

PERFORMANCE AUDIT REPORT

Pennsylvania Department of Community and Economic Development

Weatherization Assistance Program

October 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General

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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

September 17, 2024

The Honorable Josh Shapiro
Governor
Commonwealth of Pennsylvania
Room 225 Main Capitol Building
Harrisburg, PA 17120

Dear Governor Shapiro:

This report contains the results of the Department of the Auditor General's performance audit of the Weatherization Assistance Program (WAP), administered by the Pennsylvania Department of Community and Economic Development (DCED). Our performance audit of the Low-Income Home Energy Assistance Program, administered by the Pennsylvania Department of Human Services, was issued under separate cover.

The performance audit was conducted under the authority of Sections 402 and 403 of The Fiscal Code, 72 P.S. §§ 402 and 403, and Section 3016.1 of the Energy Conservation and Assistance Act (Act), 62 P.S. § 3016.1 (added by Act 164 of 2012), and in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our performance audit of WAP included three objectives: (1) Determine whether DCED ensured that WAP local agencies properly managed waiting lists; (2) Evaluate DCED monitoring procedures to ensure local agencies provide quality weatherization services that comply with applicable laws, regulations, policies, and related guidance documents; and (3) Assess DCED's efforts to maximize the impact of weatherization funds it allocates to local agencies to assist eligible applicants. The audit period was July 1, 2020, through June 30, 2023, with updates where applicable through the end of our audit procedures on June 7, 2024, and further updates through September 4, 2024, resulting from DCED's subsequent disclosure (see *Appendix D*).

The Honorable Josh Shapiro

September 17, 2024

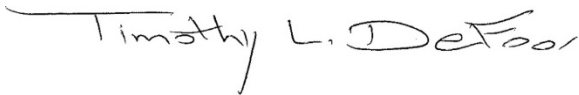
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Our auditors found that although DCED acted to improve oversight of waiting lists for WAP services, continued improvements are needed. Auditors also found that DCED failed to complete the required minimum number of quality inspections of weatherized homes and 3 of 35 annual financial monitoring reviews of local agencies during one year of the audit period. We also found that DCED returned \$8.5 million of federal funds that expired during the audit period. As a result, we offer 20 recommendations to improve WAP administration.

We also conducted procedures to determine the status of the implementation of the recommendations in our prior performance audit dated June 14, 2018, which included three findings with 20 recommendations. We found that our prior findings and recommendations were partially resolved.

In closing, I want to thank DCED for its cooperation and assistance during this audit. DCED generally agrees with the three findings and agrees with 14 of the 20 recommendations. See further comments in the *DCED's Response and Auditor's Conclusion* section of this report. We will follow up at the appropriate time to determine whether and to what extent all recommendations have been implemented. Please note that pursuant to Section 3016.1(c) of the Act, 62 P.S. § 3016.1(c), a copy of the performance audit will be published as a notice in the Pennsylvania Bulletin subsequent to the release of this report.

Sincerely,

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first name.

Timothy L. DeFoor
Auditor General

A Performance Audit

Department of Community and Economic Development
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Executive Summary

Pennsylvania operates two programs to help income-eligible residents stay warm and reduce home energy costs: The Low-Income Home Energy Assistance Program (LIHEAP), administered by the Department of Human Services (DHS), and the Weatherization Assistance Program (WAP), operated by the Department of Community and Economic Development (DCED). Our performance audit for LIHEAP was issued under separate cover. The results of our performance audit for WAP are presented in this audit report and summarized below.

Our performance audit of WAP had three objectives: (1) Determine whether DCED ensured that WAP local agencies properly managed waiting lists; (2) Evaluate DCED monitoring procedures to ensure local agencies provide quality weatherization services that comply with applicable laws, regulations, policies, and related guidance documents; and (3) Assess DCED's efforts to maximize the impact of weatherization funds it allocates to local agencies to assist eligible applicants. Our audit period was July 1, 2020, through June 30, 2023, with updates where applicable through the end of our audit procedures on June 7, 2024, and further updates through September 4, 2024, resulting from DCED's subsequent disclosure (see *Appendix D*). We also conducted procedures to determine whether DCED implemented our prior WAP performance audit's findings and recommendations from the report issued in June 2018.

Our audit results are contained in three findings with 20 recommendations to DCED. Overall, DCED appears to be in general agreement with the three findings and agrees with 14 of the 20 recommendations. We present additional comments later in this report within the *Auditor's Conclusion to Department of Community and Economic Development's Response*.

Finding 1 – DCED acted to improve its oversight of local agencies' waiting lists for weatherization services, and continued improvements will lead to a better-managed program.

We found that the number of names on WAP call and service waiting lists decreased significantly from our last audit, a reduction we attributed to DCED's improved oversight of list management by local agencies. While auditors did not identify a direct correlation to verify that assertion, we did conclude that the number of names listed appeared to be reasonable. We found that DCED has increased its efforts to identify local agencies with excessively large waiting lists during its risk assessment process and require those agencies to take corrective actions.

We offer three recommendations to DCED: consider requiring local agencies to provide more frequent status updates of their call and service lists; obtain and review lists during the annual risk assessment process; and develop a process for local agencies to routinely update the lists to remove outdated information.

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Finding 2 – DCED must improve WAP local agency monitoring procedures, tracking, and documentation to ensure compliance with U.S. DOE regulations and the approved state plans.

The U.S. Department of Energy (U.S. DOE) requires DCED to annually monitor the local agencies that provide WAP services using federal funds. We found that DCED failed to complete required financial monitoring reviews for 3 of the 35 local agencies and meet its goal to issue reports by the end of August for 3 other local agencies. We also found that DCED failed to complete the required minimum number of Quality Control Inspection reviews. Additionally, we found that DCED's annual program monitoring failed to discover that a local agency had reported 90 percent of its projects as complete in the 2022-23 program year none of which had completed the required QCI. DCED also lacked adequate program monitoring procedures regarding the DCED supervisor review process and verifying WAP client prioritization.

We offer seven recommendations to DCED: finalize and implement a full policy and procedures manual to include operating procedures related to monitoring; ensure compliance with monitoring requirements by providing oversight of tracking spreadsheets; include the scope of financial monitoring reviews within monitoring reports and correspondence; improve its monitoring process to include a written project selection methodology that ensures DCED objectively selects projects to monitor without the risk of manipulation by the local agencies; develop detailed supervisory review procedures; and add steps to monitoring checklists to ensure that monitors verify adherence to client prioritization requirements.

Finding 3 – DCED returned \$8.5 million to the federal government as it faced difficulties spending the influx of new federal funding for the Weatherization Assistance Program under extraordinary circumstances due to the pandemic.

DCED faced significant pandemic-related challenges operating WAP, particularly toward the beginning of our audit period, due in part to restrictions on business operations and local agency staff reductions. Newly mandated certification requirements for Quality Control Inspectors also slowed production. DCED also received \$160.3 million of supplemental pandemic recovery funds for WAP, more than doubling the annual level of funding usually awarded. This led DCED to reconfigure its allocation process and take other actions to maximize the use of available funding before it expired. However, DCED was unable to utilize all available funds and returned \$5.8 million of traditional WAP funding to the U.S. Department of Energy and \$2.7 million of supplemental funding transferred from DHS, totaling \$8.5 million of unused and returned federal funding.

We offer ten recommendations to DCED intended to strengthen its continuing efforts to maximize the use of WAP funding, including maintaining increased coordination with local agencies to prevent the need to return unused federal funding.

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Status of Prior WAP Audit Findings

We also conducted procedures to determine the status of the prior audit findings presented in the audit report dated June 2018. Our prior audit of WAP covered the period of July 1, 2013, through June 30, 2017, and contained three findings with 20 recommendations.

Based on additional procedures performed, we found that the prior audit findings had been resolved or partially resolved. For the partially resolved findings, our current report presents results along with further recommendations for continued improvements.

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Department of Community and Economic Development Weatherization Assistance Program

Introduction and Background

This performance audit of the Weatherization Assistance Program (WAP), which is administered by the Pennsylvania Department of Community and Economic Development (DCED). This mandated audit was conducted under the authority of Sections 402 and 403 of The Fiscal Code and Section 3016.1 of the Energy Conservation and Assistance Act.¹

Our audit of WAP consisted of three objectives. The **first objective** was to determine whether DCED ensured that WAP local agencies properly managed waiting lists. The **second objective** was to evaluate DCED’s monitoring procedures to ensure local agencies provide quality weatherization services that comply with applicable laws, regulations, policies, and related guidance documents. Our **third objective** was to assess DCED’s efforts to maximize the impact of weatherization funds it allocates to the local agencies to assist eligible applicants. The audit covered the period July 1, 2020, through June 30, 2023, with updates where applicable through the end of our audit procedures on June 7, 2024, and further updates through September 4, 2024, resulting from DCED’s subsequent disclosure (see *Appendix D*). A detailed description of the audit objectives, scope, methodology, data reliability, and our evaluation of management’s internal controls related to the audit objectives is presented in *Appendix A*.

The following provides background information regarding WAP.

Weatherization Assistance Program (WAP)

WAP was first authorized in 1976 as part of the Energy Conservation and Production Act as a result of the oil crisis in the early 1970s. The program provides weatherization services for low-income households. WAP funds are allocated to individual states through the U.S. Department of Energy (U.S. DOE).² Pennsylvania’s WAP began in 1977. Each year, Pennsylvania applies for available WAP funding from U.S. DOE. The application identifies how DCED will administer the program and, upon approval, becomes the annual WAP state plan.

WAP was established to reduce energy costs for low-income households, especially those with potentially vulnerable family members, such as the elderly, individuals with disabilities, and children. It provides services to increase the energy efficiency of homes, while ensuring health and safety. Another WAP goal includes reducing national energy consumption.³

¹ 72 P.S. §§ 402 and 403; 62 P.S. § 3016.1 (relating to Powers and duties of Auditor General). Pursuant to the Energy Conservation and Assistance Act, a copy of these audit reports must be published as a notice in the Pennsylvania Bulletin. See 62 P.S. § 3016.1(c).

² Pub. L. No. 94-385, Title IV, § 411, Energy Conservation and Production Act of 1976. See 42 U.S.C. § 6861.

³ <https://dced.pa.gov/programs/weatherization-assistance-program-wap/> (accessed February 6, 2024).

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The DCED Center for Residential Reinvestment Programs administers WAP operations and provides weatherization services through a network of 35 contracted local agencies.⁴ The local agencies process applications, determine eligibility, and coordinate the provision of services using either local agency direct-hire employees or subcontractors. WAP requires a specialized workforce of management and fiscal personnel, installers, crew chiefs, energy auditors, quality control inspectors, HVAC and heating subcontractors, and at times, plumbers, carpenters, and electricians.

