



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

Examination Report

Community Action Partnership of
Orange County – Weatherization
Assistance Program Funds Provided
by the American Recovery and
Reinvestment Act of 2009



OAS-RA-13-03

October 2012



Department of Energy
Washington, DC 20585

October 17, 2012

**MEMORANDUM FOR THE ASSISTANT SECRETARY, 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 Audit Services
Office of Inspector General

SUBJECT: INFORMATION: Examination Report on "Community Action
Partnership of Orange County – 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 Community Action Partnership of Orange County's (Agency) implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act) Weatherization Assistance Program (Weatherization Program). The Office of Inspector General (OIG) contracted with an independent certified public accounting firm, Lopez and Company, LLP, to express an opinion on the Agency's compliance with Federal and State laws, regulations and program guidelines applicable to the Weatherization Program. The Agency was a sub-recipient of the Department of Energy's (Department) Recovery Act Weatherization Program funding for the State of California.

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 California received \$186 million in Recovery Act Weatherization Program funding, of which \$7.3 million was allocated to the Agency to weatherize 2,342 homes. The State of California Department of Community Services and Development was responsible for administering Weatherization Program grants, including funds provided to the Agency.

OBSERVATIONS AND CONCLUSIONS

Lopez and Company, LLP, expressed the opinion that except for the weaknesses described in its report, the Agency complied in all material respects with the requirements and guidelines relative to the Weatherization Program for the period of July 1, 2009 through June 30, 2011.

However, the examination found that the Agency:

- Failed to evaluate the quality of work performed on 7 of 60 homes (12 percent) reviewed. Federal guidelines state that no dwelling can be reported as complete until all weatherization materials have been installed and a final inspection has been performed. However, the Agency and its contractors were paid \$24,900 for the work performed on these seven homes even though the quality and completeness of work was not verified and approved;
- Required re-work on a significant percentage of homes weatherized by its contractors prior to completion. Specifically, 12 of 35 homes (34 percent) reviewed had final inspections that identified necessary re-work. Additionally, the same contractor performed work on 18 of the 35 homes reviewed and of those, 9 (50 percent) required re-work; and,
- Procured weatherization materials and contractor services without evidence that a cost or price analysis was performed. As a result, Lopez and Company, LLP, questioned \$190,000 in costs associated with the procurements identified in its review.

The report makes recommendations for the Agency to improve the administration of its Weatherization Program. The Agency provided comments that expressed agreement with the recommendations and provided planned and ongoing actions to address the issues identified. While these comments and planned corrective actions are responsive to the recommendations, the Department needs to ensure the planned actions are taken.

RECOMMENDATIONS

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

1. Require the State of California to improve administration of the Weatherization Program funds by ensuring the Agency implements the recommendations outlined in the report;
2. Direct the State of California to determine whether the Agency was reimbursed for other homes not subject to a final inspection, and take appropriate action; and,
3. Determine whether program guidance should be revised to address situations where agencies are unable to perform final inspections.

We also recommend the Contracting Officer for the State of California Weatherization Assistance Grant:

4. Resolve identified questioned costs.

MANAGEMENT COMMENTS AND AUDITOR RESPONSE

The Department concurred with the recommendations outlined in this memorandum. The Department stated that it would work with the State to ensure the Agency implemented the examination report's recommendations, to determine whether the Agency made reimbursements on other homes not subject to final inspection, and to resolve questioned costs. Additionally, the Department stated it would review current program policy to determine whether revised guidance was necessary to address situations where sub-grantees were unable to perform final inspections. The Department's comments are included in their entirety in Attachment 2.

The State of California concurred with recommendations to the Agency made by Lopez and Company, LLP, in the examination report and stated that it would ensure corrective actions were completed timely. 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.

EXAMINATION-LEVEL ATTESTATION

Lopez and Company, LLP, 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 the Agency'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 conducted to test the appropriateness of payments.

