



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

Examination Report

Travis County Health & Human
Services and Veterans Services –
Weatherization Assistance Program
Funds Provided by the American
Recovery and Reinvestment Act of
2009



OAS-RA-13-18

April 2013



Department of Energy
Washington, DC 20585

April 18, 2013

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

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

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

SUBJECT: INFORMATION: Examination Report on "Travis County Health & Human Services and Veterans Services – 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 Travis County Health & Human Services and Veterans Services (Travis County) Weatherization Assistance Program (Weatherization Program) provided by 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 & Company, CPAs, PLLC (Lani Eko), to express an opinion on Travis County's compliance with Federal and State laws, regulations and program guidelines applicable to the Weatherization Program. Travis County is a sub-recipient of the Department of Energy's (Department) Recovery Act Weatherization Program funding for the State of Texas.

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 Texas received \$327 million in Weatherization Program Recovery Act grant funding, of which \$8.9 million was allocated to Travis County to weatherize approximately 1,060 homes. The State of Texas' Department of Housing and Community Affairs (State) was responsible for administering Weatherization Program grants, including funds provided to Travis County.

OBSERVATIONS AND CONCLUSIONS

Lani Eko expressed the opinion that, except for the weaknesses described in its report, Travis County complied in all material respects with the requirements and guidelines relative to the Weatherization Program for the period of April 1, 2009 through June 30, 2011.

However, the examination found that Travis County had not:

- Ensured that homes it weatherized were eligible for those services. Specifically, Travis County did not have procedures in place to ensure 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.
- Properly supported 33 of 45 client transactions reviewed. Lani Eko found that signatures that denoted authorization and/or approval of weatherization services were missing. Two additional client files were missing key documentation such as invoices or final inspection reports.

The report makes recommendations to Travis County to improve the administration of its Weatherization Program. Travis County provided responses that expressed agreement with the recommendation regarding eligibility and provided planned actions to address the issues identified. Travis County disagreed that the cost documentation did not denote proper approvals, but acknowledged that while the cost documents were not in the file at the time of the audit, the original documents were maintained in the Finance Department available for review. Lani Eko acknowledged receipt of cost documents signed by the appropriate approving officials subsequent to the examination and credited Travis County for this action.

RECOMMENDATION

We recommend the Assistant Secretary for Energy Efficiency and Renewable Energy ensure appropriate action is taken by the State of Texas to improve administration of Recovery Act Weatherization Program funds at Travis County Health & Human Services and Veterans Services.

MANAGEMENT COMMENTS AND AUDITOR RESPONSE

The Department concurred with the recommendation outlined in the report. The Department's Weatherization Assistance Program Project Officer participates in weekly calls with the State of Texas, and receives weekly production reports for all subgrantees. The Department noted the State had enhanced its monitoring review to ensure that subgrantee files contain appropriate documentation. Based on an earlier review performed by the Department, the Project Officer recommended to the State that Travis County develop a corrective action plan and that all reimbursement costs are reviewed. The Project Officer will verify the State's monitoring approach and that all corrective actions were implemented during an on-site visit scheduled for August 2013. The Department's comments are included in their entirety in Attachment 2.

The State concurred with the Travis County recommendations and will continue to work with Travis County to mitigate the risk that Federal funds are expended on ineligible units. Further, the State will review documentation to ensure it is properly approved. The State noted, however, that due to separation of duties, approved documentation is retained in the Finance Office, which

is separate from the Housing Office at Travis County. The State found it troubling that the auditor did not include a visit to the Finance Office to review the documentation. The State's comments are included in their entirety in Attachment 3.

The comments provided by the Department and the State were responsive to the recommendations. Regarding the State's concern about lack of auditor review of available documentation, we noted that although Travis County indicated in its written comments to the draft examination report that the documentation had been available for Lani Eko's review. During the examination, Travis County did not inform Lani Eko that the documentation existed and was maintained separately in the Finance Office.

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 Travis 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 Office of Inspector General 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 August 25, 2011, and the conclusions expressed in the report.

