other subgrantees (herein referred to as Subgrantee A). This overlap in responsibilities occurred from January 2019 through October 2021. Subgrantee A was responsible for inspecting weatherization work performed by other subgrantees to ensure: (1) all required measures were completed; (2) no new hazards or defects were created; and (3) the work met program requirements. Because this individual was involved in both delivering and overseeing weatherization services, it created the appearance of an organizational COI. (See Figure 2 for the overview and structure of the potential organizational COI.)

Figure 2



The “Special Terms and Conditions” section of Wisconsin’s award requires it to have an up-to-date, written, and enforced administrative process to identify and manage COI. As a board member of an oversight subgrantee, the individual possibly had access to confidential or proprietary information, which could have benefited Subgrantee 1 given the individual’s role as

the Executive Director. Additionally, the individual’s involvement in oversight functions, even if indirect, could undermine the perceived fairness and objectivity of weatherization inspections. From an internal control standpoint, allowing an individual to serve in dual roles—one involving service delivery, and the other involving oversight—fails the reasonable standard of independence and impartiality expected in federally funded programs.

This issue occurred because DEHCR’s COI policy lacks the rigor to identify potential organizational COI. Specifically, DEHCR’s policy does not include controls to identify whether a potential and/or actual COI exists between its subgrantees. DEHCR’s policy focuses on identifying potential and/or existing conflicts between a subgrantee and its customers and vendors. The “Special Terms and Conditions” section of Wisconsin’s award requires it to follow the *Department of Energy Interim Conflict of Interest Policy*. This policy requires non-Federal entities to have an up-to-date, written, and enforced administrative process to identify and manage COI. At a minimum, non-Federal entities must address financial and organizational COI. The Department reviewed DEHCR’s COI policy and determined it satisfied the requirement to prevent any potential or actual COI. Nevertheless, the Department’s monitoring and oversight of Wisconsin’s WAP did not identify the potential COI, and neither the Department nor DEHCR officials were aware of it until we brought it to their attention. DEHCR officials told us that they intend to revise and strengthen the existing COI policy.

Improvements Necessary to Strengthen Internal Controls

We identified two areas of improvement needed within DEHCR’s internal control system that, if implemented, would help it align its internal controls with standards. According to 2 Code of Federal Regulations § 200.303, “Internal controls,” grantees are required to establish, document, and maintain effective internal controls over Federal awards that provide reasonable assurance that the grantee is managing the award in compliance with Federal statutes, regulations, and terms and conditions. It also stipulates that these internal controls should align with the guidance in *Standards for Internal Control in the Federal Government*,² issued by the Comptroller General of the United States. These standards state that formally documenting policies and procedures is critical for an effective internal control system. However, we found DEHCR officials had not formally documented: (1) a procedure for their Performance Evaluation tool, and (2) a process for receiving and resolving complaints.

Performance Evaluation Tool Standard Operating Procedure

We found that DEHCR officials did not have a formally documented standard operating procedure for their Performance Evaluation tool, which they utilize as part of their subgrantee monitoring. According to 2 Code of Federal Regulations § 200.332, “Requirements for pass-through entities,” grantees must monitor the activities of subgrantees to ensure that the subgrantees comply with Federal statutes, regulations, and the terms and conditions of the subaward. In addition, the grantee is responsible for monitoring the overall performance of subgrantees to ensure that the goals and objectives of the subaward are achieved. DEHCR officials stated they use the Performance Evaluation tool to identify if there is a potential need

² The Government Accountability Office’s *Standards for Internal Control in the Federal Government*, (GAO-14-704G, September 2014).

for increased monitoring of a subgrantee. However, we found that DEHCR officials did not document a standard operating procedure to help ensure that the Performance Evaluation tool was utilized consistently to assess subgrantees. Without a documented standard operating procedure for the Performance Evaluation tool, there is a risk that subgrantee performance may not be assessed consistently or accurately, potentially resulting in insufficient monitoring of higher-risk subgrantees and leading to undetected compliance issues, misuse of funds, or failure of subgrantees to achieve WAP goals. DEHCR officials asserted that they are working on converting existing informal processes into a documented standard operating procedure.