The OIG monitored the progress of the examination and reviewed the report and related documentation. Our review disclosed no instances where Lopez and Company, LLP, did not comply, in all material respects, with the attestation requirements. Lopez and Company, LLP, is responsible for the attached report dated April 30, 2012, and the conclusions expressed in the report.

Attachment

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



EXAMINATION REPORT ON COMPLIANCE
OF
Recovery Act Weatherization Assistance Program
Community Action Partnership of Orange County

PERFORMED FOR
U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL

Prepared by
Lopez and Company, LLP
Report Date: April 30, 2012

CONTRACT NUMBER: DE-IG0000017

WORK ORDER NUMBER: 2011-01

Table of Contents

INDEPENDENT ACCOUNTANT'S REPORT..... 1

**Section I Description of the Community Action Partnership of Orange County
Weatherization Assistance Program** 2

Section II Classification of Findings..... 3

Section III Summary of Findings 4

Section IV Schedule of Findings 5

Section V Complete Management Response 10



INDEPENDENT ACCOUNTANT'S REPORT

To the Inspector General,
Department of Energy:

We have examined the Community Action Partnership of Orange County's (Agency) compliance with Federal and State laws, regulations, and program guidelines applicable to the Recovery Act Weatherization Assistance Program (Weatherization Program) for the period of July 1, 2009 through June 30, 2011. The Agency is responsible for operating the Weatherization Program in compliance with these 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. Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

Because of inherent limitations in any internal control structure or financial management system, noncompliance due to error or fraud may occur and not be detected. Also, projections of any evaluation of compliance to future periods are subject to the risk that the internal control structure or financial management system may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate.

In our opinion, except for the weaknesses described in Section IV of this report, the Agency complied in all material respects, with the aforementioned requirements and guidelines relative to the Weatherization Program for the period of our review from July 1, 2009 through June 30, 2011.

Lopez and Company, LLP

Lopez and Company, LLP
Chino Hills, California
April 30, 2012

**Section I Description of the Community Action Partnership of
Orange County Weatherization Assistance Program**

The Community Action Partnership of Orange County (Agency) is a non-profit Community Action Agency committed to eliminating poverty and promoting self-sufficiency by providing various programs and services for individuals and families in Orange County within the State of California. The Agency receives its grant support primarily from the State of California Department of Community Services and Development (State) for the purpose of participating in the Weatherization Assistance Program (Weatherization Program) with funds appropriated under the authority of the American Recovery and Reinvestment Act of 2009 (Recovery Act).

Under the Recovery Act, the State of California received a grant of approximately \$186 million from the U.S. Department of Energy (Department) for the Weatherization Program. The State initially allocated about \$6.1 million of its grant to the Agency to weatherize 2,221 homes. These funds were to be expended over a 3-year period ending March 31, 2012. In June 2011, the State increased the amount of the Agency's allocation to \$7.3 million to weatherize 2,342 homes. Under the Weatherization Program, low-income homeowners and renters received assistance to increase the energy efficiency of their homes by sealing duct systems and by installing insulation, cooling and heating systems, and energy efficient windows and doors.

Section II Classification of Findings

Material Weakness

For purposes of this engagement, a material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the subject matter will not be prevented or detected.

Significant Deficiency

For purposes of this engagement, a significant deficiency is a deficiency in internal control, or combination of deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria or framework, such that there is more than a remote likelihood that a misstatement of the subject matter that is more than inconsequential will not be prevented or detected.

Advisory Comment

For purposes of this engagement, an advisory comment represents a control deficiency that is not significant enough to adversely affect the Agency's ability to record, process, summarize, and report data reliably.

