



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

Inspection Report

Alleged Misuse of American
Recovery and Reinvestment Act
Grant Funds by the Western Arizona
Council of Governments



INS-RA-12-01

February 2012



Department of Energy
Washington, DC 20585

February 9, 2012

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

FROM:

Sandra D. Bruce
Sandra D. Bruce
Assistant Inspector General
for Inspections
Office of Inspector General

SUBJECT:

INFORMATION: Inspection Report on "Alleged Misuse of American Recovery and Reinvestment Act Grant Funds by the Western Arizona Council of Governments"

BACKGROUND

The Department of Energy's Weatherization Assistance Program received \$5 billion under the American Recovery and Reinvestment Act of 2009 to improve the energy efficiency of homes, multi-family rental units and mobile homes owned or occupied by low income persons. Subsequently in 2009, the Department awarded a 3-year Weatherization Program grant for approximately \$57 million to the State of Arizona. Arizona's Office of Energy administers grant funds through 10 sub-grantees that are responsible for conducting weatherization activities in designated regions throughout the State.

Arizona awarded one sub-grantee, the Western Arizona Council of Governments (WACOG), approximately \$5.9 million of the Department's Recovery Act grant funds to weatherize homes in the western Arizona counties of Yuma, Mohave and La Paz. WACOG is a non-profit governmental association of local Arizona governments that provides a number of community services under various Federally funded programs. In addition to Department funds, WACOG also utilizes grant funds from the Low Income Home Energy Assistance Program (LIHEAP) and grant funds from utility companies in Arizona to support its weatherization efforts.

In response to a complaint alleging a pattern of wasteful spending of weatherization funds and mismanagement of the Weatherization Program at WACOG, the Office of Inspector General initiated this inspection. The inspection objective was to determine whether Weatherization Program funds were used and administered for intended purposes and whether WACOG complied with relevant Federal and State regulations and program guidelines.

CONCLUSIONS AND OBSERVATIONS

We were unable to substantiate the allegations that WACOG engaged in a pattern of wasteful spending or that it mismanaged the Weatherization Program. We did, however, observe several issues related to procurement of goods and services and the accuracy of Recovery Act reporting that should be addressed. Specifically, we observed that:

- WACOG expended approximately \$133,000 for building improvements, office furnishings, software upgrades and a telephone system without obtaining required approvals from Arizona;

- Contrary to Federal procurement policy, WACOG's purchase records did not always contain documentation showing evidence that a cost or price analysis was performed to determine if the best value was obtained. Also, WACOG's purchase policy of requiring price quotes based on a cost per unit threshold rather than an aggregate cost of the total purchase was not consistent with Arizona and Federal procurement policy;
- Neither WACOG nor Arizona accurately reported completed housing units. WACOG reported 525 completed housing units, even though 40 (7.6 percent) were termed "walkaways" where only initial energy audits were conducted with no weatherization work actually performed. At the State level, Arizona reported 4,365 completed housing units, but 242 (5.5 percent) had only received the initial energy audit; and,
- WACOG had not always provided Arizona with accurate information regarding work performed on completed weatherized houses. Our review of a sample of 50 completed housing units revealed that 60 percent of WACOG's entries into the State's Weatherization Program database were inaccurate with regard to the actual work performed on the homes or the costs allocated to various funding sources.

These weaknesses occurred, in part, because of a lack of understanding and execution of Federal grant requirements, Department Weatherization Program policy and Arizona Weatherization Program requirements. Weaknesses in WACOG's management of the procurement of goods and services could result in the misuse of Weatherization Program funds and increase the risk of fraud, waste and abuse in the areas of capital expenditures and the purchasing of goods and services. In addition, weaknesses in the reporting of completed housing units and actual work performed could misrepresent the effectiveness of the Weatherization Program and hinder Arizona's ability to properly oversee WACOG's use of Recovery Act funds. As detailed in the remainder of our report, improvements in these areas should serve to strengthen management of WACOG's Weatherization Program.