Receipt and Resolution of Complaints

We found that DEHCR officials did not document their process for receipt and resolution of weatherization complaints. According to DEHCR's *Wisconsin Weatherization Assistance Program Manual*, its Quality Control System shall have an element that documents receipt and resolution of all complaints. After our inquiry, DEHCR officials developed a complaint log repository and began developing updated procedures; however, they had not been documented as standard operating procedures, which may lead to complaints not being addressed. Without a documented and consistently implemented process for receiving and resolving complaints, there is an increased risk that they may be overlooked, mishandled, or left unresolved. This could result in recurring weatherization quality issues, unresolved safety concerns, potential fraud, and diminished customer trust in WAP.

These issues occurred because the Department did not ensure that DEHCR officials fully implemented *Standards for Internal Controls in the Federal Government* by formally documenting their procedure for their Performance Evaluation tool. In addition, the Department did not ensure that DECHR officials documented their process for receipt and resolution of complaints.

CONCLUSION

The weaknesses we identified may limit the overall effectiveness of WAP in Wisconsin. As a result of not maintaining invoices to support costs claimed by subgrantees, there is a risk that they are unsupported, and Wisconsin is passing on unallowable costs to the Department. Without proper documentation, it is difficult to verify financial transactions and detect errors or misuse of funds. In addition, the lack of an effective COI policy reduces confidence in Wisconsin's ability to provide reasonable assurance that its subgrantees are independent and performing work free of biases from financial, contractual, organizational, or other interests. Further, without a formally documented standard operating procedure for its Performance Evaluation tool, there is a risk that subgrantee performance may not be assessed consistently and accurately, potentially resulting in insufficient monitoring of higher-risk subgrantees. Finally, without a formally documented process for receiving and resolving weatherization complaints, there is a risk that complaints will go unreported or not addressed in a timely manner.

Recommendations

The Department follows Order 224.3A, *Audit Coordination, Resolution, and Follow-up*, to address recommendations made by the Office of Inspector General covering recipients of

financial assistance agreements. We discussed this report's findings with management, and it stated it would apply the processes found in Order 224.3A to address our recommendation that the Director, Office of State and Community Energy Programs, direct Wisconsin's DEHCR to:

1. Implement a policy to maintain all supporting documentation where it has access and does not need another party to provide the records, including copies of invoices, to demonstrate that costs claimed by subgrantees are allowable, allocable, and reasonable; and
2. Revise and strengthen its existing COI policy to ensure that potential and/or actual organizational COI among subgrantees are proactively identified, disclosed, mitigated, and eliminated.

Suggested Action

We suggest that the Director, Office of State and Community Energy Programs, direct Wisconsin's DEHCR to:

1. Document a standard operating procedure for its Performance Evaluation tool and a process for receiving and resolving complaints.

Management Comments and OIG Response

Management concurred with our recommendations and suggested action and identified responsive corrective actions to address the reported issues. DEHCR nonconcurred with Recommendation 1 and concurred with Recommendation 2. Further, DEHCR's corrective actions, taken and planned, are responsive to the recommendations and suggested action.

For Recommendation 1, management stated that although the Department has access to subgrantee records through its right to audit and monitor, mandating DEHCR to maintain all subgrantee supporting documentation, including copies of invoices, would essentially duplicate the subgrantee's record-keeping obligations and could be seen as imposing an additional requirement beyond what is stipulated in 2 Code of Federal Regulations 200. Management stated that it will instruct DEHCR to implement best practices and robust contractual language within subaward agreements. This will include explicitly stating subgrantees' record retention obligations, enhancing monitoring and access provisions, requiring strong internal controls at the subgrantee level, and utilizing risk-based monitoring.

DEHCR nonconcurred with Recommendation 1. Specifically, DEHCR stated that its staff have access to all weatherization records, and that it requires its subgrantees to maintain financial records pertaining to their weatherization award and provide such documentation upon request. In addition, DEHCR stated that our interpretation appears to require DEHCR to maintain the entirety of the subgrantee documentation in duplicate. While DEHCR disagreed with Recommendation 1, it stated it will work collaboratively with the Department to identify an alternative solution to better comply with the special terms and conditions requirements at issue.

Although the Code of Federal Regulations and the award's "Special Terms and Conditions" do not obligate the recipient to maintain all award records, the "Special Terms and Conditions" does obligate the recipient to maintain records to support the costs claimed, which are a subset of the larger universe of award records. Based on the Department's proposed actions, and DEHCR's willingness to work collaboratively with the Department, we consider its actions responsive to Recommendation 1.

