

December 17, 2009

Internal Audit Report 2009-15
Weatherization Assistance Program
Department of Neighborhoods

Introduction. The purpose of the Weatherization Assistance Program (Program) is to improve the health and welfare of residents by upgrading their dwellings to make them more energy efficient, safe, and comfortable. The grant-funded Program serves eligible residents who meet federal low income criteria and live within the Municipality of Anchorage. Participants may either own or rent dwellings for which they are requesting weatherization services. Eligible weatherization services may include, but are not limited to, blowing insulation into walls and ceilings; repairing and sealing ducts, doors, and windows; and tuning and repairing heating systems. Weatherization projects are subject to compliance with the Code of Federal Regulations found at 10 CFR 440 and Alaska Housing Finance Corporation (AHFC) policies as set in the Weatherization Operations Manual (Weatherization Manual).

The Program has been managed and administered by the Department of Neighborhoods (Department) since April 1, 2005. In the 2005 grant year the Department received \$1,050,445 in grant funds, weatherized 161 dwellings, and expended \$1,050,580. In the 2008 grant year the Department received \$4,729,897 in grant funds (350% increase), weatherized 345 dwellings (114% increase), and expended \$3,022,997 (188% increase). In 2009, the Department received an additional \$7,111,699 in grant funds. According to Department management, there are currently 30 full-time employees in the Department that are directly associated with the Program.

Objective and Scope. The objective of this audit was to determine if the Weatherization Assistance Program complied with grant requirements and if the Program was administered according to grant intent and goals. Our audit included a comprehensive review of 38 Program client files, selected both

randomly and judgmentally from 2008 and 2009, and an inventory count of Program tools and materials. In addition, we tested controls over fixed assets and inventory.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of July through September 2009. The audit was requested by the Administration.

Overall Evaluation. The Department of Neighborhoods did not always comply with the grant agreement and the Program was not always administered according to grant intent and goals. For example, the time spent by Program staff to process applications and complete the weatherization work appeared to be excessive. In addition, applicants' priority was elevated to emergency status without proper verification. We also found that the application used to apply for weatherization services did not meet the minimum requirements specified in the Weatherization Manual. Moreover, client files were often incomplete, labor hours and expenditures were not always properly recorded, and client files were not properly secured to prevent unauthorized access and ensure confidentiality of client information. Finally, the inventory systems used to track materials, supplies, tools, and equipment had some control and accountability problems.

FINDINGS AND RECOMMENDATIONS

1. Applications Not Processed In Timely Manner.

- a. Finding.** The time spent by Program staff to process applications and complete the weatherization work appeared to be excessive. Our review of 26 client files found that it took an average of 283 days to complete a project. Specifically, we found the following:

**Time Frames
for
Steps in the Weatherization Process**

<u>Step</u>	<u>Description</u>	<u>Average Time</u>
1	Number of days from receipt of application to determining eligibility	59 days
2	Number of days from determining eligibility to completing home assessment	52 days
3	Number of days from completing home assessment to project completion	<u>172 days</u>
Total of steps 1-3		<u>283 days</u>

Source: Auditor analysis of 26 client files.

Note: See the Appendix for additional analysis of time frame data.

- b. **Recommendation.** The Program Manager should streamline the process to review applications, complete home assessments, and complete the weatherization work.
- c. **Management Comments.** Management concurred with the finding. See the Attachment for full response.
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Emergency Status Not Verified.**

- a. **Finding.** Applicants' priority was elevated to emergency status without proper verification. Three of three (100%) client files reviewed that were elevated to

emergency status did not have such verification in the client files. The Weatherization Manual states that “**Emergencies** are defined as Weatherization-related conditions that are life-threatening to the residents (e.g., no working heat source in winter) and/or significantly compromise the durability of a structure (e.g., major roof leaks or collapse). The home should be substantially complete. Copies of a red-tag notice from a utility, heating system repair/replacement estimates, hospital or emergency services reports of CO-poisoning, and/or verification by the Grantee of the severe conditions must be in the client file.” A similar condition was reported by AHFC in May 2009.

- b. **Recommendation.** The Program Manager should ensure Program staff properly verify the emergency status of applicants.
- c. **Management Comments.** Management concurred with the finding. See the Attachment for full response.
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Program Application Does Not Meet Requirements.**

- a. **Finding.** The application used to apply for weatherization services did not meet the minimum requirements specified in the Weatherization Manual. Specifically:
 - The application did not require the applicant to sign a statement indicating the home had not been weatherized after April 14, 2008. A similar condition was reported by AHFC in May 2009, yet the issue still had not been fully addressed.
 - The Landlord-Tenant Agreement contained an incorrect investment limit for the rental dwelling units.