Prior Approval for Capital Expenditures

During our testing of a sample of 76 of WACOG's purchases of goods and services, we found that WACOG did not always obtain prior approval from Arizona for direct cost capital expenditures over \$5,000 as required. Specifically, Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, requires organizations that receive Federal grant funds to obtain prior approval from the awarding agency for direct cost capital expenditures over \$5,000. Capital expenditures include purchases of capital assets such as buildings, equipment, land, office equipment and furnishings, information technology equipment, telephone systems or any improvements that materially increase the value or useful life of the assets.

In spite of these requirements, we determined, however, that WACOG made approximately \$133,000 in capital expenditures for building improvements, office furnishings, software upgrades and a telephone system without seeking required approvals. WACOG officials told us they did not realize prior approval was necessary for purchases made during the Weatherization Program grant "ramp up" period as funds awarded during this period were to be used specifically in preparation for the anticipated 10 fold increase in weatherization projects. We noted that the

purchases were made early in the grant period and appeared to be directly or indirectly in support of the Weatherization Program. However, we concluded that an independent review and approval is important to ensure that major capital expenditures are reasonable and remain within the scope of the Weatherization Program.

Purchasing of Goods and Services

Our testing of the 76 purchases of goods and services revealed weaknesses in WACOG's procurement policies and practices that included inconsistencies regarding documentation or information needed to provide an auditable record of the purchases. Additionally, we identified problems concerning justification for the method of the purchases, evidence of a comparison of price quotations, market prices or any determination of cost or price reasonableness, allocability or allowability.

Leased Office Space

During our review, we noted that WACOG's accounting ledgers showed a payment of \$104,470 in December 2009 to a landlord in Kingman, Arizona, but the payment was not supported by appropriate documentation. The initial documents provided by WACOG to support this payment included a 5-year lease agreement between WACOG and the landlord showing that the \$104,470 payment was for renovation of office space in Kingman. However, there was no contractual agreement or invoice detailing the exact purpose of this payment. WACOG officials told us they had an office in Kingman, but needed additional office space there to accommodate the increased Weatherization Program activities and the addition of eight weatherization personnel in the Kingman area. WACOG officials confirmed that the payment of \$104,470 was for improvements to the new office space which adjoined an existing WACOG office.

Upon further review, we learned that WACOG officials provided the landlord with a list of needed improvements to the adjoining office space that would meet their expansion needs, and that the landlord hired a contractor to complete the improvements. We also learned that WACOG and the landlord signed a 5-year lease agreement for \$2,040 per month for the additional space. WACOG officials said that the monthly rental cost on the property would have been \$4,400 per month if the landlord had paid for the improvements. WACOG officials told us that they believed that the savings in the monthly rental cost justified the \$104,470 payment to the landlord. However, WACOG officials also said that other than the lease agreement, there was no formal written contract between WACOG and the landlord with regard to the \$104,470. We determined that, although the amount paid to the landlord exceeded the Federal small purchase threshold of \$100,000 at the time and WACOG's own purchase threshold of \$10,000, no bids were solicited as required by WACOG's internal policy and applicable Federal procurement regulations.

In addition, WACOG officials told us that they had conducted a review of the fair market price for the new office space. However, WACOG could not provide documentation demonstrating that the rental agreement was actually representative of a fair market value with respect to comparable property and market conditions as outlined in OMB A-87. We were also told by a WACOG official that the additional office space in Kingman was entirely for purposes of the Recovery Act Weatherization Program expansion. However, the 5-year lease agreement for the

Kingman office exceeds the remainder of the Recovery Act Weatherization Program funding period by over two years. Because Weatherization Program funds were used to pay for the office space improvements and the lease, it is our opinion that a thorough and well-documented fair market assessment based on the period of Recovery Act Weatherization Program funding should have been performed.