Attachments

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

**EXAMINATION REPORT OF
TRAVIS COUNTY HEALTH &
HUMAN SERVICES AND
VETERANS SERVICES -
WEATHERIZATION
ASSISTANCE PROGRAM
FUNDS PROVIDED BY THE
AMERICAN RECOVERY AND
REINVESTMENT ACT OF 2009**

Lani Eko & Company, CPAs, PLLC

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Independent Accountant's Report

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

We have examined the American Recovery and Reinvestment Act of 2009 (Recovery Act), Weatherization Assistance Program (Weatherization Program) funds awarded by the State of Texas to the Travis County Health & Human Services and Veterans Services (Travis County) for the period April 1, 2009 through June 30, 2011. Travis County is responsible for operating the Weatherization 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 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. In addition, 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, Travis County complied, in all material respects, with the aforementioned requirements and guidelines relative to Weatherization Program funds awarded to Travis County for the period April 1, 2009 through June 30, 2011.

Lani Eko & Company, CPAs, PLLC

August 25, 2011
Alexandria, Virginia

SECTION I. Description of Travis County Health & Human Services and Veterans Services Weatherization Assistance Program

The U.S. Department of Energy awarded \$326,975,732 to the State of Texas to allocate among its network of 44 local governments and nonprofit organizations participating in the Weatherization Assistance Program (Weatherization Program). From this award, \$8,922,699 was allocated to Travis County Health & Human Services and Veterans Services (Travis County) to assist with the costs of weatherizing approximately 1,060 homes. The Texas Department of Housing and Community Affairs (Texas) administers the Weatherization Program.

Travis County collaborates with Texas to operate the Weatherization Program. In accordance with the terms of this agreement, Travis County is responsible for determining applicant eligibility and taking the necessary steps to weatherize the applicant's home. These steps include procurement of contractor 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. 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 June 30, 2011, Travis County reported that it had completed weatherization of 876 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 Travis 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

An advisory comment represents a control deficiency that is not significant enough to adversely affect Travis County's ability to record, process, summarize, and report data reliably. The advisory comment presented represents matter that came to our attention during the course of the review, and is offered to Travis 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. Eligibility for Weatherization Services Under the Recovery Act – Significant Deficiency
2. Weatherization Cost Support and Approval – Advisory Comment

SECTION IV. Schedule of Findings**Finding 1. Eligibility for Weatherization Services Under the Recovery Act – Significant Deficiency****Condition**

Travis County had not ensured that homes it weatherized were eligible for those services. Specifically, Travis County did not have procedures in place to ensure 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. A dwelling unit is considered "designated for acquisition or clearance" if it becomes subject to imminent domain or foreclosure proceedings. The Texas Weatherization Field Guide and the Texas Weatherization Grant Agreement, consistent with the Federal requirements, define an eligible applicant for the Weatherization Program as an applicant whose unit was not designated for acquisition or clearance by a Federal, state, or local program within 12 months from the date of weatherization. Section 5 of the Texas Grant Agreement states, "...Department is not liable for any cost incurred by Sub-recipient which is incurred to weatherize a dwelling unit which is designated for acquisition or clearance by a federal, state, or local program within twelve months from the date weatherization of the dwelling unit is scheduled to be completed."

Cause

Travis County personnel tasked with the administration of the Weatherization Program were not aware of the Federal and state 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.

Effect

There is an increased risk that Travis County may have 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 Travis County:

- 1.1 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.

SECTION IV. Schedule of Findings (Cont.)

Management Response

Travis County concurs with the recommendation, and will include the following in its application procedures effective February 1, 2013:

"The landlord, home owner, or property owner certifies that, to the best of their knowledge, the dwelling unit to be weatherized is not designated for acquisition or clearance by a Federal, State, or local program within 12 months from the date of completion of weatherization of the dwelling unit."

Auditor Response

Management's comments and actions taken are responsive to our finding.