For Recommendation 2, management stated that it will work with DEHCR to strengthen its COI policy and implement best practices. DEHCR also concurred with Recommendation 2 and identified responsive corrective actions to address the reported issue. We found the Department's and DEHCR's comments and planned corrective actions responsive to our recommendation.

For our suggested action, management stated that DEHCR officials have already initiated efforts to formalize their processes into a documented standard operating procedure. Management plans to take additional actions related to the Performance Evaluation tool, but did not identify proposed actions regarding the complaints process. DEHCR concurred with our suggested action and developed written procedures to improve and enhance the existing complaint procedure. Therefore, we consider the Department's and DEHCR's comments and corrective action responsive to our suggested action.

Management's and DEHCR's comments are included in Appendix 3.

Objective, Scope, and Methodology

Objective

We conducted this audit to determine the extent to which Wisconsin's Division of Energy, Housing and Community Resources (DEHCR) officials managed the Weatherization Assistance Program (WAP) in accordance with applicable requirements.

Scope

The audit was performed from December 2024 through January 2026 in Madison, Wisconsin, and other locations, as required. The scope was limited to Wisconsin's WAP for fiscal years 2022 through 2024. The audit was conducted under Office of Inspector General project number A25LL001.

Methodology

To accomplish our audit objective, we:

- Held discussions with Department of Energy WAP officials;
- Reviewed applicable Federal laws and regulations, Department policies and procedures, and Wisconsin's DEHCR policies and procedures relevant to WAP;
- Reviewed prior reports related to the Department's WAP;
- Interviewed key DEHCR officials;
- Conducted an in-person site visit and held teleconferences with DEHCR officials, as necessary, to obtain and review documents and information related to Wisconsin's WAP;
- Judgmentally selected 30 weatherized dwelling units and performed testing of key attributes;
- Obtained and reviewed invoice documentation associated with the 30 weatherized dwelling units; and
- Evaluated whether DEHCR officials were compliant with applicable requirements.

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 findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we

assessed the control activities component and underlying principle of implementing control activities related to weatherization activities, weatherization monitoring, and weatherization administrative reviews. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit. Finally, we relied on computer-processed data to accomplish our audit objective. To assess the reliability of the documents and data needed to answer the audit objectives we: (1) reviewed documentation and compared documentation maintained in the source system, and (2) interviewed Department and State of Wisconsin DEHCR officials knowledgeable about the data. We determined that the data was sufficiently reliable for the purposes of this report.

Management officials waived an exit conference on March 26, 2026.

Related Reports

Office of Inspector General

- Audit Report: [*Improved Oversight and Enforcement Would Help the Department of Energy Implement the Weatherization Assistance Program Under the Infrastructure Investment and Jobs Act*](#) (DOE-OIG-25-01, October 2024). The Office of Inspector General (OIG) found that for the 53 states and territories with approved weatherization plans: (1) 11 states exceeded their expenditure limit per weatherized unit by more than 50 percent; (2) 21 states and territories did not submit quarterly reports to the Department of Energy on time, as required; and (3) 16 states and territories with approved weatherization plans and funding had no reported performance of completed weatherization units. The OIG made three recommendations to ensure the challenges identified in the report did not limit program effectiveness.
- Special Report: [*Prospective Considerations for the Infrastructure Law-Funded Weatherization Assistance Program*](#) (DOE-OIG-22-30, April 2022). The OIG identified five major risk areas that warranted attention from Department leadership to mitigate risks with the Weatherization Assistance Program, including senior leader fraud, controls over acceptance of work, compliance with terms and conditions, grantee-level oversight issues, and administrative remedies. The OIG identified prospective considerations that the Department leadership should consider for the Weatherization Assistance Program to improve internal controls and prevent fraud, waste, and abuse.

Government Accountability Office

- Audit Report: [*Recovery Act-Progress and Challenges in Spending Weatherization Funds*](#) (GAO-12-195, December 2011). The Government Accountability Office reported that several Department OIG and state auditor reports identified state-level deficiencies in monitoring efforts and issues with internal controls. The Government Accountability Office recommended that the Department set time frames for states to develop and implement state monitoring programs and develop a best practices guide for key internal controls.

