

PUBLIC TESTIMONY SUMMARY

I-900 STATE AUDITOR'S PERFORMANCE AUDIT:

Department of Commerce: Low-Income Weatherization Assistance Program (August 24, 2011)

As Heard by the Joint Legislative Audit & Review Sub-Committee on I-900 Performance Audits
on September 21, 2011

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Title: Department of Commerce: Low-Income Weatherization Assistance Program

Audit Scope and Objectives:

The SAO report notes that the American Recovery and Reinvestment Act of 2009 provided nearly \$60 million for weatherization activities during 2009, 2010 and 2011, which represented a significant increase in historic funding levels for the Weatherization Program administered by the Department of Commerce's Community Services and Housing Division.

SAO indicates that it designed this audit to answer the following question:

Has the Department of Commerce established and followed sound processes to monitor local agencies' use of weatherization funds to ensure the money is spent appropriately at the local level?

SAO reports it focused on how well the Division monitored local agencies during 2009 and 2010.

SAO Audit Results

- The Division incorporated many of the leading processes for monitoring local agencies' performance, following leading practices when it 1) developed standard monitoring criteria and required regular reporting by local agencies; 2) trained staff members who visited local agencies, developed standardized checklists for them, and documented the results of their on-site evaluations; and 3) visited local agencies and conducted inspections in a timely and efficient manner.
- The Division did not follow leading practices when it:
 - Did not develop sound financial monitoring processes to ensure adequate oversight of weatherization spending in 2009 and 2010;
 - Did not ensure local agencies resolved problems when its inspectors identified substandard work and did not require local agencies to take steps to prevent substandard work in the future;

SAO Audit Results (continued)

- Did not focus its monitoring on local agencies that had consistent performance problems;
- Permitted one local agency to select weatherized homes for visits by state inspectors, potentially compromising the independence and integrity of the inspection process; and
- Did not establish the data information systems needed to meet the Recovery Act's accountability requirements.

SAO Recommendations

- To improve the quality of its financial monitoring, Commerce should require local agencies to obtain and retain detailed documentation of contractors' invoices and other program costs. Division staff should inspect invoices paid by local agencies and reconcile the amounts paid to the actual weatherization project costs.
- The Division should establish formal procedures to ensure substandard work identified by its inspectors is corrected promptly. Follow-up inspections also should evaluate and suggest improvements to the local agencies' inspection systems.
- To improve the effectiveness and efficiency of its monitoring, the Division should place a higher priority on monitoring agencies that have had performance problems.
- The Division should ensure its inspectors follow established procedures for independently selecting local projects for inspection. Local agencies should not influence the selection.
- Commerce should complete development of its planned information system to aggregate and track program information and to assist in risk-based oversight of local weatherization agencies.

Agency Responses in Audit Report?

Yes, beginning on page 24.

Legislative Action Requested?

No.

Agencies Testifying:

Department of Commerce (Dan McConnon, Deputy Director for Community Services and Housing)

Summary of Testimony from Audited Agencies:

The amount of money we received under the Recovery Act tripled the size of the weatherization program. This audit provided an effective process improvement opportunity for us. Commerce has already made most of the changes recommended in this study; we began making those changes as the problems were identified. We have improved the training for our staff monitors as well as for the local institutions. We do a quarterly review of the monitoring information. We have now finished the data collection system. All of these changes will also help the other programs that the Division runs. We now have a comprehensive risk assessment tool that is used for all of the Division's programs, which is helping us target our staff resources. Use of these Recovery Act funds allowed for weatherization of 12,000 units and resulted in creation or retention of 150 jobs per quarter, with 220 jobs per quarter at the height of the program.

Other Parties Testifying:

(No other parties signed in to testify.)

Summary of Testimony from Other Parties:

(No other parties signed in to testify.)