SECTION IV. Schedule of Findings (Cont.)**Finding 2. Weatherization Cost Support and Approval – Advisory Comment****Condition**

In our review of documents supporting weatherization cost transactions, we found numerous instances in which cost approvals were not consistently documented. Supporting documentation is required to demonstrate that the Recovery Act costs are allowable, authorized and approved. In accordance with Federal guidelines, Travis County's weatherization agreement requires Recovery Act supporting documentation be signed and dated by authorized approving officials. We noted, in 33 client files out of the 45 we reviewed, signatures that denoted authorization and/or approval of weatherization services were missing. Two additional client files were missing key documentation such as invoices or final inspection reports.

Cause

Travis County attributed documentation deficiencies to its de-centralized operations, and added that the client files we reviewed may not have contained the final version of procurement documents that reflected all levels of approval. Travis County officials stated the agency's financial system could not process the procurement documents without purchase order number generated by the Finance Division, thus the approval was tacitly obtained.

Subsequent to our identification of deficient cost support, Travis County provided documentation, which contained previously omitted signatures of Housing Services staff and Program Manager, the Finance Manager (or designee) and the County Executive. Additionally, Travis County's Procurement Division requires the Labor Standards Officer (LSO) to certify weatherization invoices for appropriateness, completeness and Davis-Bacon Act compliance prior to submission to the County Auditor for payment processing. The LSO's signature is evidence of the weatherization vendor's compliance with contract requirements.

Effect

As a result of the lack of proper documentation and approvals, the risk that errors and irregularities could occur and not be detected in a timely manner is increased.

Recommendation

We recommend that Travis County:

- 2.1 Review weatherization cost support in detail to ensure that documentation meets the procurement guidelines of the Weatherization Program, and are properly approved by authorized officials.

SECTION IV. Schedule of Findings (Cont.)

Management Response

Travis County did not concur with the finding; however, it acknowledged that the cost support documents were not in the files at the time of the audit. Travis County stated that the Finance Department maintains the final original copy of these documents, which were available for review during the examination. Finally, authorized Travis County officials approved and signed all required procurement documents. Documentation submitted to and received by the independent accountant supports these statements.

Auditor Response

We acknowledge receipt of cost documents signed by the appropriate approving officials subsequent to our examination and have credited Travis County for this action.

SECTION V. Management Response



**TRAVIS COUNTY HEALTH and HUMAN SERVICES
and VETERANS SERVICE**
502 E. Highland Mall Blvd.
P. O. Box 1748
Austin, Texas 78767

Sherri E. Fleming
County Executive for HHS/VS
(512) 854-4100
Fax (512) 279-1608

January 18, 2013

Shona Mollison
Lani Eko & Company, CPAs, PLLC
110 S. Union Street, Suite 301
Alexandria, VA 22314

Ms. Mollison,

Attached is our response to the finding and advisory comment prepared by your firm in regard to an audit of the Travis County Health and Human Services and Veterans Service ARRA grant for the period of April 1, 2009 through June 30, 2011.

Sincerely,

A handwritten signature in cursive script that reads "Sherri E. Fleming".

Sherri E. Fleming
County Executive for Health and Human Services
And Veterans Service

SECTION V. Management Response (Cont.)



Section IV. Schedule of Findings

Finding 1. Eligibility for Weatherization Services Under the Recovery Act- Significant Deficiency

Recommendation:

We recommend that Travis County:

- 1.1 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.

Management Response

Travis County Health and Human Services and Veterans Service Department is in concurrence with the recommendation, and will include the following in its application procedures effective February 1, 2013:

"The landlord, homeowner, or property owner certifies that, to the best of their knowledge, the dwelling unit to be weatherized is not designated for acquisition or clearance by a Federal, State, or local program within 12 months from the date of completion of weatherization of the dwelling unit."

Finding 2. Weatherization Cost Support and Approval – Advisory Comment

Recommendation

We recommend that Travis County

- 2.1 Review weatherization cost support in detail to ensure that documentation meets the procurement guidelines of the Weatherization Program, and are properly approved by authorized officials.

SECTION V. Management Response (Cont.)

Management Response

Travis County Health and Human Services and Veterans Service Department does not concur.