WACOG's Purchase Threshold Policy and Lack of Purchase Records

Our testing revealed that WACOG's purchase policy of requiring price quotes based on a cost per item threshold rather than an aggregate cost of the total purchase was not consistent with Arizona and Federal procurement policy. In most cases, Federal and State procurement purchase thresholds are defined using the aggregate cost of a total purchase rather than the individual item cost of the purchase. However, WACOG's purchasing policy requires obtaining three verbal price quotes for purchases where the cost per item exceeds \$500; three written price quotes for purchases where the cost per item exceeds \$1,000; or the solicitation of bids for purchases where the cost per item exceeds \$10,000. When we presented WACOG officials with examples of aggregate purchases over \$500 and asked why price quotes were not obtained, we were told that price quotes were not necessary since the costs per unit were below the cost threshold. We determined that this practice does not ensure consistent best value procurement of goods and services because under WACOG's current policy, a single purchase of multiple items could cost thousands of dollars with no requirement for obtaining price quotes or conducting competitive bidding.

Additionally, during our review we found purchase records that did not provide auditable evidence that any form of a cost or price analysis was performed. We noted that OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, requires that some form of cost or price analysis be made and documented in the procurement files in connection with "every" procurement action. OMB A-110 defines cost analysis as the review and evaluation of each element of cost to determine reasonableness, allocability and allowability. The Circular also identifies price analysis as an assessment that may be accomplished in various ways, including the comparison of price quotations, market prices or similar methods. However, not all purchase records provided evidence of a comparison of price quotations or market prices, or any determination of cost or price reasonableness, allocability or allowability. The lack of consistency in conducting cost or price analysis undermines the concept of cost or price reasonableness, and leaves the program without assurance that purchased items were acquired at a fair and reasonable price.

Inaccurate Reporting of Information on Completed Housing Units

We found that WACOG and Arizona were not accurately reporting the number of completed housing units according to Department policy. Specifically, Department Weatherization Program guidelines, contained in *Program Notices: 09-1, 10-1, and 11-1* define completed units as units with both an energy audit and weatherization work being completed. The *Program Notices* underscore the fact that reporting of accurate information is important and meeting performance goals is paramount to the program. Arizona requires all of its sub-grantees to enter

completed weatherized home information into the State's web-based Weatherization Program database. The sub-grantees are required to enter information about the home and its occupants as well as the initial energy audit information, the work performed on the home and the results of the final inspection.

We reviewed 525 completed housing units that WACOG had entered into the State's Weatherization Program database between January 2010 and April 2011, and determined that 40, or 7.6 percent, were termed "walkaways," which were defined as housing units where only initial energy audits were conducted with no weatherization work performed. We learned from Arizona and WACOG officials that an energy audit may determine that a home does not qualify for weatherization or the condition of the home is such that work cannot be performed on the home. Thus, the home is termed a "walkaway" with no further work performed. We determined that both Arizona and WACOG counted these houses as completed weatherized units and that this practice was occurring throughout Arizona. An Arizona official told us that from March 2009 to March 2011, the State had reported 4,365 completed housing units to the Department of which 242 or about 5.5 percent were "walkaways."

During the course of our inspection, we notified Department officials about the reporting errors. A Department weatherization official stated that at no time should a home where no weatherization work took place be reported as completed. The official also said that when the "walkaway" occurs, the home is no longer eligible to receive services, regardless of whether the condition that caused the deferral is remedied. To the Department's credit, it took immediate action by instructing Arizona to resubmit corrected, completed housing unit totals for all applicable years.

Inaccurate Information on Actual Work Performed

WACOG was not always providing Arizona with accurate information regarding work performed on completed weatherized homes. We tested WACOG's supporting source documents for a sample of 50 completed housing units and compared that information to the "work performed" information entered into the State's Weatherization Program database. We determined that about 60 percent of WACOG's entries into the State's Weatherization Program database were inaccurate regarding actual work performed on the homes or the costs allocated to the various funding sources such as LIHEAP or utility funds.

Specifically, we determined that WACOG's source documents accurately reflected the actual work performed, including any change orders and allocations of the funding sources. However, we found errors in the State's Weatherization Program database. These errors were the result of changes made by WACOG to the original scope of work or changes made in the allocation of funds that were reflected in WACOG's source documents but not updated in the State's Weatherization Program database after the work was completed. Common changes we noted involved upgrading to larger capacity heating and cooling units, replacing air ducts instead of sealing the air ducts, or health and safety related upgrades or repairs. In addition, these changes often added cost to the projects which necessitated adjusting the amounts charged to the various funding sources. An Arizona official told us that it is the responsibility of the sub-grantees to ensure these changes or updates are entered into the State's Weatherization Program database.