Section III Summary of Findings

Area/Finding

Material Weaknesses

Home Inspections - Questioned Costs

IV.1 Failure to Perform Final Inspections

Quality of Work

IV.2 Deficiencies in Quality of Work

Procurement - Questioned Costs

IV.3 Lack of Procurement Analysis and Documentation

Section IV Schedule of Findings

HOME INSPECTIONS - QUESTIONED COSTS

IV.1 Failure to Perform Final Inspections (Material Weakness)

Condition

Final inspections were not performed on 7 of the 60 homes (12 percent) in our review of client files and cash reimbursements. Weatherization inspections are to be conducted to assess the quality and completeness of weatherization services and compliance with Federal and State guidelines. Federal guidelines state that no dwelling can be reported as complete until all weatherization materials have been installed and a final inspection has been performed. However, the Agency and its contractors were paid \$24,900 for the work performed on these seven homes even though the quality and completeness of work was not verified and approved.

The Agency's stated but undocumented policy was to conduct up to four follow-up phone calls in an attempt to schedule the home inspection. For the seven homes not inspected, the Agency had documented all unsuccessful contacts in the "Client Call Tracking Sheet." For each, after the last call attempt was made, no further action was taken to conduct the inspection, and the project was considered complete.

In addition, the Agency could not provide a complete list of all homes that did not receive a final inspection beyond the seven we identified in our review. As a result, we were unable to determine the amount of Recovery Act funds spent on weatherization work that was not inspected for quality and completeness.

Cause

The Agency lacked documented policies or procedures regarding its follow-up efforts to perform final inspections. While attempts to schedule the final inspections were recorded on a project-by-project basis, there was no further effort to contact the occupant, such as by mail or in person, or to aggregate the unsuccessful attempts in order to calculate the percentage of all homes not inspected. Further, the Department did not provide guidance regarding actions to take if a final inspection could not be performed.

Effect

The lack of additional follow-up efforts resulted in a high rate of final inspections not being performed. As a result, there is a risk that weatherization work may be incomplete or poor workmanship may have occurred. We therefore question \$24,900 in costs reimbursed for the weatherization of the seven homes.

Recommendation

We recommend the Agency:

Section IV Schedule of Findings (Cont.)

- 1.1 Establish a comprehensive process providing for final inspections on all homes. This would include documented and standardized follow-up efforts and communication;
- 1.2 Request reimbursement for weatherization costs only when final inspections are completed;
- 1.3 Seek guidance from the State and/or Department regarding actions to take when final inspections cannot be performed; and,
- 1.4 Determine homes not final inspected and take corrective action.

Management Response

Management agreed with the finding and recommendations. The Agency indicated that it followed a procedure from the State's weatherization contract when attempting to schedule post inspections. This procedure required that a minimum of two attempts to contact the homeowner in writing or one missed appointment would constitute a reasonable effort to schedule the inspection by the Agency. However, as indicated above, we did not see evidence that the Agency followed this procedure.

In addition, the Agency is working with the State to ensure contract and program compliance and will revisit all previously weatherized units that have not had final inspections or for which documentation is missing.

Section IV Schedule of Findings (Cont.)

QUALITY OF WORK

IV.2 Deficiencies in Quality of Work (Material Weakness)

Condition

As noted previously (Finding IV.1), in some cases the Agency did not evaluate the quality of weatherization work performed. However, even when final inspections did occur, Agency inspectors often found that homes weatherized by the Agency's contractors required rework. For example, we found that 12 of 35 homes (34 percent) included in our review of weatherization work had final inspections that identified the need for follow-up work. Specifically, we reviewed 30 weatherization client files and found that in 11 cases, the final inspection had identified the need for follow-up work. We also accompanied Agency inspectors on five final home inspections that resulted in one home requiring re-work. Re-work issues identified in files included sealing ductwork; adding attic and basement insulation; and wrapping of pipes for water heaters. Federal and State regulations require agencies to ensure the quality of weatherization work performed.

We found that the majority of follow-up work was attributable to one contractor. Specifically, the same contractor performed work on 18 of the 35 homes reviewed and of those, 9, or 50 percent required re-work.

Cause

The Agency did not have a tracking mechanism to compile re-work statistics or analyze contractor and Agency inspector performance to ensure accountability and that quality of work issues were identified in a timely manner.