Management Comments



Department of Energy

Washington, DC 20585

March 2, 2026

MEMORANDUM FOR SARAH NELSON
ASSISTANT INSPECTOR GENERAL FOR MANAGEMENT

THRU: AUDREY ROBERTSON
ASSISTANT SECRETARY
OFFICE OF CRITICAL MINERALS AND ENERGY
INNOVATION

FROM MICHAEL LI **MICHAEL LI** Digitally signed by MICHAEL LI
Date: 2026.03.13 13:26:42 -0400
DIRECTOR
OFFICE OF STATE AND COMMUNITY ENERGY
PROGRAMS

SUBJECT ADDITIONAL ACTIONS NEEDED TO HELP ENSURE
WISCONSIN IMPLEMENTS THE WEATHERIZATION
ASSISTANCE PROGRAM IN ACCORDANCE WITH
REQUIREMENTS

Thank you for the opportunity to review and comment on the subject draft report. The Department of Energy's (DOE) Office of State and Community Energy Programs (SCEP) appreciates the auditors' work and provides the following comments below:

The attachment to this memorandum details actions planned to be taken by SCEP.

If you have any questions regarding this response, please contact me, or Derek Schroeder, Weatherization Program Manager, SCEP, 207-287-6711.

Enclosure:

Management Response: OIG Draft Report: Additional Action Needed to Help Ensure Wisconsin Implements the Weatherization Assistance Program in Accordance With Requirements (A25LL001)

Enclosure

Management Response
OIG Draft Report: *Additional Action Needed to Help Ensure Wisconsin Implements the Weatherization Assistance Program in Accordance With Requirements (A25LL001)*

Action #1: We suggest that the Director, Office of State and Community Energy Programs directs Wisconsin's DEHCR to:

1. Document a standard operating procedure for its Performance Evaluation tool and a process for receiving and resolving complaints.

DOE Response: Concur.

The Department acknowledges the Office of Inspector General's (OIG) finding regarding the absence of a formally documented standard operating procedure (SOP) for the Performance Evaluation tool utilized by Wisconsin's Division of Energy, Housing, and Community Resources (DEHCR) in its subgrantee monitoring. We recognize the importance of this tool in ensuring compliance with Federal statutes, regulations, and the terms and conditions of subawards, as well as monitoring the overall performance of subgrantees to achieve program goals, consistent with 2 Code of Federal Regulations § 200.332, "Requirements for Pass-Through Entities." We concur that the lack of a documented SOP poses a risk of inconsistent or inaccurate subgrantee assessment, potentially leading to insufficient monitoring of higher-risk subgrantees and associated issues such as undetected compliance problems, misuse of funds, or failure to achieve Weatherization Assistance Program (WAP) goals.

The Department understands that DEHCR officials have already initiated efforts to formalize their existing informal processes into a documented standard operating procedure. This proactive measure aligns with the Department's commitment to robust oversight and effective subgrantee management.

In accordance with Department of Energy Order 224.3A, "Audit Coordination, Resolution, and Follow-up," the Department will address this finding by taking the following actions:

- **Formalize and Implement Standard Operating Procedures:** The Department will request DEHCR to finalize and formally document a comprehensive Standard Operating Procedure for the Performance Evaluation tool. This SOP will clearly outline the methodology for its consistent application, including data collection, analysis, interpretation, and the escalation process for identifying subgrantees requiring increased monitoring.
- **Ensure Consistent Application:** The Department will request that the documented SOP be designed to ensure that all personnel involved in subgrantee monitoring consistently and accurately utilize the Performance Evaluation tool. This will enhance the ability to assess subgrantee performance uniformly and identify potential risks effectively.
- **Provide Training and Guidance:** Upon finalization of the SOP, the Department will ensure that DEHCR provides necessary training and guidance to relevant staff on its proper implementation and utilization. This will foster a shared understanding and consistent application of the tool across the program.

Enclosure

Management Response
OIG Draft Report: *Additional Action Needed to Help Ensure Wisconsin Implements the Weatherization Assistance Program in Accordance With Requirements (A25LL001)*

By DEHCR formalizing the SOP for the Performance Evaluation tool and ensuring its consistent application and integration into its monitoring practices, this will strengthen DEHCR's ability to ensure subgrantee compliance, safeguard federal funds, and achieve program objectives, thereby enhancing the overall effectiveness and accountability of the Weatherization Assistance Program.