DCED management explained that the economic climate due to the COVID-19 pandemic caused local agencies to struggle to find qualified workers. U.S. DOE and DCED require training and certifications for many of these job titles to assure the weatherization services are provided consistently and meet quality standards. In March 2019, U.S. DOE established a new certification standard, requiring all Quality Control Inspectors (inspectors) (who ensure WAP services meet quality control standards) to also obtain an Energy Auditor (EA) certification. According to DCED management, existing inspectors were required to obtain the additional EA certification when their inspector's certification was renewed, which was complied with during the audit period.

DCED and the local agencies use the Hancock Energy System (HES) as a database to maintain WAP-related information. The local agencies input client and project information and record the associated costs to track budgetary activity. DCED uses HES to oversee the local agencies productivity and monitor the weatherization services provided by project.

WAP Eligibility

Eligibility to receive WAP services is determined using several factors, including household income, residency, and citizenship. The applicant household must have a total income that is less than 200 percent of the Federal Poverty Income Guidelines or contain a household member who is eligible for Title IV or XVI of the federal Social Security Act or received cash assistance under the aforementioned titles in the 12 months prior to the WAP eligibility determination. The applicant must permanently reside in Pennsylvania and be either a U.S. citizen or considered a qualified non-citizen to be eligible for WAP services.⁵

The local agencies determine eligibility for households within the counties they serve. Local County Assistance Offices (CAOs), however, determine eligibility for Low-Income Home Energy Assistance Program (LIHEAP) clients experiencing a heating crisis due to a broken

⁴ See a list of DCED's network of local agencies and the counties served in *Appendix B*.

⁵ 10 CFR 440.16(a) (within the section relating to Minimum program requirements), and 10 CFR 440.22 (relating to Eligible dwelling units). WAP Policy Directive W2022-03 uses the term "qualified non-citizens" rather than "qualified alien," as stated in Section 431 of the Personal Responsibility and Work Opportunity Reconciliation Act, Pub. L. No. 104-193; 8 U.S.C. § 1641.

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heating system. CAOs, which are managed by the Pennsylvania Department of Human Services (DHS), refer clients through the Crisis Referral Interface directly to the local agency that provides WAP services within the clients' county. When the CAO has previously determined the client eligible for LIHEAP, the WAP local agency considers this client 'categorically eligible' for WAP Crisis services since LIHEAP eligibility uses a lower income threshold.

WAP services fall under two general service types: Standard Weatherization Services and Crisis Weatherization Services for LIHEAP clients.

Standard Weatherization Services

Standard weatherization services begin with a site-specific energy audit of the home to identify the areas of energy loss and determine the cost-effective energy saving measures needed. Some examples of standard weatherization services include:

- Blower door guided air sealing to effectively locate and reduce air-leakage throughout the home.
- Installation of attic, wall, basement, and crawlspace insulation and ventilation to reduce energy loss.
- Heating system modification or replacement to increase efficiency and/or safety of the heating system.
- Minor repairs, and/or health and safety measures (when necessary) to allow the safe and effective installation of the weatherization measures.
- Client education on the proper use and maintenance of the installed weatherization measures and ways to reduce daily energy waste.

The local agencies must follow the National Home Energy Standard Work Specification for Home Energy Upgrades for Single Family, Multifamily, and/or Manufactured/Mobile Homes for all weatherization services provided.⁶ Every weatherized home must pass a Quality Control Inspection (QCI) after the local agency completes the work, according to U.S. DOE WAP regulations.⁷ Homes previously weatherized through WAP may only be eligible to receive additional WAP services under certain circumstances outlined in the WAP guidelines.⁸

⁶ Guidelines for Home Energy Professionals, *Standard Work Specifications for Single-Family Home Energy Upgrades*, March 2013 at https://www.energy.gov/sites/default/files/2014/01/f7/sws_singlefamily.pdf (accessed April 8, 2024).

⁷ U.S. Department of Energy Weatherization Program Notice (WPN) 15-4, *Quality Work Plan Requirements Update*, pages 3-5, effective October 21, 2014.

⁸ According to DCED Directive W2022-03: "...eligibility of previously weatherized dwelling units is prohibited except when the previously weatherized dwelling unit has been damaged by fire, flood, or act of God, the event is declared a Federal or State disaster, and repair the damage to weatherization materials is not paid with insurance, then re-weatherization is allowable.", page 16, effective July 1, 2022.

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Crisis Weatherization Services

DCED operates the Crisis Interface Program for LIHEAP clients experiencing a heating-related emergency due to an inoperative heating system. Local agencies address the heating crisis situations after being contacted by local CAOs directly. Examples of crisis weatherization services provided through local agencies include:

- Repair of heating systems
- Loan of auxiliary heaters
- Repair of gas or other fuel lines
- Replacement of un-repairable heating systems
- Repair of hot water heating systems
- Thawing of heating system pipes
- Repair of broken windows
- Providing blankets

To receive crisis weatherization services, applicants contact the local CAO, as they would to apply for LIHEAP benefits. If the CAO determines that a lack of fuel is not the cause of the heating emergency, the CAO refers the client directly to the appropriate WAP local agency.

WAP Funding

WAP is traditionally funded through two sources – a grant directly from U.S. DOE and a transfer of funds from DHS to DCED. DHS receives annual funding from the U.S. Department of Health and Human Services (U.S. HHS) to fund the Low-Income Home Energy Assistance Program (LIHEAP). U.S. HHS regulations permit, and state law requires, that up to 15 percent of the LIHEAP funding be transferred to DCED for WAP annually.⁹ The following table shows the amounts DCED received during the audit period to administer WAP:

Program Year	WAP Funding	
	U.S. DOE Grant (Jul 1 – Jun 30)	DHS Transfer (Oct 1 – Sept 30)
2020 - 2021	\$19,216,844	\$30,086,916
2021 - 2022	\$18,125,877	\$30,710,693
2022 - 2023	\$18,106,358	\$27,641,260

Source: Prepared by Department of the Auditor General staff from U.S. DOE Weatherization Program Notices and DHS Weatherization Transfer Letters

⁹ 42 U.S.C. § 8624(k). See the PA General Appropriations Act of 2003, Act 1A of 2003, enacted March 20, 2003, *see specifically*, Section 1907 and the PA General Appropriations Act of 2023, Act 1A of 2023, enacted August 3, 2023, *see specifically* Section 209.

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DCED distributes WAP grant funding to the local agencies using allocation formulas. During the audit period, DCED formed the U.S. DOE Allocation Committee to develop a new formula to allocate U.S. DOE funds. DCED presented the new formula recommendation to the WAP Policy Advisory Council in December 2021. The presentation referenced our prior audit report that noted DCED's allocation formula used old statistics and recommended that it be updated. After analyzing the potential impact of the new allocation formula on the local agency's operations, DCED management decided to phase it in over a three-to-six-year period to mitigate the impact of drastic increases/decreases in funding at some local agencies.

Pandemic Relief Funding

DCED also received emergency supplemental funding for WAP through four federal laws enacted to address the economic impact of the COVID-19 pandemic between March 2020 and September 2022. Because most of the additional funds related to LIHEAP, DCED received the new funds as transfers from DHS. Brief descriptions of related legislation and details about the funds follow:

- **Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020¹⁰**
Received as a transfer from DHS to augment DCED's crisis weatherization services for LIHEAP clients. CARES Act funds became available in May 2020 and had to be obligated before October 1, 2021. DCED received **\$5,239,694** of CARES Act funding. DCED applied its LIHEAP allocation formula to disburse the funds to each of the local agencies.
- **American Rescue Plan Act (ARPA) of 2021¹¹**
This one-time allocation originated with DHS and was sent to DCED as LIHEAP funding. DCED received funds totaling **\$44,650,722** from ARPA. These funds were available on March 11, 2021, and set to expire on September 30, 2022; however, DCED did not receive the funds until August of 2021. DCED was able to use these funds for both crisis and standard weatherization services, as well as for pilot programs like the Clean and Tune program, the Cooling program, and the LIHEAP deferral program.

¹⁰ CARES Act, Pub. L. No. 116-136 (2020). This act established funds for use in home energy assistance to help, prevent, prepare for, or respond to the coronavirus. The normal terms and conditions applicable to LIHEAP at 42 U.S.C. § 8621 *et seq.* and 45 CFR, Part 96 apply to these funds with one exception – the requirement (42 U.S.C. § 8626(b)(2)(B)) is waived regarding obligation 90 percent of the funding in the first federal fiscal year. DCED must track, account for, and report on this funding separately from its regular FY 2020 LIHEAP block grant funding at 45 CFR 96.30(a).

¹¹ARPA, Pub. L. No. 117-2 (2021). Signed into law on March 11, 2021, the U.S. Congress appropriated these funds under ARPA to provide supplemental funding to address additional home energy assistance needs created by the coronavirus disease.

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- **Infrastructure Investment and Jobs Act (IIJA) of 2021¹²**

Referred to as either IIJA LIHEAP funding or Bipartisan Infrastructure Law (BIL) U.S. DOE funding, DCED received two blocks of funding from IIJA through LIHEAP and one block of BIL funding through U.S. DOE as explained below:

 - **IIJA First Block Grant:** The funds from the first block grant became effective starting November 15, 2021, and had to be obligated before or on September 30, 2023. DCED received a total of **\$512,683**. The purpose of the funds was to subsidize the LIHEAP Deferral program. Local agencies were able to apply for these funds on an as-needed basis and were asked to illustrate evidence of need.
 - **IIJA Second Block Grant:** The funds from the second block grant became available starting October 1, 2022, and are required to be obligated before or on September 30, 2024. DCED received a total of **\$830,185**. These funds were designated for crisis weatherization services. Also, like the first block grant, these funds were distributed to local agencies as needed. Funding distribution is not based on the LIHEAP formula allocation.
 - **BIL Grant:** U.S. DOE awarded funds of **\$93,020,533** with a five-year grant period, starting July 1, 2022, and DCED has until June 30, 2027, to use the funds.¹³
- **Continuing Resolution Supplemental Funds/Disaster Relief Supplement Appropriations Act of 2023 (DRSAA)¹⁴**

DCED received a total fund allocation of **\$14,704,827** for crisis weatherization services on an as-needed basis for local agencies, between September 30, 2022, and September 30, 2024.

Other Available Funding

DCED received additional U.S. DOE grant funding during the audit period for two other specific weatherization-related initiatives. The **Sustainable Energy Resources for Consumers (SERC)** grant, authorized under the American Recovery and Reinvestment Act of 2009, involves funding earmarked for a wide range of energy efficient and renewable energy technologies, specifically hybrid hot water heaters. DCED periodically received grants since 2009 and was awarded **\$500,000** in SERC funding during the audit period. U.S. DOE also awarded **\$836,068** to DCED

¹² IIJA, Pub. L. No. 117-058 (2021). The normal terms and conditions applicable to LIHEAP at 42 U.S.C. § 8621 *et seq.* and 45 CFR, Part 96 apply to these funds. At least ninety percent of the award must be obligated by September 30, 2022. Any amount of the remaining 10 percent that is carried forward into the following fiscal year must be obligated by September of 30, 2023.