Effect

Substandard work can pose health and safety risks to occupants, hinder production, and increase costs. If the Agency does not take timely action to remedy poor crew and contractor performance or identify recurring quality of work issues, quality of work will not improve and the agency will continue to consume resources that could otherwise be devoted to the weatherization of additional homes.

Recommendations

We recommend the Agency:

- 2.1 Re-examine its current process for monitoring and tracking weatherization project progress; including trends in crew and contractor performance, the level of additional work needed, and the number of inspections required for each weatherized home; and,
- 2.2 Perform an assessment of the quality of work performed by the contractor and determine if the contractor is performing at an acceptable level. If appropriate, a course of corrective action should be developed, implemented and monitored if the contractor is to continue providing services to the Agency.

Management Response

Management agreed with the finding and recommendations. The Agency will review and revise procedures, where appropriate, related to work quality for contractor performance and standards for employee performance.

Section IV Schedule of Findings (Cont.)

PROCUREMENT - QUESTIONED COSTS

IV.3 Lack of Procurement Analysis and Documentation (Material Weakness)

Condition

The Agency, in certain circumstances, did not comply with Federal procurement regulations. According to Federal regulations, some form of cost or price analysis shall be performed and documented in connection with every procurement action to ensure weatherization costs are reasonable and supportable. We found that for 16 of the 17 invoices in our sample, the Agency could not provide evidence that a cost or price analysis was performed. The 16 invoices consisted of 14 materials and 2 service procurements totaling more than \$190,000. All items and services purchased on the invoices reviewed cost less than \$5,000 each.

Cause

The Agency was not aware of the Federal requirement to document a supportable cost or price analysis for weatherization procurements less than \$5,000.

Effect

The lack of competitive bidding or a cost or price analysis to support these procurements did not ensure that weatherization materials and services costs were reasonable. We therefore question \$179,000 charged for the 14 materials procurements, and approximately \$11,000 for the two service procurements charged to the Weatherization Program.

Recommendation

We recommend the Agency:

- 3.1 Revise its policies and implement procedures to provide for cost or price analyses as required by Federal regulations to ensure that materials and service costs are reasonable and supportable.

Management Response

Management agreed with the finding and recommendation. The Agency is consulting with the State to ensure contract and program compliance. The Agency will also implement draft written procurement procedures to include formal documentation of price analyses of all agency purchases. In addition, the Agency plans to review and provide support documentation for questioned invoices in order to demonstrate that the costs were reasonable and competitive.

In addition, the Agency clarified that it was aware of the requirement to perform documented competitive bids on equipment costing in excess of \$5,000; however, it was not aware of a similar requirement for weatherization procurements under \$5,000. As a result, we revised the finding accordingly.

Section V Complete Management Response



Helping People. Changing Lives.

COMMUNITY ACTION PARTNERSHIP OF ORANGE COUNTY

April 30, 2012

Mr. Richard Lopez, C.P.A.
Lopez & Company, LLP
14728 Pipeline Avenue Suite E
Chino Hills, CA 91709

RE: Community Action Partnership of Orange County (CAPOC)- Management Response to Draft Examination Report on Compliance of Recovery Act Weatherization Assistance Program (Contract Number: DE-IG0000017, Work Order Number: 2011-01)

Section IV Schedule of Findings

IV.1 Failure to Perform Final Inspections - Management Response

CONDITION: CAPOC agrees that there was a failure to perform final inspections.

CAUSE: CAPOC believes that the "Cause" statement is incomplete. At the outset of the program, CAPOC utilized the procedure in the State of California WAP contract (Exhibit F, section 6, paragraph B, subsection 1) which provided that:

"Contractor shall make a reasonable attempt to schedule appointments for the post weatherization inspection. A minimum of two written correspondences to schedule an appointment or one missed appointment shall constitute a reasonable effort."

CAPOC amended its procedure based upon the notification by the State (Program Guidance ARRA DOE WAP No. 17 dated December 6, 2010 Attachment 1.). At that time, additional efforts were made to ensure compliance.