Estimated Completion Date: 7/01/2026

Recommendation #1: The Department follows Order 224.3A, *Audit Coordination, Resolution, and Follow-up*, to address recommendations made by the Office of Inspector General covering recipients of financial assistance agreements. We discussed this report's findings with management, and it stated it would apply the processes found in Order 224.3A to address our recommendation that the Director, Office of State and Community Energy Programs, direct Wisconsin's DEHCR to implement a policy to maintain all supporting documentation where it has access and does not need another party to provide the records, including copies of invoices, to demonstrate that costs claimed by subgrantees are allowable, allocable and reasonable.

DOE Response: Concur.

The Department acknowledges the Office of Inspector General's (OIG) recommendation regarding the retention of subgrantee supporting documentation by the Director, Office of State and Community Energy Programs (SCEP), specifically concerning Wisconsin's Division of Energy, Housing, and Community Resources (DEHCR). We understand the intent behind this recommendation is to strengthen oversight and minimize the risk of fraud, waste, and abuse.

Based on Uniform Guidance, specifically 2 CFR 200.334, the primary responsibility for retaining Federal award records, including supporting documentation, rests with both the recipient and the subrecipient for a period of three years from the date of submission of their final financial report. The Uniform Guidance intentionally places this burden on the entity incurring the cost to ensure that the original source documentation is readily available for audit and review. Federal awarding agencies and pass-through entities are explicitly directed not to impose any other record retention requirements, with specific exceptions for litigation, claims, or audits that extend the retention period.

Therefore, while the Department has access to subgrantee records through its right to audit and monitor, mandating that the grantee maintain all subgrantee supporting documentation, including copies of invoices, would essentially duplicate the subgrantee's record-keeping obligations and could be seen as imposing an additional requirement beyond what is stipulated in 2 CFR 200.

In accordance with Department of Energy Order 224.3A, "Audit Coordination, Resolution, and Follow-up," the Department will instruct DEHCR to implement best practices and robust contractual language within subaward agreements. This will include:

- **Explicitly stating subgrantees' record retention obligations:** Subaward agreements will clearly articulate the subgrantee's responsibility to retain all Federal award records,

Enclosure

Management Response

OIG Draft Report: *Additional Action Needed to Help Ensure Wisconsin Implements the Weatherization Assistance Program in Accordance With Requirements (A25LL001)*

including detailed supporting documentation for all expenditures, for the period specified in 2 CFR 200.334.

- **Enhancing monitoring and access provisions:** Subaward agreements will reinforce the Department's and the grantee's right of access to all subgrantee records for monitoring, audit, and programmatic review purposes.
- **Requiring strong internal controls at the subgrantee level:** Contractual language will emphasize the necessity for subgrantees to maintain effective internal controls to ensure that costs claimed are allowable, allocable, and reasonable, and that they are supported by adequate documentation.
- **Utilization of risk-based monitoring:** SCEP will continue to employ a risk-based approach to subrecipient monitoring, focusing its oversight efforts where the risk of fraud, waste, and abuse is highest.

By strengthening contractual language and implementing these best practices, the Department aims to minimize the risk of fraud, waste, and abuse and ensure accountability for federal funds without imposing record retention requirements on the grantee that are contrary to the provisions of Uniform Guidance.

Estimated Completion Date: 7/01/2026

Recommendation #2: The Department follows Order 224.3A, *Audit Coordination, Resolution, and Follow-up*, to address recommendations made by the Office of Inspector General covering recipients of financial assistance agreements. We discussed this report's findings with management, and it stated it would apply the processes found in Order 224.3A to address our recommendation that the Director, Office of State and Community Energy Programs, direct Wisconsin's DEHCR to revise and strengthen its existing COI policy to ensure that potential and/or actual organizational COI among subgrantees are proactively identified, disclosed, mitigated, and eliminated.

DOE Response: Concur.

The Department acknowledges and concurs with the Office of Inspector General's (OIG) recommendation that the Director, Office of State and Community Energy Programs (SCEP), direct Wisconsin's DEHCR to revise and strengthen its existing Conflict of Interest (COI) policy. This update is crucial to ensure that potential and/or actual organizational conflicts of interest among subgrantees are proactively identified, disclosed, mitigated, and eliminated. This aligns directly with the foundational principles of sound financial management and integrity embedded within the Uniform Guidance (2 CFR Part 200) and reinforced through 10 CFR 440.