¹³ The total U.S. DOE BIL funds allocated to DCED for the five-year period is \$186,041,067; however, DCED will not receive the remaining \$93,020,534, until it meets specific milestones. Additionally, DCED may request an extension during the final year of the period if its project plans exceed the five years. U.S. DOE will review all extension requests on a case-by-case basis.

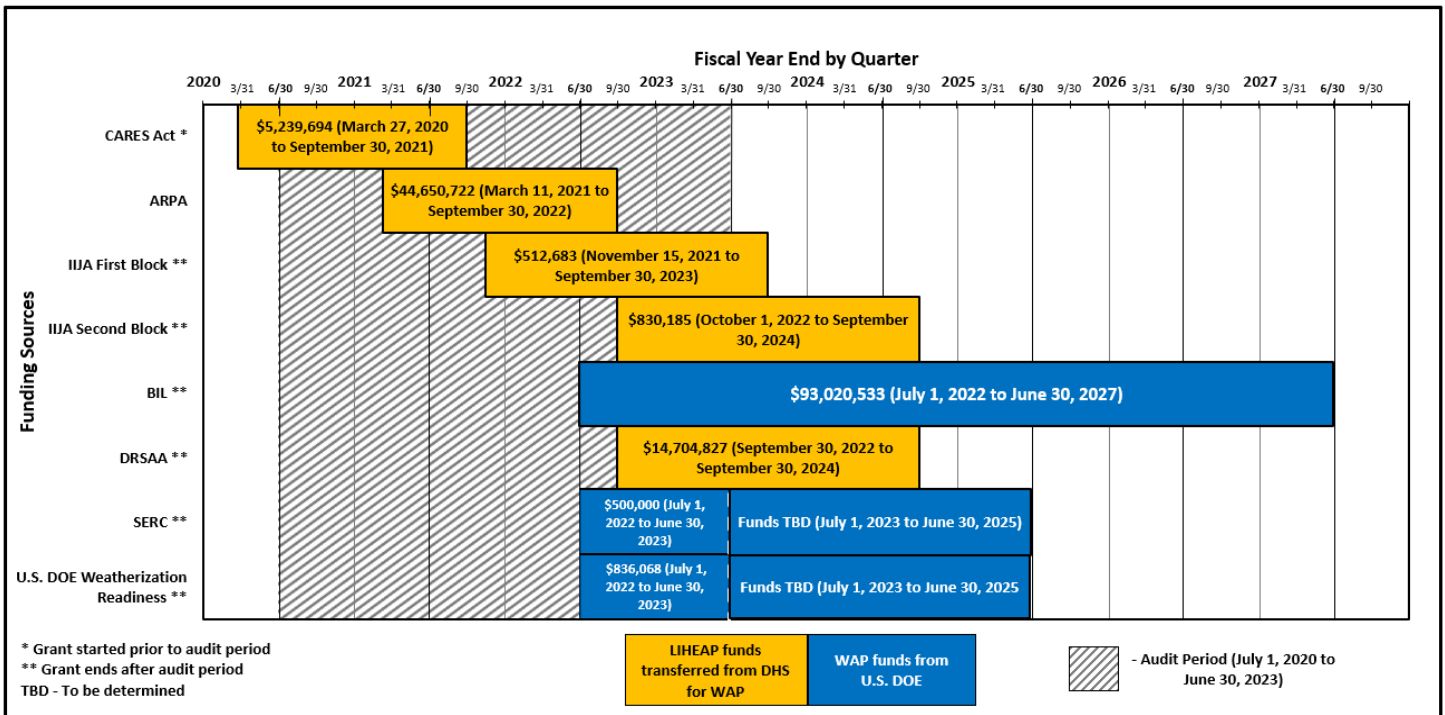
¹⁴ Continuing Appropriations and Ukraine Supplemental Appropriations Act, Pub. L. No. 117-180 (2023), signed into law on September 30, 2022; and Disaster Relief Supplement Appropriations Act, Pub. L. No. 117-328 (2023), signed into law on December 29, 2022.

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Department of Community and Economic Development Weatherization Assistance Program

for the **Weatherization Readiness Program (WRP)** through the Consolidated Appropriations Act of 2022. WRP funds are for home repairs needed prior to the installation of any weatherization services. Funds from SERC and WRP were available for use between July 1, 2022, and June 30, 2023. However, both grant periods extend until June 30, 2025, so DCED could receive more funding for these programs in subsequent program years, as indicated in the chart below.

The following chart shows the supplemental grant funds noted above, the amount awarded to DCED, and the end date of the award. Four of the grants remain open at the time of this report.



Source: Developed by Department of the Auditor General staff based on DCED grant documents.

WAP Monitoring

DCED contracts with local agencies to provide weatherization services using WAP grant funding it allocates for each program year. DCED must satisfy monitoring requirements outlined in the WAP and LIHEAP state plans and its policy.¹⁵ U.S. DOE stipulates annual monitoring requirements for DCED, and because federal law requires that DHS make certain of proper disbursement of LIHEAP payments, DCED provides its monitoring strategy to DHS for

¹⁵ 2020-2023 WAP State Plans; Center for Community Services Directive, W2022-07, DCED Monitoring of WAP Agencies, July 1, 2022.

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inclusion in the annual LIHEAP state plan.¹⁶ DCED's monitoring procedures include a review of WAP services provided to ensure that the services were conducted/installed properly and as needed.

DCED WAP staff performs monitoring of the local agencies on an annual basis. DCED's monitoring strategy includes the following components:

- Risk assessment process
- Financial monitoring reviews
- Program monitoring reviews

DCED conducts risk assessments of the local agencies annually using 26 descriptors/criteria that address the following categories:

- Management/Financial Reporting
- Production
- Contract Compliance
- Inventory
- Quality Control Inspections and Monitoring Results

DCED requires the local agencies to complete an Agency Annual Questionnaire during the process. Based on DCED's review of each local agency's questionnaire, it assigns a risk level and identifies areas for improvement. Local agencies prepare corrective action plans to address these areas for improvement, and DCED monitors the local agency's progress throughout the program year. DCED also implemented procedures during our audit period as a result of the COVID-19 pandemic. DCED instituted regular WAP network conference calls with the local agencies to monitor production and provide guidance on various topics, including how to manage operations during pandemic-related restrictions on business. DCED continues to hold these calls to discuss any issues related to the local agencies WAP operations, such as staffing levels and recruitment efforts, training opportunities, and pilot program guidelines.

DCED's WAP monitoring staff annually perform financial and program monitoring procedures of each local agency. Program monitors conduct on-site and desk reviews of local agency operations and perform QCIs of the services provided at WAP-client homes. DCED conducts QCIs at five percent of the homes completed using U.S. DOE funds and two percent completed using LIHEAP funds statewide each program year. DCED also completes monitoring review procedures at three percent of the homes that received weatherization crisis services during the program year. (*See Finding 2* for more details regarding monitoring.)

¹⁶ 42 U.S.C. § 8624(c).

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Department of Community and Economic Development Weatherization Assistance Program

Finding 1 – DCED acted to improve its oversight of local agencies’ waiting lists for weatherization services, and continued improvements will lead to a better-managed program.

As of June 30, 2023, the Pennsylvania Department of Community and Economic Development’s (DCED’s) Weatherization Assistance Program (WAP) had more than 2,250 clients determined eligible and waiting to receive weatherization services on local agency Weatherization Service Lists (service lists) statewide. An additional 15,700 names were included on the local agency’s Call/Inquiry Lists (call lists), where they record the names of prospective applicants for WAP services.¹⁷

A network of 35 local agencies receives federal grant funds through DCED to provide weatherization services to eligible low-income residents according to the U.S. Department of Energy (U.S. DOE) regulations.¹⁸ Properly maintaining and monitoring these lists is important to achieve the program’s intent to provide vulnerable citizens with needed weatherization services. In previous audits, we reported that individuals could remain on service and call lists for years due to DCED’s lack of adequate oversight.

As part of our procedures, we requested the service list and call list from each local agency as of June 30, 2023.¹⁹ We found that the number of names on the service lists and call lists decreased by approximately 6,000 and 14,300, respectively, from the numbers reported in our previous audit report dated June 14, 2018. This favorable decrease in the number of names on the lists suggests that DCED increased its oversight efforts.

We interviewed DCED management and evaluated documentation it provided to determine the cause of the change since the prior audit. We found that DCED did take steps to improve its oversight of the lists by expanding its annual risk assessments, but we could not identify a direct correlation between those steps and the decrease in the names on the lists. We did, however, review the reasonableness of the 2,250 names on the service lists as of June 30, 2023, which represents a snapshot in time since the service lists fluctuate throughout the year as people receive services and others are added after being determined eligible. We calculated that the local agencies completed an average of 2,261 homes per quarter during the 2022-23 program

¹⁷ The accuracy and completeness of the service lists and call lists received from the local agencies are of undetermined reliability, *see Appendix A*. We concluded, however, based on our review that they were sufficient for our purposes as a general comparison to the figures presented in the previous audit report and there is sufficient evidence in total to support our finding and conclusions.

¹⁸ *See* a listing of DCED’s WAP Local Agencies at *Appendix B*. See additional program information in the *Introduction and Background*.

¹⁹ We received 33 service lists and 34 call lists from DCED’s network of the 35 local agencies. One local agency did not respond to our request because it only provides crisis weatherization services, and another local agency only provided a call list.

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year. As a result, we believe having 2,250 names on the service list is reasonable to start the 2023-24 program year, understanding that the lists are fluid as explained above.

One notable improvement that we found DCED made was to its annual risk assessment of each local agency conducted as part of its WAP monitoring and oversight strategy.²⁰ Each January, the risk assessment process begins with the local agencies' submission of the Agency Annual Questionnaire, which addresses several functional areas of the local agencies' operations, including maintenance of service and call lists. During the 2020-21 program year, DCED incorporated the following new questions related to list management into the questionnaire:

- How many people are on your [service list] to receive WAP in Fiscal Year [20xx/20xx]?
- How many names do you have on your agency's [call list]?
- On average, how long does it take a client placed on the [service list] from the [call list] to receive weatherization services?
- Describe your client intake application process.

These questions allow DCED to identify local agencies that have a high number of names on their service list and call list and investigate the cause, although DCED does not obtain a copy of the actual lists. For example, it could indicate that the local agency is qualifying more people than it can serve during a program year or may need to purge stale/outdated information from its call list because DCED's policy does not require local agencies to periodically evaluate the age of the information. However, if DCED obtained the actual lists, it would provide a better understanding of the local agencies' operations, which could lead to the development of new policies and guidance and result in a better-managed program. DCED's oversight also serves as a valuable reminder to local agencies of the best practice of keeping all lists current.