Although both Arizona and WACOG officials pointed out that the State's Weatherization Program database is not used for financial accounting purposes, we determined that the accuracy of the information in the database is important to Arizona's Weatherization Program and Arizona's agreement with the Department. For example, we learned that Arizona weatherization personnel use the database to fulfill their agreement with the Department to conduct a 100 percent desktop review of completed weatherized housing units. In addition, Arizona inspection personnel use the database to review completed housing unit data and to make selections for the Department mandated 5 percent on-site inspections of completed housing units. These reviews and inspections are designed to help ensure that Weatherization Program funds are appropriately used; and, to its credit, Arizona has conducted on-site inspections of about 17 percent of WACOG's completed housing units. However, because of errors in the database, Arizona's desktop reviews and on-site inspections could be negatively impacted. Problems with the quality of work, undocumented change orders and cost reallocation could also go undetected.

Impact of WACOG's Weatherization Program Weaknesses

Weaknesses in WACOG's management of the procurement of goods and services could result in the misuse of Weatherization Program funds and increase the risk of fraud, waste and abuse in the areas of capital expenditures and the purchasing of goods and services. In addition, weaknesses in WACOG's and Arizona's reporting of completed housing units and actual work performed could misrepresent the effectiveness of the Weatherization Program and hinder Arizona's ability to properly oversee WACOG's use of Recovery Act funds for the weatherization of homes in western Arizona. Accordingly, we have made recommendations that should help to ensure that the reporting of completed housing units and actual work performed is done in accordance with Weatherization Program guidelines, and that capital expenditures and the purchase of goods and services are made in a manner consistent with Federal and State policies and regulations.

RECOMMENDATIONS

To address the weaknesses we identified during our inspection, we recommend that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy:

1. Ensure WACOG adheres to Federal guidelines pertaining to capital expenditures;
2. Evaluate WACOG's procurement policies and practices with respect to competitive pricing and cost/price analysis, and take appropriate action to ensure these policies and procedures are consistent with Federal and State procurement regulations;
3. Evaluate WACOG's Recovery Act expenditures at the Kingman, Arizona, office with regard to lease improvements and fair market value of the lease agreement, and take action to recover funds if appropriate;
4. Ensure Arizona and its sub-grantees are reporting accurate data on completed housing units and accurate information on work performed on completed housing units in accordance with Weatherization Program guidelines; and,

5. Determine if inaccurate reporting of completed housing data is a more widespread problem throughout the Department complex, and initiate corrective action as necessary.

MANAGEMENT AND INSPECTOR COMMENTS

Management agreed with the findings and recommendations and is working with Arizona and WACOG to ensure plans are implemented that address our recommendations. Management is also reviewing the accuracy of completed housing unit data with their grantees to ensure that no other state or local agency is misinterpreting policy when reporting completed housing units to the Department.

Management comments and corrective actions planned and/or taken are responsive to our recommendations. Management comments are included in their entirety in Attachment 3.

Attachments

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

OBJECTIVE, SCOPE AND METHODOLOGY

OBJECTIVE

We initiated this inspection to determine whether Weatherization Assistance Program (Weatherization Program) funds were used and administered for intended purposes and whether the Western Arizona Council of Governments (WACOG) complied with relevant Federal and State regulations and program guidelines.

SCOPE

This inspection was performed between February 2011 and February 2012, and included visits to the Arizona State Energy Office in Phoenix, Arizona, and to the WACOG main office in Yuma, Arizona. We also visited completed weatherized home sites in Yuma, Arizona.