- The application referred to the 2008 income guidelines but showed the 2009 income limits and provided outdated priority guidelines.

In addition, the application asked applicants to provide redundant information that Program staff did not use to determine eligibility. For example, there are three different places in the six page application that requires the applicant's social security number. However, Program staff told us that the social security number is not used when processing the application and performing weatherization work.

- b. **Recommendation.** The Program Manager should ensure the program application meets the minimum requirements specified in the Weatherization Manual and only requests information required to determine program eligibility.
- c. **Management Comments.** Management concurred with the finding. See the Attachment for full response.
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Client Files Often Incomplete.**

- a. **Finding.** Weatherization files maintained for each client were often incomplete. Twenty-eight of 38 client files we reviewed had missing or incomplete information. In most cases, weatherization work was done even though these forms were incomplete and/or missing. Missing documents included:
 - Landlord-Tenant Agreements,
 - Statement of Non-Filing of Taxes,
 - Authorization from Mobile/Manufactured Home Park Owner/Manager,

- Lead Test Sign-off Form,
- Income Documentation.

- b. **Recommendation.** The Program Manager should ensure complete documentation is included in each client file.
- c. **Management Comments.** Management concurred with the finding. See the Attachment for full response.
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

5. **Labor Hours and Expenditures Not Always Properly Recorded.**

- a. **Finding.** Labor hours and expenditures were not always properly recorded. Specifically, labor hours had not been properly recorded in the computer system in 8 of 22 files reviewed, materials used for projects had not been properly recorded in the computer system for 14 of 34 files reviewed, and 11 of 34 files reviewed had incorrect vendor expenditures. As a result, Program staff could not accurately tell us the total labor hours and expenditures for these projects. According to Program staff, some of these problems were caused when costs were spread across multiple projects instead of entering the actual cost for each project. A similar condition was reported in Internal Audit Report 2004-12.
- b. **Recommendation.** The Program Manager should ensure all project expenditures are correctly recorded in the computer system.
- c. **Management Comments.** Management concurred with the finding. See the Attachment for full response.

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

6. **Client Files Not Secured to Ensure Confidentiality.**

- a. **Finding.** Client files were not properly secured to prevent unauthorized access and ensure confidentiality of client information. As a result, unauthorized individuals could have access to confidential information such as full names, birthdays, social security numbers, and bank account information. During the audit, we found client files on top of desks, stored in unlocked file cabinets, and even on the floor where the general public and vendors had easy access to them. In addition, Program staff asked some clients to sign “blank” confidential information release forms without indicating who the recipient of the information would be and the purpose of the request. According to the grant agreement, “The Records relating to applicants and clients are confidential. The Grantee will secure all applicant and client files from unauthorized access and will release confidential information only to Low Income Weatherization Assistance Program personnel of the Grantee, AHFC, or DOE on an as-needed basis.”
- b. **Recommendation.** The Program Manager should ensure all client files are secured in locked cabinets to prevent unauthorized access and ensure confidentiality.
- c. **Management Comments.** Management concurred with the finding. See the Attachment for full response.
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

7. **Materials Inventory System Lacks Sufficient Controls.**

- a. **Finding.** The inventory system used to track materials and supplies had significant control and accountability problems. We found 76 of 96 (79%) items inventoried had discrepancies between the book balance and the inventory count. These overages and shortages ranged from +78 (cans of gun foam) to -372 (fluorescent lamps). In addition, we found that the value of inventoried items was not always correct. For example, five of 96 items had no dollar value associated with them. Discrepancies in physical inventories can be the result of poor record keeping, unsecured inventory, or misappropriation of items for personal use. According to Program staff, a new inventory system was implemented earlier this year but does not function properly. A similar condition was reported in Internal Audit Report 2004-12.
- b. **Recommendation.** The Program Manager should ensure materials are properly accounted for and secured.
- c. **Management Comments.** Management concurred with the finding. See the Attachment for full response.
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

8. **Tool Inventory System Lacks Sufficient Controls.**

- a. **Finding.** The inventory system used to track tools and equipment had some control and accountability problems. As a result, tools could be lost without detection and staff may be purchasing tools that were already in stock. For example, some items listed on the Program's tool inventory list such as a digital camera, a blower door system, full face respirators, and drills could not be found. In addition, the tool inventory list did not

include all the detail required by the grant agreement. For example, the serial number, model, date purchased, purchase price, supplier, location, and condition were not always included on the tool and equipment inventory list. A similar condition was reported in Internal Audit Report 2004-12.