We also found that DCED addresses local agency service or call list anomalies whenever identified. For instance, we reviewed documents showing that DCED questioned the size of Blair County Community Action Program's call list during its 2021, 2022, and 2023 risk assessments. DCED required the local agency to submit corrective action plans to reduce its list. As a result, the number of names on the call list decreased by approximately 400 between its 2021 and 2022 risk assessment, going from roughly 2,000 to 1,600 names, respectively. However, the local agency reported 1,800 names on its call list during the 2023 risk assessment, an increase of about 200 names. Although the issue persisted, DCED continued to address the concern and required the local agency to plan corrective actions as part of the annual risk assessment process. We reviewed DCED's risk assessment process regarding its efforts to maximize the impact of WAP funding and present our results in *Finding 3*. While DCED may become aware of a service list or call list issue at any time during the program year, DCED formally requests information from the local agencies only once per year.

²⁰ See additional information on DCED's risk assessment process in the *Introduction and Background* and *Finding 3*.

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Beyond improvements that DCED made to its annual risk assessments of local agencies and the Agency Annual Questionnaire, DCED took additional steps to help with the issue of large call lists. These steps further indicate DCED's increased awareness of and willingness to address this longstanding problem that we have presented in several prior audit reports since audit periods dating back to the late 2000s. During the current audit period, DCED:

- Updated its policy directive to require local agency call lists to include, at a minimum, the caller's name, address, phone number, and date of the call.
- Service and call lists were topics of discussion during weekly or bi-weekly WAP Network conference calls and regional meetings. DCED management provided documentation to support that these activities occurred.

We found that the steps DCED has taken illustrate an acknowledgement of the importance of properly managed service and call lists. We commend DCED on its actions and note that continued improvements directed specifically at DCED's monitoring would further be beneficial to the local agencies, the program as a whole, and the community the program aims to serve.

Recommendations for Finding 1

We recommend that the Pennsylvania Department of Community and Economic Development:

1. Consider requiring local agencies to provide more frequent updates on the status of their service lists and call lists during the WAP funding year, such as quarterly, to allow DCED management to make operational decisions based on the most current information, thereby maximizing the number of individuals who receive weatherization services during the year.
2. Obtain local agency service lists and call lists for review during the annual risk assessment process to evaluate compliance with DCED policy and obtain a more comprehensive understanding of local agency operations for the program year.
3. Develop a process for local agencies to routinely remove outdated information from call lists to retain only those individuals still interested in applying for weatherization services, which will allow management to make operational decisions based on more complete and reliable information. This process should be incorporated into the WAP Policy Directive.

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Finding 2 – DCED must improve WAP local agency monitoring procedures, tracking, and documentation to ensure compliance with U.S. DOE regulations and the approved state plans.

The U.S. Department of Energy (U.S. DOE) requires the Pennsylvania Department of Community and Economic Development (DCED) to annually monitor the local agencies that contract with DCED to provide Weatherization Assistance Program (WAP) services using U.S. DOE WAP grant funding. DCED also monitors the weatherization services completed using the local agencies' annual allocation of Low-Income Home Energy Assistance Program (LIHEAP) funds.²¹

DCED administered the program through WAP Policy Directives, Field Manuals, and Technical Guidelines during the current audit period of July 1, 2020, through June 30, 2023. WAP Policy Directive #W2022-07 describes DCED's process of monitoring local agencies, which includes annual financial and program monitoring, risk assessments, and procedures for addressing noncompliance with WAP policy and weak program performance. However, we noted the policy directive does not include specific monitoring procedures that DCED's staff perform or the monitoring supervisory process. According to responses to our previous audit report issued July 2018, DCED planned to develop a full WAP Policy and Procedures Manual. However, DCED management stated that the manual has not been completed as of the conclusion of our audit procedures and indicated the manual should be finalized before our next mandated audit.

The WAP Monitoring Policy Directive states that DCED annually performs financial reviews and program operational monitoring reviews of each local agency, which includes Quality Control Inspections (QCIs) of weatherized homes and reviews of crisis weatherization services, such as the emergency repair of an inoperable heating system. As part of our procedures, we reviewed DCED's monitoring processes and evaluated the monitoring results for a selection of 12 financial reviews and 10 program monitoring summary reports conducted of the 35 local agencies during the audit period.²²

DCED conducts financial and program monitoring reviews separately using DCED financial monitoring staff and WAP program monitors, respectively. As a result of our audit procedures coupled with the lack of documented monitoring procedures, we found the following issues, which are discussed in detail in the subsequent sections:

²¹ See a description of the WAP and LIHEAP State Plans in the *Introduction and Background*.

²² Twelve financial monitoring reviews and ten program monitoring reviews were judgmentally selected for the monitoring DCED conducted of 35 local agencies during the audit period. Our methodology is further explained in the respective subsections of this finding and described in *Appendix A*.

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- DCED failed to complete financial monitoring reviews for 3 of the 35 local agencies during the 2020-21 program year and issued the monitoring reports late for another 3 local agencies during the 2021-22 program year; however, DCED adequately performed the financial reviews for the 12 local agencies we tested.
- DCED failed to complete the required minimum number of QCI reviews for the following:²³
 - Homes completed using U.S. DOE funding as of June 30, 2022; and
 - Homes completed using LIHEAP-Standard funding as of September 30, 2021.
- DCED failed to formally verify and document local agencies' adherence to WAP client prioritization, and also lacked adequate documented procedures regarding the program monitoring and supervisory review process.

DCED failed to complete financial monitoring reviews for 3 of the 35 local agencies during the 2020-21 program year and issued the monitoring reports late for another 3 local agencies during the 2021-22 program year; however, DCED adequately performed the financial reviews for the 12 local agencies we tested.

According to DCED management, it conducts annual WAP financial monitoring of each local agency during the program year, between July 1 and June 30, with a goal of issuing all reports by the end of August. Based on a review of DCED's tracking spreadsheet, we found, however, that DCED did not complete financial monitoring reviews for 3 of the 35 local agencies during the 2020-21 program year. DCED conducted annual financial monitoring for each local agency for the 2021-22 and 2022-23 program years.

DCED management explained that the COVID-19 pandemic caused staffing shortages at two local agencies during the 2020-21 program year that prevented DCED from completing WAP financial monitoring procedures for that year. DCED provided emails to illustrate the long delays and difficulties it experienced in obtaining the information needed for the reviews. Consequently, DCED management stated that it conducted two-year reviews for these local agencies during the 2021-22 monitoring cycle. However, DCED management admitted that the monitoring reports and correspondence issued for those local agencies did not indicate the two-year scope of review

²³ A QCI is an on-site inspection of the weatherization services a WAP local agency provides at a residence, funded by U.S. DOE and/or LIHEAP-Standard weatherization funds, to ensure that all work completed meets the minimum specifications outlined in the Standard Work Specification in accordance with 10 CFR Part 440 (Weatherization Assistance for Low-Income Persons). See also <https://www.energy.gov/scep/wap/quality-work-plan-inspections> (accessed May 13, 2024).

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due to an oversight during the report review process, resulting in insufficient evidence to support DCED's monitoring of the two-year period.

DCED management further explained that financial monitoring was overlooked for one local agency because DCED's staff transitioned to telework due to the COVID-19 pandemic. Management also stated that its staff experienced an increased workload due to the significant amount of CARES Act funding it needed to manage.²⁴

We also found that DCED issued financial monitoring reports for three local agencies after August 31, missing its goal for the program year 2021-22. DCED issued two reports in mid-September 2022, and the third in late November 2022. DCED management stated that one report was delayed because the local agency did not provide information timely, and a staff performance issue caused the other two reports to be late. Noncompliance with its financial monitoring strategy for issuing timely reports could impact DCED's financial monitoring schedule and allow fiscal issues to continue at the local agencies for extended periods.

We further judgmentally selected 12 of 35 local agencies to review WAP financial monitoring documentation completed by DCED staff. Our selection included four reports from each of the three years of the audit period. We found that DCED's financial monitoring procedures were adequately performed with evidence of supervisory review, supported the issued reports, and agreed to the information maintained on the monitoring tracking spreadsheet. However, DCED used financial monitoring checklists and templates to complete its reviews without having written standard procedures.

The WAP Policy Directive on monitoring only states that annual financial reviews will be conducted and includes a copy of a checklist. Documenting a standard financial review process, to include supervisory review procedures, would ensure staff consistently apply procedures designed to verify local agency compliance with applicable regulations and policies. It would also improve DCED's administrative control of the financial review process. DCED management explained that a WAP Policy and Procedures Manual should be finalized prior to the next audit.

While we found financial monitoring deficiencies noted during the first two years of the audit period, no compliance issues were identified for the 2022-23 program year. This supports DCED's explanation that noncompliance occurred largely due to the pandemic's impact on business operations during the fiscal years ended 2021 and 2022. DCED management noted that U.S. DOE accepted its efforts to complete its WAP monitoring obligations under the unprecedented circumstances caused by the pandemic.

²⁴ CARES Act, Public Law 116-136 (2020). This act established funds for use in home energy assistance to help, prevent, prepare for, or respond to the coronavirus. This funding, as well as other supplemental funding received during the audit period is further explained in the *Introduction and Background* section, as well as in *Finding 3*.

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DCED failed to complete the required minimum number of QCI reviews for homes completed using WAP U.S. DOE funding as of June 30, 2022, and homes completed using LIHEAP-Standard funding as of September 30, 2021.

DCED's program monitoring of local agencies includes verification of the required QCIs for every weatherized home. QCIs ensure local agency workers/subcontractors perform quality weatherization services designed to increase the home's energy efficiency, ease the burden of high energy costs on low-income households, and protect the health and safety of vulnerable Pennsylvanians. This program monitoring work requires DCED's monitoring staff to visit homes that the local agencies weatherized. The then Governor's COVID-19 mandates that prohibited travel for state employees impacted DCED's program monitoring. Consequently, WAP monitors did not conduct on-site monitoring procedures from March 16, 2020, to July 26, 2021.

U.S. DOE requires DCED to describe its monitoring approach in the annual WAP application that becomes part of its approved State Plan and to complete on-site QCI reviews for at least five percent of the homes weatherized statewide using U.S. DOE grant funds for each WAP program year, which runs from July 1 through June 30.²⁵ Additionally, DCED's policy directive indicates that it performs QCI reviews of at least two percent of homes weatherized using LIHEAP-Standard weatherization funds and uses a combination of desk and on-site monitoring of at least three percent of homes serviced with LIHEAP-Crisis weatherization funds. We found, however, that DCED did not conduct the number of QCI reviews required to meet these percentages for portions of the audit period.