RECOMMENDATIONS: CAPOC agrees with the recommended action and is taking steps to fully implement corrective action.

Follow-up: On February 3, 2012, management of the DOE ARRA WAP Program was transferred to CAPOC's Energy & Environmental Services Department (EES). The DOE ARRA WAP Director left CAPOC employment in February, 2012. As a result of the Department transfer, a review of DOE ARRA WAP program records and files was initiated. Additional findings for which final inspection either did not occur or was not documented are in the process of being identified and reconciled.

CAPOC is consulting with the California Department of Community Services & Development to ensure contract and program compliance. Additional efforts are being made to revisit all weatherized units that have not had final inspection or for which documentation is missing. CAPOC anticipates achieving compliance no later than July 31, 2012.

IV.2 Deficiencies in Quality of Work - Management Response

CONDITION: CAPOC agrees with the finding.

CAUSE: A significant majority of the work in question was conducted by a subcontractor engaged specifically for the DOE ARRA WAP program. When the deficient work was identified, Management staff held meetings with the subcontractor to improve the quality of work. Efforts to improve the subcontractor's performance continued for an extended period to ensure sufficient certified field staff were available for the volume of work necessary to meet production schedules. Immediate termination

of the subcontractor and identification and selection of a replacement would have required release of a new bidding process (anticipated to slow down production for approximately 4 weeks). Training/certification of new/replacement field staff was requiring up to an additional 6 weeks to complete. Ultimately work referrals to the subcontractor were discontinued except for very specific and limited work tasks (e.g. installation of attic insulation) for which other alternatives were not available.

All but one of the direct CAPOC employees hired for DOE ARRA Department were new to the exacting and specific weatherization requirements/standards of the program. Weatherized units during the early performance of the contract did require additional return visits as the new staff who had just completed training and certification needed field experience to gain proficiencies and minimize failed work. Work quality did improve with experience gained by the new crews.

RECOMMENDATION: CAPOC agrees with the recommendation.

Follow-up: As noted in IV.1. of this response, DOE ARRA completion activities have been integrated with CAPOC's regular EES Department. As a part of that transition, procedures related to work quality for contractor performance and standards for employee performance are being reviewed and corrections implemented where appropriate. The assessment is ongoing.

IV.3 Lack of Procurement Analysis and Documentation- Management Response

CONDITION: CAPOC agrees that it did not formally document cost price analysis for all procurements of expendable materials and supplies under the \$5,000.

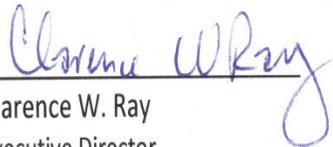
CAUSE: CAPOC disagrees with the "Cause" statement contained in the finding. CAPOC was and is fully aware of the requirement to perform documented competitive bids on equipment which cost in excess of \$5,000 and to perform cost or price analysis for other procurements. CAPOC was not aware of the federal requirement to formally document supportable cost or price analysis for all weatherization procurements under \$5,000.

CAPOC does conduct price comparisons via phone calls, internet search and equipment/supply catalogues. The collection and maintenance of the comparison data (or written verification) is not currently required by agency procedures. Revised written financial procedures are being developed. Interim guidance has been provided to staff in order to immediately comply with documentation requirements of price comparisons.

Two invoices for services were identified in the finding. These services were sole sourced as a result of the unique qualifications of the companies, urgent need for the services (precluding an extended time frame for bidding) and ability to satisfy the necessary time constraints for completion of the requested services.

RECOMMENDATION: CAPOC agrees with the recommendation.

Follow-up: CAPOC is consulting with the California Department of Community Services & Development (CSD) to ensure contract and program compliance. No later than May 31, 2012, CAPOC will implement draft written procurement procedures to include formal documentation of price analysis of all agency purchases. This procedure will be revised and updated as appropriate based upon recommendations from CSD and other grantor agencies. CAPOC will review and provide support documentation for questioned invoices no later than May 31, 2012 to demonstrate that procurement costs were reasonable and competitive.