Per 2 CFR 200.112, Federal awarding agencies must establish conflict of interest policies for Federal awards, and recipients and subrecipients are required to disclose any potential conflicts. Furthermore, 2 CFR 200.318(c) specifically mandates non-Federal entities to maintain written standards of conduct covering conflicts of interest, especially in procurement, and addresses

Enclosure

Management Response
OIG Draft Report: *Additional Action Needed to Help Ensure Wisconsin Implements the Weatherization Assistance Program in Accordance With Requirements* (A25LL001)

organizational conflicts of interest. While 10 CFR 440 directly incorporates these federal cost principles and administrative requirements, it also places a general responsibility on grantees to monitor and evaluate their subgrantees, making it imperative for robust COI policies to be in place at both the grantee and subgrantee levels.

In accordance with Department of Energy Order 224.3A, "Audit Coordination, Resolution, and Follow-up," the Department will apply the necessary processes to address this recommendation. The Director, SCEP, will work with Wisconsin's DEHCR to strengthen its COI policy and implement the following best practices:

- 1. Enhanced Policy Framework and Definitions, Proactive Identification Mechanisms and Scope Expansion**
- 2. Robust Disclosure and Review Processes, Disclosure Forms, Documentation of Review**
- 3. Comprehensive Mitigation and Elimination Strategies, Documented Training and Awareness**
- 4. Strong Contractual Language, Subaward Clauses and Right to Monitor Reiteration**

By implementing these measures, Wisconsin's DEHCR will significantly strengthen its COI policy, ensuring greater transparency, accountability, and the integrity of the Weatherization Assistance Program, fully aligning with federal regulations and departmental expectations.

Estimated Completion Date: 7/01/2026



STATE OF WISCONSIN DEPARTMENT OF ADMINISTRATION

Tony Evers, Governor
Kathy Blumenfeld, Secretary
David Pawlisch, Division Administrator

March 2, 2026

Sarah Nelson, Asst. Inspector General for Management
Office of Inspector General
Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Re: Response to Audit Report of the DOE's Weatherization Assistance Program

Dear Ms. Nelson,

The Wisconsin Division of Energy, Housing and Community Resources (DEHCR) appreciates the opportunity to provide written comments responding to the DOE Office of Inspector General's (OIG) Audit Report of the DOE's Weatherization Assistance Program (WAP). The following provides further context and necessary clarifications regarding OIG's findings and recommendations for DEHCR's administration of the Wisconsin WAP.

DEHCR disagrees with OIG's finding that it did not maintain all supporting documentation necessary to demonstrate that costs claimed by their subgrantees and lower-tier subcontractors were allowable, allocable, and reasonable. It is DEHCR's position that OIG's interpretation of the Uniform Guidance records retention requirements goes above and beyond what it required in 2 C.F.R. § 200.334 through 200.338. Such interpretation is inconsistent with the Uniform Guidance, not aligned with the DOE, Office of State and Community Energy Program's (DOE) previous requirements of DEHCR, and could have far reaching practical implications for Wisconsin and other states.

DEHCR provided all records requested by OIG throughout the WAP audit process, the auditors reconciled all costs, and DEHCR met the requirements of accessibility for the records. DEHCR maintains that staff have access to all weatherization records. DEHCR requires WAP subgrantees to maintain financial records pertaining to their weatherization award and provide such documentation upon request. When the OIG requested documentation, DEHCR provided such documentation. The Report indicates that DEHCR is instead required to essentially duplicate and maintain subgrantee records in a location to which it has access without the need to rely on another party to provide them. Nowhere in the Special Terms and Conditions or the Uniform Guidance records retention requirements is there a prohibition on accessing records from subgrantees to meet the requirements.

OIG cites to one of DEHCR's subgrantees that ceased weatherization services and speculates that because DEHCR did not maintain duplicate records that could result in a situation where DEHCR does not have access to records where a subgrantee "fails to maintain appropriate records or goes out of business." For the subgrantee that ceased weatherization services cited by OIG, DEHCR provided all documentation required by OIG and substantiated all costs claimed. Further, DEHCR posits that requiring DEHCR to maintain all documentation in duplicate does not mitigate the risk that records could become unavailable and costs could be unsubstantiated. This situation could occur at any time where a subgrantee does not maintain adequate documentation, even if DEHCR was required to also maintain all documentation.