DCED maintained a monitoring tracking spreadsheet for the WAP program monitoring reviews conducted during the program year to ensure that it conducted QCI reviews for the required percentage of completed homes. The spreadsheet listed the number of homes (also referred to as "projects") that DCED monitored for each local agency by funding source.

Due to the COVID-19 pandemic, U.S. DOE twice extended the 2017 three-year grant agreement with DCED for an additional year, moving the ending date to June 30, 2022. These extensions enabled DCED to combine three years of monitoring activities for the 2019-20, 2020-21, and 2021-22 program years to satisfy the five percent monitoring requirement, which could not be achieved annually due to pandemic-related restrictions on businesses and state employee travel. Similarly, for LIHEAP, DCED combined its monitoring efforts for the 2019-20 and 2020-21 LIHEAP years with these two years, resulting in a combined period to expend funds during the two-year period October 1, 2019, through September 30, 2021. Based on DCED's program monitoring tracking spreadsheet, the table below shows DCED's U.S. DOE, LIHEAP-Crisis, and LIHEAP-Standard weatherization monitoring activity by program year(s).

²⁵ U.S. DOE Weatherization Program Notice 20-4, *Weatherization Assistance Program Monitoring Procedures*, January 22, 2020.

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DCED Program Monitoring Activity

U.S. DOE				
Program Year(s)	Homes Completed	Monitoring		Monitoring Requirement Achieved
		5% Required	Completed	
2019-20; 2020-21; 2021-22 (Combined - 3 years)	4,306	215	186	NO
2022-23	1,218 [^]	61	125	Yes
LIHEAP-Crisis				
Program Year(s)	Homes Completed	Monitoring		Monitoring Requirement Achieved
		3% Required	Completed	
2019-20; 2020-221 (Combined - 2 years)	14,801	444	490	Yes
2021-22	9,357	281	449	Yes
2022-23	7,426	223	377	Yes
LIHEAP-Standard				
Program Year(s)	Homes Completed	Monitoring		Monitoring Requirement Achieved
		2% Required	Completed	
2019-20; 2020-21(Combined - 2 years)	963	19	3	NO
2021-22	585	12	47	Yes
2022-23	400	8	72*	Yes

* - The 2022-23 LIHEAP State Plan allowed desk reviews DCED conducted virtually to be counted in the two percent monitoring requirement calculation; thus, this amount includes 56 on-site QCIs and 16 desk reviews.

[^] - Subsequent to completing our audit procedures but prior to issuing this report, DCED disclosed to us that one local agency reported 126 of 140 homes, or 90 percent, as complete during the program year 2022-23 without completing the required QCIs for these 126 homes. DCED's routine annual local agency program monitoring visit in June 2023 did not uncover this issue. It was identified during a U.S. DOE site visit to the local agency in September 2023. See additional information presented in Appendix D. This issue does bring into question the number of homes actually completed for 2022-23 but does not impact DCED's compliance with U.S DOE requirements to conduct QCI reviews of at least five percent of the U.S. DOE-funded homes. Source: Prepared by Department of the Auditor General staff from DCED- program monitoring tracking spreadsheet. Although this spreadsheet contained errors as noted below and in Appendix A, there is sufficient evidence in total to support our finding and conclusions.

As shown in the preceding table, DCED satisfied the U.S. DOE monitoring requirement for the 2022-23 program year only. For the three-year combined period of 2019-20 to 2021-22, DCED originally reported to U.S. DOE that it achieved the five percent requirement, but later realized that its monitors only conducted on-site monitoring of 186 homes and performed desk reviews for 75 others when DCED monitors worked from home during the pandemic.²⁶ DCED struggled

²⁶ U.S. DOE requires DCED to conduct on-site QCI program monitoring reviews of at least five percent of homes weatherized using U.S. DOE funding. During the pandemic, DCED completed desk reviews while its monitors were

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to accurately track the number of projects monitored for each funding type. As a result of our inquiry, DCED discovered that the program monitoring tracking sheet contained incorrect calculations.²⁷

DCED also acknowledged that the monitoring tracking sheets were not fully complete or accurate during the previous audit. Management stated it was working to fix the problem and planned to include the monitoring tracking process with the written standard operating procedures for monitoring in the WAP Policy and Procedures Manual. As noted previously, this manual has not yet been completed through the end of our audit procedures for the current audit. The lack of a formally documented process to maintain an accurate tracking spreadsheet that includes supervisory review procedures increases the risk that the information will be inaccurate and unreliable.

DCED noted that the impact of the pandemic on local agency operations and program monitor staffing changes at its office led to the reporting error. DCED explained to U.S. DOE in a July 2023 email that it was working to improve its tracking process to ensure the accuracy of the monitoring figures reported and were confident the 2022-23 amounts would be accurate. We did not discover any discrepancies with those amounts based on our procedures. Although DCED fell short of meeting the required percentage by 29 monitoring reviews for the 2019-20 to 2021-22 years, DCED stated that U.S. DOE did not request additional reviews be completed.

Similarly, we found that DCED did not meet the two percent monitoring requirement of LIHEAP-Standard weatherization projects for the combined two-year period 2019-20 and 2020-21. DCED management explained that only three homes received an on-site QCI monitoring visit due to pandemic-related restrictions on state employees' travel and program monitoring staff turnover, which created challenges when it restarted on-site monitoring activities in August 2021. According to its program monitoring tracking sheet, DCED also completed 44 desk reviews of homes weatherized using LIHEAP-Standard funds over the two-year period; however, desk reviews do not count towards the two percent monitoring requirement.²⁸ Consistent with U.S. DOE monitoring, DCED was only noncompliant for the time during the pandemic restrictions and met the required monitoring percentages for LIHEAP-Standard funded projects for the last two years of the audit period.

not permitted to travel to complete on-site QCIs in order to ensure work of local agencies was being completed; however, these desk reviews do not count towards the on-site monitoring requirement.

²⁷ DCED stated that although the individual amounts of projects monitored for each local agency were correct, two formulas that totaled numbers from multiple columns were incorrect. *See* additional information in the Data Reliability section of *Appendix A*. Although the errors may impact the precision of the results discussed, there is sufficient evidence to support our finding and conclusions.

²⁸ The 2022-23 LIHEAP State Plan allowed desk reviews DCED conducted virtually to be counted in the two percent monitoring requirement calculation.

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DCED failed to formally verify and document local agencies' adherence to WAP client prioritization, and also lacked adequate documented procedures regarding the program monitoring and supervisory review process.

During our review of DCED's program monitoring, we found no evidence that DCED monitoring staff verified that local agencies weatherize clients' dwellings according to the priority points assigned in the Hancock Energy System (HES). U.S. DOE regulations require DCED to ensure local agencies prioritize the clients who qualify for WAP, so the clients with greatest need receive services first.²⁹ DCED utilizes HES to calculate priority points for each project based on the information input by the local agencies. Priority points are given to households with:³⁰

- Elderly persons
- Persons with disabilities
- Children
- High residential energy usage
- High energy burden (costs)

While DCED management acknowledged that no formal, documented monitoring procedures exist to ensure local agencies comply with the client prioritization requirement, DCED stated that its monitors view the HES priority points and would address anything that appeared questionable related to the priority ranking. DCED also noted that some deviation is allowable and expected under certain circumstances, such as the unavailability of weatherization subcontractors.

We agree that some deviation from the priority list may occasionally be appropriate but emphasize that DCED should require the local agencies to document the reasons for any deviations. Lacking written procedures and documentation to ensure local agencies comply with U.S. DOE's client prioritization requirement prevents outside parties, such as auditors, from verifying and evaluating the monitoring procedures conducted and determining whether staff consistently apply them during every monitoring review.

Similar to the financial monitoring process previously described, DCED program monitoring staff used checklists to conduct procedures at the local agencies and document QCI reviews at WAP-client homes required by U.S. DOE regulations. DCED issues WAP Program Monitoring Summary reports (program monitoring reports) to the local agencies to communicate the monitoring results and request corrective action plans to address identified deficiencies or noncompliance with WAP regulations/policies.

²⁹ 10 CFR 440.16(b).

³⁰ Ibid.

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We reviewed DCED's WAP program monitoring tracking spreadsheets maintained for each year of the audit period and judgmentally selected 10 program monitoring reports.³¹ From the 10 program monitoring reports, we judgmentally selected 60 individual projects DCED reviewed as part of its program monitoring procedures, which included:³²

- 26 U.S. DOE-funded projects
- 28 LIHEAP-Crisis projects
- 6 LIHEAP-Standard projects

We verified that the DCED program monitors properly completed the monitoring process to ensure the weatherization services provided complied with the applicable laws, regulations, policies, and guidelines. We found the program monitoring conclusions agreed with the detailed results and the program monitoring reports were signed by the monitoring supervisor. We also agreed project information maintained in HES to WAP program monitoring documents with one exception, as described in a bullet below. Further, we found DCED properly communicated the monitoring results to the local agencies, which timely provided corrective action plans to address the findings and recommendations in the program monitoring reports.

However, as previously noted, we found that the WAP policy directive which outlines DCED's monitoring processes does not include detailed procedures, including the methodology used to select individual projects to review and the supervisory review of DCED's program monitoring activities, nor does it include procedures that determine whether local agencies weatherize homes according to the client prioritization noted in HES. As a result of our review of DCED's program monitoring, we noted the following areas of concern that should be improved:

- The WAP policy directive on monitoring lacks written procedures and methodology to document how DCED monitoring staff select the projects to conduct on-site QCI reviews as part of a local agency's monitoring visit. Consequently, outside entities, such as auditors, are not able to evaluate the effectiveness of the selection process and ensure DCED consistently and objectively selects projects without local agencies manipulating the selection. DCED management disagreed with our recommendations included in two prior performance audits since 2007, to develop written procedures stating that it does not consider it useful to have its monitoring staff document their methodology as to how the individual projects were selected for review. Management explained projects are selected based on a combination of factors, such as high costs, type of services, higher risk projects, and property ownership; however, the monitors do not document why specific projects were selected. Additionally, DCED stated that its monitoring staff frequently

³¹ We judgmentally selected 10 of the 35 local agencies from the program monitoring tracking spreadsheet based on our assessed risk and auditing guidelines to ensure geographic coverage of the Commonwealth and include various sizes of local agencies.

³² We judgmentally selected 60 individual WAP projects to ensure coverage of the three types of project funding available to the local agencies during the audit period.

