

# Audit Highlights



Highlights of Legislative Auditor report on the Housing Division issued on April 17, 2012. Report # LA12-14.

## Background

One of the Division's responsibilities is to administer the Low-Income Weatherization Assistance Program. The weatherization assistance program uses state and federal funding to provide weatherization measures to low-income households. The objective of the program is to increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total expenditures on energy, and improve their health and safety. The process of making the dwellings energy-efficient includes installing energy measures such as insulation, energy efficient windows, and solar screens. To carry out this program, the Division selects subrecipients that determine applicants' eligibility and hire contractors to install the weatherization measures. The American Recovery and Reinvestment Act (ARRA) of 2009 provided a significant increase to weatherization funding. Weatherization program funding increased from approximately \$5.7 million in fiscal year 2009 to approximately \$26.9 million in fiscal year 2011.

## Purpose of Audit

The purpose of this audit was to determine if the Division has established adequate controls to ensure compliance with ARRA weatherization program requirements and accurate reporting of performance information. This audit included a review of the Division's ARRA funded weatherization project activities and reported performance information during fiscal years 2010 and 2011.

## Audit Recommendations

This audit report contains two recommendations to help improve subrecipients' verification of applicant eligibility, and documentation of contractor inspections. In addition, one recommendation was made to help improve the accuracy of some reported performance information.

The Division accepted the three recommendations.

## Recommendation Status

The Division's 60-day plan for corrective action is due on July 12, 2012. In addition, the six-month report on the status of audit recommendations is due on January 14, 2013.

# Housing Division

## Department of Business and Industry

### Summary

The Division's oversight of ARRA weatherization funding was effective and helped ensure funding was spent timely and appropriately. As of December 2011, about \$35.7 million was expended to install weatherization measures in low-income homes and typically included attic and floor insulation, energy efficient windows, or solar screens. Controls to monitor subrecipients and contractors' activities were established by the Division and contributed to the program's success. However, the Division can strengthen a few processes related to subrecipients' documentation of inspections and verification of applicants' program eligibility.

The Division has established an effective method to collect reliable performance information for the weatherization program. Specifically, it developed a database that tracks subrecipient weatherization activities, and staff performs procedures to validate the information reported in the database. Reliable information is important so the Division can monitor subrecipients' activities and report program results. Although we found the reported information to be reliable, the Division can improve the accuracy of data in a few areas.

### Key Findings

The Division established an effective process to ensure ARRA weatherization funding was spent timely and directed at cost-effective weatherization measures. This funding was allocated throughout the State to help low-income families. Our review of 100 files, totaling about \$1 million in project costs, identified that funds were spent on priority measures that were billed according to pre-approved contractor prices. (page 5)

The Division has established controls to monitor subrecipients. Our review of 100 project files found subrecipients were timely when: (1) approving applications, (2) performing energy assessments, (3) completing projects, and (4) performing final project inspections. The Division's controls help provide reasonable assurance that subrecipients' activities comply with program requirements and that weatherization funds are used appropriately. (page 6)

The Division has established controls to ensure effective monitoring of contractors' work. Effective monitoring of contractors helped ensure approved weatherization measures were installed and the workmanship was of good quality. Our inspection of 40 homes identified only a few instances where measures paid for were not installed. These uninstalled measures totaled \$1,092 of approximately \$405,000 in project costs, less than 1% of the amount inspected. Although monitoring was effective, we identified a few instances where inspection forms, used by the subrecipients to review contractor work, were not properly completed. (page 7)

The process to determine applicant eligibility for the weatherization program can be strengthened. Although subrecipients documented applicants' reported income and household size, additional documentation and procedures would help verify all household income is correctly reported. For 19 of 100 weatherization files tested, better documentation was needed to support the applicants' incomes. In addition, 28 files contained conflicting documentation pertaining to the household size. When adequate steps are not taken to verify applicants' incomes, limited weatherization funding may not be available for those applicants that need it the most. (page 9)

The Division has reliable performance information related to its weatherization activities. Our testing found only a 4% error rate when reviewing weatherization information used by the Division to report performance. Reliable performance information is important so the Division can monitor subrecipients' weatherization activities. Furthermore, governing officials and citizens can use this information to evaluate the results of the Division's program. (page 13)

The weatherization data reported by the Division is reliable; however, additional training and monitoring can improve data accuracy in a few areas. Although our testing identified an overall error rate of only 4%, the errors identified occurred more frequently in certain areas. For example, for 28% of the files reviewed, subrecipients did not input the correct draft reduction amounts realized through their installation of weatherization measures. Providing additional training and monitoring to subrecipients will help improve data reliability in areas where errors were more frequent. (page 14)