To support the finding that DEHCR did not maintain all supporting documentation, OIG cites to the Special Terms and Conditions of the WAP Award Agreement, without any specificity about which of the 48 special terms DEHCR failed to comply. The records retention guidance within the Special Terms and Conditions simply refers to the Uniform Guidance, stating, "Consistent with 2 C.F.R. § 200.334 through 200.338, the Recipient is required to retain records relating to this Award." Since the Uniform Guidance does not distinguish retention of financial records versus other records, OIG's interpretation appears to require DEHCR to maintain the entirety of the subgrantee documentation in duplicate.

The recommendation that DEHCR must implement a policy to maintain all supporting documentation in a location to which it has access without the need of another party to provide the records is also inconsistent with the DOE's

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administration of the records retention requirements of the WAP. The DOE's monitoring of Wisconsin WAP's record retention requirements in 2019 and 2024 identified no issues. Wisconsin is the only state that the OIG selected for audit of their WAP. It is not clear that OIG surveyed other states to understand whether maintenance of certain documentation by subgrantees is a common and long-accepted practice.

While DEHCR interprets the findings of this audit to only apply to its WAP, DEHCR notes that the record retention finding could have far reaching practical consequences beyond the State of Wisconsin, not only related to this Program, but to the applicability of the Uniform Guidance requirements for record retention for other federal grant programs as well. WAP is administered in all 50 states, the District of Columbia, and five territories. This Report signals to all states with WAPs that they too must now maintain all subgrantee records in duplicate, regardless of the burden, including increased time and effort, and technological expenses for document storage. Such burdens may result in delays in payments to subgrantees and contractors, increased administrative costs on subgrantees, and ultimately hinder the delivery of services and the efficiency of the program. Requiring DEHCR to collect and maintain all subawardee documentation is effectively mandating an audit of every dollar that each subgrantee spends. Currently, Wisconsin WAP, consistent with the practice of other states, monitors weatherization invoices through the Annual Administrative Review and Quality Assurances monitoring processes, which the OIG audited for months with no findings, in accordance with 2 C.F.R. § 200.332.

DEHCR is not aware of any other federal program holding grantees to the records retention standard suggested by OIG and believes that OIG's interpretation of the Special Terms and Condition is inconsistent with 2 C.F.R. § 200 and with long standing established practice. Notably, the burden of OIG's new and changed interpretation imposes on the State of Wisconsin, let alone nationally, also could implicate the prohibition on federal agencies requiring a State to expend additional time, effort, or financial resources to generate, maintain, or provide duplicate information to or for a Federal agency as part of record retention requirements per the Paperwork Reduction Act of 1995. With the foregoing discussion in mind, DEHCR will work collaboratively with the DOE to identify an alternative solution with respect to compliance with the Special Terms and Conditions requirements at issue.

With respect to the Report's conclusion that the Wisconsin WAP's failed to identify a potential conflict of interest, Wisconsin agrees with the recommendation. Wisconsin has already implemented the following additional policy requirements: (1) subgrantee conflict of interest policies must include language that ensures the subgrantee will be free from bias resulting from financial conflicts of interest or organizational conflicts of interest; (2) conflict of interest policies at the subgrantee level must include protocols for dealing with contractual agreements between subgrantees, subcontractors, and other contractual agreements; and (3) the subgrantee must certify that it is compliant with all requirements in the agency's conflict of interest policy and shall establish standards that provide a reasonable expectation that the design, conduct, and reporting of projects will be free from bias resulting from financial conflicts of interest or organizational conflicts of interest. All perceived or actual conflicts of interest shall be reported to DEHCR as soon as they are identified.

Based on feedback from OIG throughout the audit, Wisconsin WAP made other improvements to existing processes. DEHCR developed written procedures in March 2025 to improve and enhance the existing complaint procedure. Also in March 2025, DEHCR developed written procedures to document the existing performance evaluation tool process and, for program year 25-26, made additional improvements by shifting the performance evaluation tool to a risk assessment tool allowing for modification of the risk parameters to enhance the overall risk assessment.

Sincerely,

David Pawlisch

David Pawlisch
DEHCR Division Administrator

CC: Mark Staff, Deputy Division Administrator
Jeff Heino, HE+ Bureau Director

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