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need to adjust their plans as they conduct procedures at the local agency because accessing homes depends on client cooperation and availability. According to management, creating a required methodology to choose units will create time management challenges for the DCED monitoring staff. We disagree and emphasize that developing an objective selection methodology that ensures local agencies do not influence DCED's selection is necessary to reduce the risk that local agency personnel could conceal inappropriate activity. This is supported by the fact that DCED's annual program monitoring failed to discover that a local agency had reported 90 percent of its projects as complete in the 2022-23 program year none of which had completed the required QCI. Subsequent to completing our audit procedures but prior to issuing this report, DCED disclosed to us that it determined this local agency reported 126 of 140 homes as complete without completing the required QCIs. According to DCED management, when the local agency reported its U.S. DOE-funded projects in HES, it selected an option that indicated the projects did not require a QCI. DCED set up this option in HES for LIHEAP-Crisis projects only, which do not receive QCIs; however, the option was not restricted to solely those projects, thus allowing the local agency to report the projects as completed without the required QCIs. See further details described in *Appendix D*.

- Supervisors did not adequately review all aspects of the program monitoring reports, including ensuring all documents were loaded in HES. In one instance, we found a local agency uploaded photos instead of the required QCI report. We brought this to DCED's attention, and the local agency subsequently provided the missing QCI report. The local agency simply made a mistake when it uploaded the project documents. A thorough review of the entire program monitoring documentation, including required documents in HES, would have identified this error.
- Program monitoring reports lacked consistency, even though the monitoring staff used a template for completion. For example, some monitors listed the project numbers on the first page of the program monitoring report for each QCI reviewed for the local agency, while others only listed the project numbers when issues were found. Including the project numbers at the beginning of every program monitoring report would help the reviewer determine if the proper number of projects were reviewed.

The development of formal, written standard procedures to include supervisory review procedures is needed to strengthen DCED's control over its monitoring processes. It would improve accountability and allow external auditors to complete a more comprehensive evaluation of its monitoring processes, which could potentially lead to more specific recommendations.

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Overall Conclusion

Failing to meet monitoring requirements could jeopardize DCED's grant funding for WAP in the future, which could limit the number of residents served. However, having complete written procedures that include steps for tracking completion of required financial and program monitoring, verifying that local agencies properly prioritize clients, selecting individual projects to review as part of program monitoring, and supervisory review procedures would help ensure that DCED complies with the requirements.

Recommendations for Finding 2

We recommend that the Department of Community and Economic Development:

1. Finalize, approve, and implement its full WAP Policy and Procedures Manual to include operating procedures related to DCED's financial and program monitoring to ensure compliance with U.S. DOE regulations and policies and to strengthen its administration and oversight of WAP.
2. Ensure DCED meets the U.S. DOE and WAP policy monitoring percentage requirements for QCI reviews by providing adequate oversight of the monitoring tracking spreadsheets to confirm accurate information is maintained and reported.
3. Revise its financial monitoring report template to clearly indicate the period covered by the financial review.
4. Improve its program monitoring process by:
 - a. Developing a written project selection methodology that ensures DCED objectively selects projects to monitor without the risk of manipulation by the local agencies.
 - b. Providing its monitoring staff with training to ensure the project selection methodology is properly and consistently applied for every local agency's annual program monitoring visit.
 - c. Requiring program monitors to document why individual projects were selected for the program monitoring reviews to ensure compliance with the selection methodology.
5. Immediately take action to limit the local agencies' ability to designate QCIs as 'Not Applicable' or 'Not Required' in HES for any WAP projects, other than LIHEAP-Crisis

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funded projects, to eliminate the risk of local agencies incorrectly reporting projects as complete, whether intentionally or accidentally, before conducting a satisfactory QCI.

6. Develop detailed supervisory review procedures for both program and financial monitoring to ensure that monitoring supervisors adequately and consistently review DCED's monitoring documentation to include the project selection, monitoring checklists and supporting documents, monitoring summary reports, and monitoring tracking spreadsheets.
7. Add steps to the program monitoring checklists to ensure that monitors verify that the local agencies adhere to the client prioritization requirement by using the priority points in HES and adequately document any deviations from the priority points ranking.

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Finding 3 – DCED returned \$8.5 million to the federal government as it faced difficulties spending the influx of new federal funding for the Weatherization Assistance Program under extraordinary circumstances due to the pandemic.

The Pennsylvania Department of Community and Economic Development (DCED) faced significant pandemic-related challenges operating the Weatherization Assistance Program (WAP) during the audit period of July 1, 2020, through June 30, 2023. DCED worked closely with its network of 35 local agencies to ensure residents in need continued to receive weatherization services while restrictions on business operations were in place. Local agencies also struggled to deliver services and retain employees during this time.

From mid-March 2020, through early Summer 2020, WAP service contractors were unable to access homes to perform weatherization services. According to DCED management, the operational restrictions forced local agencies to lay off workers, which subsequently led to staff shortages after the restrictions ended. At the same time, there was an increased need for weatherization services due to rising energy costs. Management also cited a new worker certification requirement from the U.S. Department of Energy (U.S. DOE) in March 2019, as another factor that slowed WAP production. The mandate required all certified Quality Control Inspectors to also obtain an Energy Auditor certificate. Without a sufficient number of dual-certified inspectors available to finalize the work, local agencies' production slowed.

Staffing levels at DCED added to the difficulties it faced during the audit period, specifically related to WAP program monitoring requirements. Staffing shortages affected DCED's program monitoring capabilities just as on-site monitoring at WAP-client homes resumed in August 2021.³³ DCED filled two vacant monitoring positions by December 2021, but management noted that training and the QCI certification process took time.

To address the national economic impact of the pandemic, the federal government released significant new funding to support various state services and programs, including WAP. For the three-year audit period ended June 30, 2023, DCED received approximately \$143.9 million of traditional WAP funding, with an additional influx of \$160.3 million of pandemic recovery funds. This supplemental funding more than doubled the amount of funds traditionally available for WAP.³⁴ In the following sections, we present a summary of the supplemental funds and describe the actions DCED took to maximize the impact of the available funding.

³³ See a summary of DCED's monitoring activities in *Finding 2*.

³⁴ See the traditional annual funding allocations from U.S. DOE and DHS in the *Introduction and Background* section.

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DCED received \$160.3 million of supplemental WAP funding during the audit period.

The federal government provided new sources of WAP funding through pandemic-related economic stimulus legislation, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, American Rescue Plan (ARPA) Act of 2021, and Infrastructure Investment and Jobs (IIJA) Act of 2021, also known as the Bipartisan Infrastructure Law (BIL), in addition to the traditional funding, as listed in the table below.³⁵ DCED also received funds for specific U.S. DOE program initiatives, such as the Weatherization Readiness Program and Sustainable Energy Resources for Consumers Grants (SERC), as shown in the table below. In response to receiving this significant increase, DCED amplified its efforts to help local agencies maximize the impact of the supplemental funding.

WAP Funding					
Funding Source	Award Period	Award Amount	Grant Activity through FYE 6/30/2023		
			Amount Expended	Funds Returned	Percent of Funds Returned
Traditional Funding					
U.S. DOE Grants	7/1/2020 – 6/30/2023	\$55,449,079	\$50,480,229	\$5,807,371*	10.5%
DHS Transfers (LIHEAP funds)	10/1/2020 – 9/30/2023	\$88,438,869	\$71,705,536	N/A	N/A
Total Traditional Funding		\$143,887,948	\$122,185,765	\$5,807,371	N/A
Supplemental Funding					
Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 ³⁶	3/27/2020 – 9/30/2021	\$5,239,694	\$5,239,694^	\$0	0.0%
American Rescue Plan Act (ARPA) of 2021	3/11/2021 – 9/30/2022	\$44,650,722	\$42,000,208	\$2,650,514	5.9%
Infrastructure Investment and	11/15/2021 – 9/30/2024	\$1,342,868	\$1,104,342	N/A	N/A

³⁵ The IIJA Act of 2021, also known as the BIL, provided supplemental WAP funds directly from U.S. DOE and transferred from DHS. See a description of the supplemental funding sources in the *Introduction and Background*.

³⁶ The \$160.3 million of supplemental funding includes \$5.2 million from the CARES Act of 2020, transferred from DHS in May 2020, a month and a half prior to the beginning of the audit period; however, DCED expended more than 99 percent of these funds during the audit period.

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Jobs Act (IIJA) of 2021					
Bipartisan Infrastructure Law (BIL) Grants	7/1/2022 – 6/30/2027 ^b	\$93,020,533	\$3,270,012	N/A	N/A
Weatherization Readiness Program	7/1/2022 – 6/30/2025	\$836,068	\$397,356	N/A	N/A
Sustainable Energy Resources for Consumers Grants (SERC)	7/1/2022 – 6/30/2025	\$500,000	\$1,083	N/A	N/A
Disaster Relief Supplemental Appropriations Act (DRSAA) of 2023	10/1/2022 – 9/30/2024	\$14,704,827	\$7,002,407	N/A	N/A
Total Supplemental Funding		\$160,294,712	\$59,015,102	\$2,650,514	N/A
Total Funding – All Sources		\$304,182,660	\$181,200,867	\$8,457,885	N/A
<p>* - Includes \$838,521 from funds awarded prior to July 1, 2020, as part of the U.S. DOE five-year grant period that ended on June 30, 2022. U.S. DOE executes WAP grants every three years and awards funding annually. However, U.S. DOE extended DCED’s grant period from three years to five years for the grant beginning on July 1, 2017, due to the pandemic.</p> <p>^ - Amount includes \$4,142 expended prior to July 1, 2020, to show no CARES Act funds returned.</p> <p>N/A – Not applicable, grant period of availability still open at the end of our audit period, June 30, 2023, and therefore, future returned funds, if any, are yet to be determined.</p> <p>^b - DCED may request an extension during the final year of the period if its project plans exceed the five years. U.S. DOE will review all extension requests on a case-by-case basis.</p> <p>Source: Developed by the Department of the Auditor General staff from U.S. DOE and DHS grant award documents and the Commonwealth’s accounting system (SAP).</p>					

As shown in the table above, DCED expended more than \$181.2 million during the audit period, which included approximately \$59.0 million in supplemental funding and nearly \$122.2 million in traditional WAP funding. Additionally, we found that DCED returned approximately \$8.5 million of unspent funds during the three-year audit period. This amount included \$5.8 million of traditional WAP funding. It also included \$2.7 million of unspent supplemental funds, or 5.4 percent, of the combined \$49.9 million (CARES Act and ARPA funds) that needed to be expended within the audit period.³⁷

As of June 30, 2023, more than \$16.7 million of traditional WAP funding and \$98.6 million of supplemental funds remained unspent and expires between September 30, 2023, and June 30,

³⁷ We calculated that DCED could have weatherized an additional 1,090 homes with the unspent funds by dividing the amount returned of \$8,457,885, by the state’s average cost per dwelling of \$7,760, during the 2021-22 program year when the funds expired.

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2027, depending on the grant. For example, the BIL provided funds totaling just over \$93.0 million that may be expended through June 30, 2027.³⁸

DCED's Efforts to Increase WAP Spending and Maximize the Impact of New WAP Supplemental Funding.