METHODOLOGY

To accomplish the inspection objective, we reviewed and analyzed:

- Applicable Federal and State laws, regulations and guidance pertaining to the Weatherization Program under the American Recovery and Reinvestment Act of 2009 and the State of Arizona (Arizona) Weatherization Program and plan;
- Arizona's grant agreement with the Department of Energy, Arizona's Weatherization Program database, and WACOG's sub-grantee agreement with Arizona;
- WACOG's: (a) request for reimbursement reports sent to Arizona; (b) general accounting ledgers corresponding to requests for reimbursements; (c) line item ledgers corresponding to goods and services purchases and weatherization activities; and, (d) purchase records and payments to subcontractors;
- WACOG's Weatherization Program and procurement policies and procedures; and,
- Pertinent information obtained during interviews with Arizona and WACOG officials.

This inspection was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation*, January 2011. Those standards require that we plan and perform the inspection to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions and observations based on our inspection objective. We believe the evidence obtained provides a reasonable basis for our conclusions and observations based on our inspection objective. The inspection included tests of controls and compliance with laws and regulations to the extent necessary to satisfy the inspection objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. Finally, we relied on computer processed data, to some extent, to satisfy our objective. We confirmed the validity of such data, when appropriate, by reviewing source documents and performing physical observations.

The Exit Conference was held on February 2, 2012.

PRIOR REPORTS

Under the American Recovery and Reinvestment Act of 2009, the Office of Inspector General has initiated a series of audits designed to evaluate the Department of Energy's Weatherization Assistance Program's internal control structure at the Federal, state, and local levels. Although not found in every state, these audits have identified issues in areas such as poor quality of weatherization services, inspections and re-inspections, inadequate inventory controls, and questioned costs resulting from the ineffective administration of weatherization grants. Our series of audit reports include the following:

- Audit Report on *The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Tennessee* ([OAS-RA-11-17](#), September 19, 2011).
- Audit Report on *The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act in the State of Indiana* ([OAS- RA-11-13](#), August 26, 2011).
- Audit Report on *The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the Commonwealth of Virginia* ([OAS- RA-11-14](#), August 25, 2011).
- Audit Report on *The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Missouri* ([OAS- RA-11-12](#), August 25, 2011).
- Audit Report on *The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of West Virginia* ([OAS- RA-11-09](#), June 13, 2011).
- Audit Report on *The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Wisconsin* ([OAS-RA-11-07](#), June 6, 2011).
- Audit Report on *The Department of Energy's Weatherization Assistance Program under the American Recover and Reinvestment Act for the Capital Area Community Action Agency – Agreed Upon Procedures* ([OAS-RA-11-04](#), February 1, 2011).
- Audit Report on *The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the City of Phoenix – Agreed Upon Procedures* ([OAS-RA-11-03](#), November 3, 2010).
- Audit Report on *Selected Aspects of the Commonwealth of Pennsylvania's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program* ([OAS-RA-11-02](#), November 2, 2010).

- Audit Report on *The State of Illinois Weatherization Assistance Program* ([OAS-RA-11-01](#), October 14, 2010).
- Audit Report on *The Department of Energy's Use of the Weatherization Assistance Program Formula for Allocating Funds under the American Recovery and Reinvestment Act* ([OAS-RA-10-13](#), June 11, 2010).
- Preliminary Audit Report on *Management Controls over the Commonwealth of Virginia's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program* ([OAS-RA-10-11](#), May 26, 2010).

MANAGEMENT COMMENTS



Department of Energy

Washington, DC 20585

JAN 27 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 Inspection Audit
 Report on "The Alleged Misuse of American Recovery and
 Reinvestment Act Grant Funds by the Western Arizona Council of
 Governments"

This is in response to the Office of the Inspector General's request for comment on the above draft. The OIG makes five recommendations for the Department of Energy's (DOE) oversight of the Arizona Governor's Office of Energy Policy (OEP) Weatherization Assistance Program (WAP). We concur with OIG's recommendations and are working with the Arizona OEP to ensure they implement plans that address these recommendations, as follows:

OIG Recommendation 1: Ensure Western Arizona Council of Governments (WACOG) adheres to Federal guidelines pertaining to capital expenditures.