b. Recommendation. The Program Manager should:

- 1) Take a complete inventory of all tools and equipment.
- 2) Reconcile the results of the inventory to the inventory records.
- 3) Research or investigate all variances and file a police report if items appear to be stolen.
- 4) Implement procedures to properly document the disposition of all equipment.
- 5) Correct inventory records to reflect the current on-hand balances.
- 6) Update inventory records to include information required by the grant, such as model and serial number, if applicable, of all tools and equipment.

c. Management Comments. Management concurred with the finding. See the Attachment for full response.

d. Evaluation of Management Comments. Management comments were responsive to the audit finding and recommendation.

OTHER PERTINENT INFORMATION

Weatherization Databases. The Program's weatherization databases have limitations. The databases are important because they provide information regarding the current status of each client. The Program currently has two databases, both of them provided by AHFC.

The first database is a Disk Operating System (DOS) based application. Although this application allows Program staff to print reports required by AHFC, it provides little flexibility to modify and

update data. For example, the database showed 67 clients have been waiting since 1997 to have their homes assessed for weatherization services. According to Program staff, these clients no longer require weatherization services. However, the database application only provides an option to show that the work was completed. Since the work was not completed, the case file remains open. In another case, we found one client application was entered four times into the database with two different priority levels, was assessed by two different assessors on the same day, and only one of the four entries showed that the project had been completed. Program staff told us that they were unable to delete the duplicate entries.

The second database was recently provided to the Program by AHFC. Program staff are currently transferring data from the old DOS database to the new database. However, according to Program staff, the new database does not provide the necessary capability to produce the reports required by AHFC. Consequently, Program staff enter client information into the old database and the new database.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials.

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APPENDIX

302 Projects Completed: January - August 2009 Time Frames for Steps in the Weatherization Process (average number of days)

<u>Step</u>	<u>Description</u>	<u>Priority</u>					
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
1	Number of days from receipt of application to determining eligibility						
	Low Income Senior Housing, Shelters, Group Homes:	3	N/A	5	3	5	N/A
	Single Family Housing:	68	59	68	27	22	42
2	Number of days from determining eligibility to completing the home assessment						
	Low Income Senior Housing, Shelters, Group Homes:	13	N/A	21	5	21	N/A
	Single Family Housing:	45	47	31	87	49	51
3	Number of days from completing the home assessment to project completion						
	Low Income Senior Housing, Shelters, Group Homes:	35	N/A	150	34	150	N/A
	Single Family Housing:	177	177	157	192	227	229

398 Project Applications Received: January - August 2009 Time Frames for Steps in the Weatherization Process (average number of days)

<u>Step</u>	<u>Description</u>	<u>Priority</u>					
		<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
1	Number of days from receipt of application to determining eligibility						
	Low Income Senior Housing, Shelters, Group Homes:	19	94	140	3	N/A	N/A
	Single Family Housing:	100	121	64	106	95	102
2	Number of days from determining eligibility to completing the home assessment						
	Low Income Senior Housing, Shelters, Group Homes:	15	25	23	5	N/A	N/A
	Single Family Housing:	52	43	55	29	11	54
3	Number of days from completing the home assessment to project completion						
	Low Income Senior Housing, Shelters, Group Homes:	28	N/A	N/A	34	N/A	N/A
	Single Family Housing:	99	N/A	N/A	N/A	N/A	N/A

Note: In 2009, 138 projects were completed out of 389 projects approved in 2009. Of the 138 completed projects, 135 projects were low income senior housing, shelters, and group homes.

Source: Auditor analysis of data obtained from the Department's weatherization database.

ATTACHMENT

**Department of Neighborhoods
Weatherization Assistance Program
Internal Audit Report 2009
Management Comments**

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General Response/History:

The State of Alaska appropriated \$200 million statewide to the Weatherization Assistance Program in March of 2008. As a result of the unprecedented increase in Program funding, the Municipality a long-standing recipient of weatherization funding, underwent a significant ramp-up in staffing and equipment to meet the increasing contractual requirements from July of 2008 – March of 2009. In addition, under the new funding requirements there were a series of substantial programmatic changes implemented by AHFC within the course of a year. Prior to June of 2008 the Municipality did not have an active waiting list for the program, largely as a result of a change in income eligibility the waitlist has grown to over 400 household in 2009. The scope of this audit reflects a timeframe when the Program was undergoing significant staff and programmatic changes.