Clarence W. Ray
Executive Director

DEPARTMENT COMMENTS



Department of Energy

Washington, DC 20585

SEP 26 2012

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

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

SUBJECT: Response to Office of Inspector General Draft Examination Report on
"Community Action Partnership of Orange County – 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) Draft Examination Report for Community Action Partnership of Orange County (Agency) 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 responses below address each specific recommendation in the draft report:

OIG Recommendation 1: *EERE should ensure appropriate action is taken by the State of California to improve administration of Weatherization Program funds at the Agency by implementing the recommendations outlined in the OIG report.*

EERE Response: EERE concurs with the recommendations in the OIG report. The WAP Project Officer will work with the State of California (Grantee) to ensure the Agency:

- Establishes a comprehensive process for providing final inspections on all homes, and ensuring that requests for reimbursement for weatherization costs are only submitted after final inspections have been completed.
- Re-examines its current process for monitoring and tracking weatherization project progress including: trends in crew and contractor performance, the level of additional work needed, and the number of inspections required for each weatherized home.
- Assesses the quality of work performed by the contractor identified in the OIG report as being responsible for the majority of required follow-up work to determine if the contractor is performing at an acceptable level, and develop and implement a corrective action plan if the contractor is to continue providing services to the Agency.



- Revises its policies and implements procedures to provide for cost or price analyses as required by Federal regulations to ensure that materials and service costs are reasonable and supportable.

EERE will require the Grantee to submit a written progress report on these corrective actions by September 30, 2012. The WAP Project Officer will monitor progress during routine quarterly desktop reviews and verify actions taken during the next DOE on-site visit scheduled for January 2013.

OIG Recommendation 2: *EERE should direct the State of California to determine whether the Agency was reimbursed for other homes not subject to a final inspection, and take appropriate action.*

EERE Response: EERE will direct the Grantee to determine whether the Agency was reimbursed for other homes not subject to final inspection, and develop a corrective action plan as appropriate.

EERE will require the grantee to include the status of this action in the written progress report to be submitted by September 30, 2012. The WAP Project Officer will monitor progress during routine quarterly desktop reviews and verify actions taken during the next DOE on-site visit scheduled for January 2013.

OIG Recommendation 3: *EERE should determine whether program guidance should be revised to address situations where agencies are unable to perform final inspections.*

EERE Response: EERE is reviewing current program policy to determine whether guidance should be revised to address situations where subgrantees are unable to perform final inspections. While there may be times when the subgrantee staff cannot access the weatherized home to perform an investigation, it is a requirement that several documented attempts are made to visit the property before the home can be deemed complete. A determination as to whether policy changes are required will be made by December 31, 2012.

OIG Recommendation 4: *The Contracting Officer for the State of California Weatherization Assistance Grant should resolve identified questioned costs.*

EERE Response: The Contracting Officer for the State of California Weatherization Assistance Grant will work with the WAP Project Officer and the State of California to resolve all identified questioned costs. The WAP Project Officer will monitor progress during routine quarterly desktop reviews and verify actions taken during the next DOE on-site visit scheduled for January 2013.

STATE OF CALIFORNIA COMMENTS

STATE OF CALIFORNIA – HEALTH AND HUMAN SERVICES AGENCY

EDMUND G. BROWN JR., GOVERNOR

DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT

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August 2, 2012

Mr. Rickey R. Hass
Deputy Inspector General for Audits and Inspections
Office of Inspector General
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Mr. Hass:

The Department of Community Services and Development (CSD) appreciates the opportunity to provide comments to the draft report from your office regarding Community Action Partnership of Orange County's (CAPOC) compliance with the American Recovery and Reinvestment Act, Weatherization Assistance Program (WAP). CSD is committed to effectively and efficiently administering this important program in partnership with local service providers for low-income households in California, and we are working with both our local and federal partners to address the recommendations offered in the report.