All procurement guidelines of the weatherization program were followed and properly approved by authorized officials. We do acknowledge that the signed hard-copy procurement (ATP's) documents were not in the files at the time of the audit. The final original copies of these documents were maintained by the Finance department and were available for review during the audit. Finally, all required procurement documents were approved and signed by authorized Travis County officials. These statements are supported by documentation that has been submitted to and received by Lani Eko & Company.

DEPARTMENT COMMENTS**Department of Energy**

Washington, DC 20585

March 22, 2013

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
"Travis County Health & Human Services and Veterans Services –
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) March 2013 draft Examination Report for Travis County Health & Human Services and Veterans Services a Subgrantee of the Texas 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 seeks to ensure compliance with Federal regulations through ongoing monitoring and communications with grantees.

The independent auditor expressed the opinion that, except for the weaknesses described in its report, Travis County complied in all material respects with the requirements and guidelines relative to the Weatherization Program for the period April 1, 2009 through June 30, 2011. EERE concurs with the OIG's recommendation and has been working with the State of Texas WAP to ensure that corrective actions are implemented. The following response by EERE addresses the OIG finding as outlined in the draft examination report:

OIG Recommendation 1: Ensure appropriate action is taken by the State of Texas to improve administration of Recovery Act Weatherization Program funds at Travis County Health & Human Services and Veterans Services.

EERE Response: The state of Texas has enhanced their monitoring review to ensure that Subgrantee files contain appropriate documentation of internal controls. It should be noted that the WAP Project Officer (PO) participates in weekly calls with the Grantee and has been



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routinely informed of the progress being made in Travis County and the improvements being implemented by the State Office. The PO also receives weekly production reports for all sub-grantees and uses this tool to monitor production effort and identify problems with particular agencies like Travis County.

In February 2012, an on-site visit to the state WAP office was conducted by the PO to determine whether the required changes and improvements had been implemented by the sub-grantee; Travis County was included in the portfolio of subgrantees reviewed in the field at that time. The PO determined that the progress was incomplete and recommended to the Grantee that Travis County have a Corrective Action Plan developed and that all reimbursement costs be subject to additional review. EERE will verify the Texas' monitoring approach and that all corrective actions were fully implemented during the next on-site visit scheduled for August 2013.

STATE OF TEXAS COMMENTS



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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April 2, 2013

*Writer's direct phone # 512/475-2125
Email: michael.deyoung@tdhca.state.tx.us*

Mr. Jack Rouch
Director Central Audits Division
Office of Inspector General
Department of Energy
Washington, DC 20585

Dear Mr. Rouch:

The Department is responding to your request for review and Comment of the draft report for Travis County Health and Human Services and the administration of the American Recovery and Reinvestment Act (ARRA) Weatherization Assistance Program (WAP) report compiled by Lani Eko & Company, CPAs PLLC.

The Department has reviewed the draft report and submits the following comments:

Finding #1 – Eligibility for Weatherization Services under the Recovery Act - Significant Deficiency

The Department concurs with the recommendation that Travis County include an inquiry at the time of the client's application in an effort to mitigate the risk of federal funds being expended on ineligible dwelling units. The Department will follow up to ensure that the proposed mitigation is in effect at the time of the next monitoring of Travis County.

Finding #2 – Weatherization Cost Support and Approval – Advisory Comment

The Department concurs with the recommendation to review the WAP support documentation to ensure the proper approval is received and documented. The department responsible for the approval and retention of the documentation is separate from the Housing office at Travis County. This separation of duties is considered a "best practice" and supports the internal control structure. If the documents were available for review at the time of the monitoring, it is troublesome that the efforts of the auditor did not include a visit to the Finance Department to review the documents.

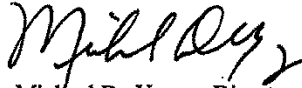


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April 2, 2013
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The Department appreciates the opportunity to respond to the identified issues and appreciates the efforts of DOE and the OIG to improve the implementation of the WAP program in the State of Texas.

If you have additional questions or need clarification please contact me at 512/475-2125.

Respectfully,



Michael De Young, Director
Community Affairs Division

mdy

cc: Sandy Donoho
Brooke Boston

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