Finding:

1. Applications Not Processed In Timely Manner.

Management concurs with this finding for step #3. Management has worked with the Information Technology Department by implementing a database performance measurement system to track workflow progress on weatherization projects. Additionally, Management has adjusted the in-house crew work schedules, the scope of work the crew completes, and awarded large task order contracts to four general contractors under bid No. 29B037.

Management recognizes that the timeframe may “appear” excessive for step #1. However, Management would like to note that applications are processed in date stamped order based on receipt. During the timeframe audited, the Program went from receiving approximately 10 applications a week, to up to 20 a day creating a backlog of applications. The Program anticipates that the application process timeframe will be reduced from an average of 95 days as of August of 2009 to 45 days by March of 2010 due to a reduction in backlogged applications.

Management would also like to note that prior to step #2, the performance of the energy assessment, homes built before 1978 must receive a lead based paint test in accordance with the Program guidelines and clients must attend an educational class. These two factors impact the average length of time for step #2. In addition, as of July of 2008 a client’s wait time for an assessment became dependent on their priority status. In accordance with the Weatherization Operations Manual (WOM), *“After a household has been wait-listed 24 months, the Grantee may move the household up one priority level. Thereafter, the Grantee may move the household up one priority level after every additional 12 months on the waitlist.”* Therefore, low priority clients may wait many months for an energy assessment. They may keep being “bumped” by higher priority applicants, thus impacting the average length of time for step #2.

2. Emergency Status Not Verified.

Management concurs with the finding and has modified the Program's internal policies to require a memo for all clients receiving emergency weatherization service.

3. Program Application Does Not Meet Requirements.

Management concurs with the following:

- The Weatherization Program Application contained a statement with a yes/no check box indicating that the home has not been weatherized after April 14, 2008 and a certification statement indicating that no household member has received an AHFC Home Energy Rebate after May 1, 2008. The revised application contains signature blocks next to each item in accordance with the WOM.
- The Program Policies, included in the application, have been corrected to contain the correct investment limit for rental dwellings.
- The Program Policies, included in the application, contained outdated income guidelines and they have now been corrected.

Management has taken corrective actions to revise the application. The application has been modified from 20 pages to 8 pages. Additional documents previously attached to the application will be distributed at client education. The documents will also be listed as separate handouts on the Department's website by January of 2010.

4. Client Files Often Incomplete.

Management concurs with this finding and has modified our internal policies in response to the finding as follows:

- Landlord-Tenant Agreements- Program staff was not consistently signing the internal signature block. Program intake staff will now sign the signature block during the income review/intake process.
- Statement of Non-filing of Taxes- This form has been eliminated as it is not a program requirement.
- Authorization from Mobile/Manufactured Home Park Owner/Manager – This form has been eliminated as it is not a program requirement.
- Lead Test Sign-off Form – Client authorization was received from clients with structures requiring lead testing, however, the internal signature block has been eliminated as it is not a program requirement.

Management will ensure that intake staff review the income eligibility requirement found in the WOM. Intake staff will also participate in the Alaska Weatherization Providers Summit in January of 2010. The Summit will provide an opportunity for intake staff to interact with other weatherization providers in the State.

5. Labor Hours and Expenditures Not Always Properly Recorded.

Management concurs with this finding. In 2009 the Program bought a new inventory system in order to assist in tracking materials and costs. Management is in the process of incorporating a client cost summary report into the WASP Inventory System. The client cost summary sheet will encompass

inventory materials, in-house labor costs, and contractor task order costs. This process will capture the complete cost of installed measures in each weatherization unit. The full implementation of the inventory system shall be complete by January 15, 2010.

6. Client Files Not Secured to Ensure Confidentiality.

Management concurs with this finding. The majority of the Program staffs' offices are located in Suite A of 557 E. Fireweed Lane. In addition, Suite A is the primary location of the program files. All public request/client interactions are now being taken at Suite D, a location with more controlled access. Additionally, all working files shall be kept in a secured area or cabinet while not in use.

7. Materials Inventory System Lacks Sufficient Controls.

Management concurs with this finding. All inventory materials, with the exception of bulk insulation, shall be secured with fire cabinets or fencing with secured locking gates. Keys will be limited to authorized staff. This task will be completed by March of 2009.

8. Tool Inventory Lacks Sufficient Controls.

Management concurs with this finding and is in the process of implementing the steps recommended in audit within six months.