DOE Response: We agree that WACOG did not follow written procurement policies. The former State Program Manager gave verbal approval to expand their operations in Kingman and thus WACOG assumed that they had received approval to move forward. This assumption is incorrect as Arizona requires written approval. Arizona is now working with the subgrantee to obtain post approval for the incurred costs. WACOG started and completed this tenant improvement at the beginning of ARRA when only administrative costs were allowable for ramp-up. We agree with the assessment in the report that office space in Kingman with a 5-year lease should have been appropriately adjusted to pay for just the Recovery Act time period of three years and that in order to adhere to Federal and State procurement policies and procedures, the lease should appropriately coincide with the term of the Recovery Act grant. We will work with the State of Arizona and WACOG to ensure that any misused funds are recovered and that WACOG adheres to State and Federal guidelines and controls pertaining to capital expenditures.



OIG Recommendation 2: Ensure WACOG procurement policies, with respect to competitive pricing and cost/price analysis, are consistent with Federal and State procurement regulations.

DOE Response: We agree with the finding regarding aggregate purchases at WACOG. The purchase policy requiring price quotes based on a cost per item threshold rather than an aggregate cost of the total purchase did not align with the State and Federal procurement controls. WACOG has been informed of the aggregate purchase policy in the State of Arizona and is currently performing procurement with the proper aggregate cost controls. We are working with the State of Arizona and WACOG to ensure that State and Federal procurement policies are followed regarding aggregate purchases such that they ensure consistent best value procurement of goods and services.

OIG Recommendation 3: Evaluate WACOG's Recovery Act expenditures at the Kingman, Arizona office, with regard to lease agreements and fair market value of the lease agreement, and to take action to recover funds if appropriate.

DOE Response: We agree that WACOG failed in fairly evaluating lease agreements with regard to fair market value and appropriate time frame of the lease. We also agree that the lack of documentation for the solicitation bid process indicates that WACOG failed to honor its own internal policies as well as State and Federal policies for procurement. The State is well aware of these infractions and has worked quickly to rectify the situation regarding the lease agreement in Kingman, Arizona. We are currently working with the State of Arizona to ensure that these State and Federal controls are in place. Additionally, we will work with the State of Arizona and WACOG to evaluate these expenditures and recover funds if appropriate.

OIG Recommendation 4: Ensure that Arizona and its subgrantees are reporting accurate data on completed housing units and accurate information on work performed on completed housing units in accordance with Weatherization Program guidelines.

DOE Response: We agree that WACOG failed to update the State Weatherization database to reflect actual prices from change orders with upgraded heating and cooling systems or duct replacement rather than duct sealing. The State is working with WACOG to ensure they understand the responsibilities and requirements of updated and accurate information maintained in the Arizona State Weatherization database. The database is a management and monitoring tool that must be used appropriately and accurately to ensure program controls and policies are in place. We will continue to work with the State of Arizona to ensure the database and reporting controls are maintained.

OIG Recommendation 5: Determine if the accurate reporting of completed housing data is a more widespread problem throughout the Department complex, and initiate corrective actions if necessary.

DOE Response: We agree that it is important to ensure the accurate reporting of completed housing data is not a more widespread problem. With respect to the finding in Arizona, the State of Arizona has already acted on this recommendation as this major infraction was discovered as a State-wide error in the database in June 2011. According to the State of Arizona OEP, by July 2011, all units dating back to 2004 have been properly counted in the Arizona weatherization database as completed or deferred and the error has been completely rectified. We will continue to work with the State of Arizona and WACOG to ensure the State-wide error does not occur again and that database and reporting controls are in place and working effectively.

As for this issue being pervasive within the DOE WAP operations, the reporting of completions when only partial work is completed (energy audit only) is against all policies and practices of the WAP. Our Project Officers sample production files and reporting data during their routine monitoring. This problem occurred in Arizona because of a mistaken interpretation of the policy by new staff at the state and local levels. The WAP believes this to be an anomaly in the reporting process and not pervasive within the WAP network.

However, within the next 30 days, Project Officers will be asked to review this issue with their grantees to ensure that no other state or local agency is using this misinterpretation of policy when in reporting completions to DOE. If discovered, Project Officers will request an immediate reconciliation of all units reporting to eliminate any partial work being submitted as completed by a grantee or subgrantee.

DOE thanks the OIG for its recommendations.

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