Although DCED returned unspent funds, we noted DCED took measures during the audit period to adjust the WAP fund allocations provided to local agencies and closely monitor the weatherization activities of the local agencies to maximize the benefits from the available funding, as follows:

- Conducting WAP Network Calls
- Prioritizing time-sensitive funds
- Withholding half of the annual allocations from low-performing local agencies
- Updating the U.S. DOE funding allocation formula
- Reallocating available WAP funds
- Expanding and creating program initiatives

We describe these items in the sections that follow. Despite these measures, DCED should redouble its efforts to maximize the impact of the \$98.6 million of supplemental WAP funding that expires between June 30, 2024, and 2027.

Conducting WAP Network Calls

According to DCED management, the efforts to maximize the impact of weatherization funds began with increased communication with the local agencies by routinely holding WAP Network Calls with the local agencies. DCED conducted weekly calls with the local agencies from May 2020 through July 2021, when the calls switched to a biweekly basis. DCED used Microsoft PowerPoint presentations to document the topics discussed so any local agency that could not join the call could access the presentation materials and follow up with DCED if it had questions. One topic discussed on the calls included the current WAP production numbers using expenditure/production reports, which DCED created so the local agencies would understand the current status of available and expended funds for the program year. Local agencies could state their need for additional funding from other local agencies that may have excess funds available, and DCED would facilitate the transfer. The calls also provided an opportunity for local agencies to hear about the challenges other local agencies experienced and how they handled them. According to DCED management, this open communication between the local agencies and

³⁸ I.e., IIJA Act of 2021.

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DCED WAP personnel was an integral component of its efforts to maximize use of the significant increase in available funding during the audit period.

We judgmentally selected and reviewed the PowerPoint presentations for 24 of 101 calls held between July 1, 2020, and June 30, 2023, ensuring that we selected network calls from each year of the audit period. We found that each presentation included various topics including, but not limited to, local agency operational status, DCED monitoring of local agencies and risk assessments, and local agency employment opportunities. Most importantly, we found evidence that DCED communicated regularly with local agencies concerning expenditures/production activities and availability of program funds.

Prioritizing time sensitive funds

Another strategy DCED utilized to maximize the available funds involved delaying the allocation of the traditional LIHEAP funding transferred from DHS for the 2021-22 program year. DCED instead allocated the LIHEAP-ARPA funding to the local agencies for the 2021-22 year because those funds could only be spent through September 30, 2022. Despite DCED's efforts, it had to return approximately \$2.7 million of ARPA funds that could not be spent by the deadline. DCED management explained that having only 13 months to spend more than \$44.6 million of ARPA funds was not sufficient time, especially as local agencies were experiencing a shortage of qualified workers.

Withholding half of the annual allocations from low performing local agencies

DCED conducts an annual risk assessment to gauge the performance of each local agency, which includes the agency's production, as well as program compliance.³⁹ The information gathered during this process allows DCED to identify and address potential issues and minimize the effects on a local agency's operation, which DCED considers as a method to maximize WAP funding by averting noncompliance with WAP policies and lackluster performance.

DCED ranks the local agencies as low, medium, or high risk based on its evaluation of the local agencies' operations, compliance with regulations, and quality of the provided services. DCED may withhold 50 percent of a local agency's annual allocation if it is assessed as medium or high risk with unresolved deficiencies and/or persistent low performance. DCED management stated that it is easier to allocate the remaining 50 percent later, as needed, than it is to pull back unspent funds.

DCED works with the local agencies to implement corrective actions that address the reasons DCED withheld half of the annual allocations so it can distribute the remaining half at some point during the year. DCED initially withheld part of the annual allocation of three local

³⁹ See additional information about DCED's annual Risk Assessment process in the *Introduction and Background*.

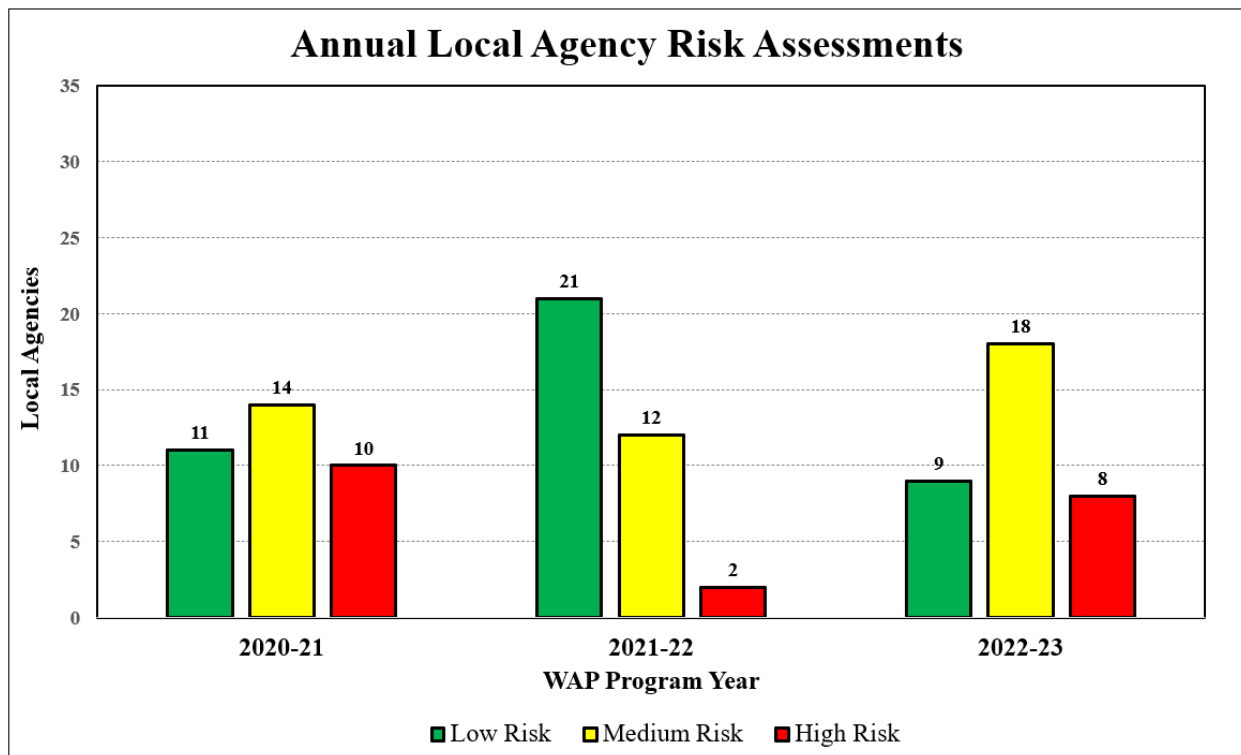
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agencies for the 2020-21 program year and four local agencies during the 2021-22 program year. DCED evaluated their performance during the risk assessment process conducted at mid-year and determined the local agencies did not meet sufficient production levels to receive the remaining half of their annual allocation. DCED management explained that during that time, local agencies were still rebuilding their production capacity from the impact of the pandemic.

One example of the steps DCED took to help maximize the use of available funds involved announcing to the WAP local agency network in January and February of 2022 of the availability of \$2.1 million in U.S. DOE funds and urging the local agencies to utilize the opportunity. One local agency requested approximately \$150,000, which DCED approved. DCED distributed the remaining U.S. DOE funds to the other local agencies using the U.S. DOE allocation formula in an effort to ensure the funds were utilized.

We recognize DCED’s utilization of the risk assessment process to oversee the use of WAP funds. We compared the assessed risk levels for each of the 35 local agencies for the 2020-21 through the 2022-23 program years to evaluate the effectiveness of DCED’s process conducted during the audit period, as shown in the following chart.⁴⁰



⁴⁰ We did not perform a detailed analysis of the risk assessments DCED conducted during our audit period; therefore, we do not offer any explanations for the changes, nor did we determine or assess the steps DCED took to help improve local agencies’ risk levels.

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Source: Developed by the Department of the Auditor General staff from individual Annual Local Agency Risk Assessment reports provided by DCED. The Local Agency Risk Assessment reports data is of undetermined reliability as noted in Appendix A. However, the data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings and conclusions.

Overall, our trend analysis found some improvements over the three-year period with 8 local agencies assessed by DCED as high risk during the 2022-23 program year, which was down from 10 local agencies assessed as high risk during the 2020-21 program year. However, with 26 local agencies assessed as either high risk or medium risk during the 2022-23 program year, DCED has the opportunity to continue utilizing its risk assessment process and working with local agency management to lower the assessed risk, which would indicate reduced instances of noncompliance with WAP policies and improved program performance. Having local agencies consistently provide weatherization services at a high level in terms of program compliance, service quality, and productivity is critically important to the success of WAP. DCED must continually evaluate its network of local agencies and consider additions/replacements to ensure WAP adapts to changing operational conditions to maximize the impact for residents in need of assistance.

Updating the U.S. DOE funding allocation formula

In response to findings included in our prior audit reported dated June 14, 2018, DCED management formed a committee in 2019, consisting of representatives of the Pennsylvania Public Utility Commission, Pennsylvania Utility Law Project, and six local agencies, to update the U.S. DOE funding allocation formula DCED uses to distribute the annual U.S. DOE funding to the local agencies for WAP operations. In December 2021, the committee presented a new formula to DCED. The new formula uses updated data sources and census statistics to calculate five-year averages for the number of heating degree days and low-income population figures, as well as a new third variable of energy burden data published in April 2021.⁴¹

Due to these changes, DCED plans to distribute WAP funding more equitably to maximize the impact for the Pennsylvania residents who are statistically the most in need of weatherization services. However, DCED management explained that the new allocation formula needed to be gradually phased-in over a three-to-six-year period to avoid drastic fluctuations in the local agencies' funding that would disrupt their programs. Consequently, DCED applied a hybrid formula for the 2022-23 program year.

⁴¹ Heating Degree Days (HDD) is a measure of how cold a location is over a period of time relative to a base temperature, most commonly specified as 65 degrees Fahrenheit. HDDs are used in energy analysis as an indicator of space heating energy requirements or use. See also <https://www.eia.gov/tools/glossary/index.php?id=h> (accessed May 13, 2024). Home Energy Affordability Gap, April 2021. See also homeenergyaffordabilitygap.com/03a_priorYearAffordability/03a_affordabilityData20.html (accessed May 13, 2024).

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We reviewed the reasonableness of the hybrid allocation formula by verifying the mathematical accuracy of the 2022-23 amounts allocated to each local agency and comparing them to the prior-year allocations and calculated amounts using the new allocation formula. Using the hybrid formula resulted in fluctuations between approximately negative 5 and positive 5 percent, while using the new formula would have caused fluctuations between negative 40 and positive 70 percent, which would have drastically impacted local agency operations. Therefore, we consider DCED's methodology to phase-in the new formula reasonable. This phased-in approach also affords the local agencies time to adjust to anticipated increases or decreases in future funding allocations.