CSD is working closely with CAPOC to ensure corrective actions are completed timely. CSD will monitor CAPOC's progress through desk reviews and on-site monitoring visits. Please find below CSD's response to the U.S. Department of Energy (DOE) Office of Inspector General (OIG) report recommendations.

1. Home Inspections. DOE OIG recommended CAPOC take the following actions:

- Establish a comprehensive process providing for final inspections on all homes. This would include documented and standardized follow-up efforts and communication;
- Request reimbursement for weatherization costs only when final inspections are completed;
- Seek guidance from the state and/or Department regarding actions to take when final inspections cannot be performed; and
- Determine final homes not inspected and take corrective action.

CSD Response: CSD agrees with the recommendations of the DOE OIG and the corrective actions already taken or planned to be taken by the agency. To ensure compliance with federal requirements, CSD issued guidance to all weatherization providers in 2010 stating final inspections must be completed for all weatherized dwellings.

CAPOC has made significant progress in identifying and performing final inspections. CSD will continue to work with CAPOC to ensure a standardized process is established that includes documentation to support follow-up efforts to perform post-inspections. CSD is also seeking further guidance from DOE on allowable actions when a final inspection cannot be performed. Additionally, CSD is looking at other ways to use automation to help ensure weatherization costs are only reimbursed when final inspections are completed.

Rickey R. Hass
August 2, 2012
Page 2

2. Quality of Work. DOE OIG recommended CAPOC take the following actions:

- Re-examine its current process for monitoring and tracking weatherization project progress: including trends in crew and contractor performance, the level of additional work needed, and the number of inspections required for each weatherized home; and
- Perform an assessment of the quality of the work performed by the contractor and determine if the contractor is performing at an acceptable level.

CSD Response: CSD agrees with the recommendations of the DOE OIG and the corrective actions already taken or planned to be taken by the agency. As CAPOC explained in its response, this issue was first identified by CAPOC staff through its internal quality assurance review. CAPOC immediately made efforts to work with the subcontractor to resolve the issue, but eventually terminated its contract with the subcontractor. CAPOC is reviewing its procedures related to work quality, and CSD will work with CAPOC to improve its process for monitoring and tracking weatherization project progress.

In addition to the required inspections by local agencies, CSD conducts quality assurance reviews of a sample of homes completed by each local agency (five percent of homes weatherized). If these inspections identify concerns, CSD works with the agency to immediately address them. CSD is looking at where it can make improvements in its monitoring to ensure high quality work standards within the program and is exploring additional ways to enhance local quality assurance through automation.

3. Procurement. DOE OIG recommended CAPOC take the following actions:

- Revise its policies and procedures to provide for cost or price analyses as required by federal regulations to ensure that materials and service costs are reasonable and supportable.

CSD Response: CSD agrees with the recommendations of the DOE OIG and the corrective actions planned to be taken by the agency. CSD is working with CAPOC to address this finding and will review 1) the written procurement procedures to ensure compliance with federal requirements and, 2) supporting documentation to ensure costs were reasonable and competitive.

Additionally, CSD recently issued guidance to all CSD sub-recipients on procurement standards in compliance with federal and state requirements.

If you have any questions, please contact me or Linné Stout, Chief Deputy Director, at (916) 576-7110.

Sincerely,



JOHN A. WAGNER
Director

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1. What additional background information about the selection, scheduling, scope, or procedures of the audit or inspection would have been helpful to the reader in understanding this report?
2. What additional information related to findings and recommendations could have been included in the report to assist management in implementing corrective actions?
3. What format, stylistic, or organizational changes might have made this report's overall message more clear to the reader?
4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report which would have been helpful?
5. Please include your name and telephone number so that we may contact you should we have any questions about your comments.

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When you have completed this form, you may telefax it to the Office of Inspector General at (202) 586-0948, or you may mail it to:

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Department of Energy
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