Reallocating available WAP funds

Throughout the program year, DCED utilizes production and expenditure reports produced from the Hancock Energy System (HES) to monitor the local agencies' production. DCED shares the reports with the local agencies on the biweekly WAP Network calls. DCED will assess which local agencies are not meeting their production numbers provided at the beginning of the year, as well as any that may need additional funding. DCED will ask those local agencies to submit a plan showing how many homes they could complete using additional funds. Upon approval, DCED will transfer funding from local agencies that cannot use it, to others with a plan to weatherize a certain number of homes with the funds. This transfer may occur anytime during the program year. We found that DCED frequently reminded the local agencies on the biweekly WAP Network calls of additional funding available and provided direction to them regarding requests for additional funding, as well as the submission of a plan to complete a specific number of additional homes.

Although DCED appears to have a process for reallocating available WAP funds during the program year, DCED has not established written standard procedures that document the process, which we recommended in our prior audit. DCED management stated that it began development of a WAP Policy and Procedures Manual to include its reallocation process and the yearly reconciliation steps DCED staff would take when reallocating funds. However, DCED management stated the written manual was not complete but should be finalized before our next audit of WAP, as explained in *Finding 2*. We reiterate the need to establish written standard procedures to include the reallocation of funds in the WAP Policy and Procedure Manual that DCED is developing.

Expanding and creating program initiatives⁴²

Since our prior audit, DCED piloted four new programs to maximize the use of available funding. DCED management provided guidelines developed for these programs; however, our audit procedures did not include a detailed review of these expenditures.

⁴² See additional information about these programs in *Appendix C*.

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- **LIHEAP Deferral Program** – DCED piloted this program during the 2017-18 program year to address the significant number of homes eligible for WAP but in such disrepair that the weatherization services had to be delayed/deferred until repairs could be made. For example, homes with roof damage, mold and mildew issues, and overall structural problems make weatherization ineffective, and potentially dangerous. Local agencies use funds DCED specifically allocates for the deferral program to make needed repairs before providing the weatherization services. The success of the deferral program prompted DCED to continue it. DCED allocated approximately \$1.8 million of LIHEAP funding, augmented with \$2 million of ARPA funds during the audit period, to administer the program.
- **U.S. DOE Weatherization Readiness Program** – The U.S. DOE provided a special allocation for the Weatherization Readiness Program. This program provides the same types of services as the LIHEAP Deferral Program explained above, utilizing U.S. DOE funds. DCED distributed equal shares of the special U.S. DOE allocation of more than \$830,000 for the 2022-23 program year to the local agencies for this program.
- **LIHEAP Clean and Tune Program** – DCED developed this pilot program based on suggestions from members of the LIHEAP Advisory Committee for a program to help LIHEAP Crisis clients maintain their new or repaired heating systems. The program provides preventative maintenance services to protect the clients' health and safety while decreasing the number of return visits to mitigate crisis situations. DCED spent \$4.98 million of the ARPA funds to pilot this program during the 2021-22 program year, which targeted clients that received crisis weatherization services during that year, or any clients determined eligible within the past 12 months.
- **LIHEAP Crisis Cooling Program** – DCED developed this pilot program after a WAP Policy Advisory Council review and a survey of the local agencies that indicated most were interested in managing a cooling program. DCED recognized that a lack of air cooling could be considered a crisis for vulnerable residents during the summer months and cooling services could also be an energy conservation measure. The cooling services include the repair or replacement of existing central air conditioning units or providing window air conditioner units or fans to alleviate crisis situations and improve a home's energy efficiency. Piloted during the summer months of 2022 (June 1 – August 31), DCED used \$5.3 million of ARPA funds to target homes that received crisis weatherization services during the 2021-22 season, or any clients determined eligible within the past 12 months.

The local agencies may use current employees or subcontractors to perform services for some of the programs described above; however, services for the deferral programs may require local agencies to add staff or subcontract with new vendors who can provide the skills needed to do the work. While DCED implemented these programs to provide needed services utilizing newly available funding, we caution DCED of the risk that local agencies could allow these programs to interfere with their normal weatherization services, which could result in decreased production

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levels. DCED guidelines for the local agencies to manage these programs note that the continuation of the programs is contingent on available funding.

The large influx of funding received during the audit period forced DCED to develop new strategies and adapt to the extraordinary circumstances that adversely impacted the WAP operating environment due to the pandemic. DCED must continue its efforts to maximize use of WAP funds remaining as of June 30, 2023, and forward.

Recommendations for Finding 3

We recommend that the Department of Community and Economic Development:

1. Maintain the processes implemented as a result of the pandemic restrictions that improved DCED's oversight of WAP, such as the biweekly WAP Network Calls.
2. Continue to work with the local agencies to develop additional strategies to maximize the impact of WAP for eligible residents and reduce the amount of grant funds returned as the grant periods end.
3. Evaluate the current network of local agencies to assess whether additional local agencies could improve the state's weatherization production levels to maximize use of available funding.
4. Consider increasing DCED's outreach for promotion of WAP and/or augmenting the local agencies' advertising efforts to help ensure program awareness.
5. Continue working with local agencies to correct deficiencies found during the annual risk assessments to reduce the number of local agencies categorized as high or medium risk agencies.
6. Finalize the WAP Policy and Procedure manual to include standard procedures for the reallocation of funds between local agencies.
7. Consider the feasibility of having local agencies share workers based on fluctuating demand for weatherization services by region.
8. Ensure local agencies' productivity does not suffer as they provide new weatherization-related services, such as deferral work.

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9. Coordinate with local agencies to expand their subcontractor networks that include nontraditional weatherization work provided through the deferral programs, such as roofing subcontractors.
10. Adopt employment development strategies that will provide local agencies access to a robust workforce to fill long- and short-term positions.

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Status of Prior Audit Findings

Our prior performance audit of the WAP administered by the Pennsylvania DCED dated June 14, 2018, covered the period July 1, 2013, through June 30, 2017, and contained three findings with 20 recommendations. Additionally, this prior audit also addressed the 10 recommendations from the prior audit report dated August 2007, and the 12 recommendations included in a WAP special report dated February 2012 and reported that all but one of these recommendations had been resolved. The unresolved recommendation related to DCED's oversight of WAP local agencies' lists of clients waiting for weatherization services, which was incorporated into the current findings and recommendations contained in our June 2018 report. We present the status of these findings and recommendations in the sections that follow.

Prior Audit Finding 1 – DCED failed to spend more than \$5.4 million of U.S. DOE funds over a four-year period potentially resulting in more than 500 dwellings not being weatherized due in part to the 2015-2016 state budget impasse. (Partially Resolved)

During our previous audit, we found that DCED management lacked strategic planning and a proactive approach to manage WAP during the 2015-2016 state budget impasse, as well as several control weaknesses within its administration of WAP. The state budget impasse delayed the release of U.S. Department of Energy (U.S. DOE) funding to the local agencies for more than six months. This reduced the amount of time available to spend all allocations, which consequently resulted in the return of funds to the U.S. DOE. DCED management failed to proactively conduct any analysis to determine a strategy how to best spend the U.S. DOE funding before the grant time period closed. We also found that DCED lacked an appropriate methodology to allocate U.S. DOE funds to local agencies. DCED used outdated information to calculate the local agencies' annual allocations of U.S. DOE WAP grant funding. DCED did not have written standard operating procedures for performing the U.S. DOE and Low-Income Home Energy Assistance Program (LIHEAP) allocation calculations, including a supervisory review process to ensure accurate allocations. Additionally, we found that DCED lacked adequate monitoring of local agencies' productivity in providing weatherization services. DCED had implemented a new risk assessment process that considered whether the local agencies met their production goals, but this process did not adequately address local agencies' productivity and weatherization service lists (service lists), which contain the names of individuals waiting to receive services.

The prior audit recommended that DCED begin strategic planning to address local agency funding issues, including a special review of the allocations to avoid returning any U.S. DOE funding. We suggested this planning include formal documentation of DCED's: 1) methodology and standard operating procedures for calculating the annual local agency allocations of U.S.

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DOE WAP and LIHEAP funds, which DCED receives as an annual transfer from the Pennsylvania Department of Human Services (DHS); and 2) decision-making process, including factors used to allocate funding to local agencies. We also recommended contacting all local agencies and documenting communications related to funding allocations. Additionally, we recommended DCED consider revising the U.S. DOE fund allocation to local agencies to incorporate prior year expenditures and/or the local agencies' ability to spend funds. Further, we suggested DCED utilize its current low-income, heating degree days, and funding data for the U.S. DOE WAP allocation formula and maintain documentation to support this data. Finally, we recommended DCED monitor the local agencies' productivity annually to assist in evaluating the local agencies' ability to spend program funds and reduce the names waiting for services on their service lists.

Status as of this audit for Prior Audit Finding 1

Our current performance audit included an objective to assess DCED's efforts to maximize the impact of WAP funds it allocates to local agencies. We designed procedures to satisfy the objective, as well as conclude on the status of this prior audit finding.

As part of our procedures for our current audit, we gained an understanding of DCED's efforts to maximize the impact of available WAP funds by reviewing DCED's response to our prior audit report, the current WAP State Plan, and other documentation demonstrating DCED's oversight of the local agencies' operations.⁴³ DCED addressed our prior audit recommendation to formally document its decision-making process and factors used to allocate WAP funding to the local agencies in the U.S. DOE State Plan. DCED noted the allocation formula is outlined in the State Plan annually.

We reviewed the state plans approved by the U.S. DOE for the fiscal years ended June 30, 2021, 2022, and 2023, which were presented for comment at state public hearings as required. They were held virtually due to the COVID-19 pandemic. We found the plans included DCED's description of how it planned to allocate the U.S. DOE WAP funding for each program year. However, DCED did not include similar information in the LIHEAP State Plan regarding its methodology to allocate the LIHEAP funding received annually from DHS for WAP.

We also requested the WAP policies and procedures in effect during the current audit period that documented DCED's allocation methodologies. DCED management provided its WAP Policy and Procedures Manual that was drafted, but never finalized. According to management, it is "reviewing practical ways of creating shared processes for internal WAP work and continuing with the WAP Policy Directives, Field Manuals and Technical Guidelines," to manage WAP.

⁴³ We present a detailed description of DCED's efforts to maximize the available weatherization services funding in *Finding 3*.

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We noted incomplete sections in the draft that will outline this methodology. DCED indicated that the manual should be completed prior to our next mandated audit.

We also reviewed DCED's allocation calculation spreadsheets and verified it applied the methodologies outlined in the approved state plans for the three years of the audit period. Although DCED's formalized weatherization services funding allocation methodologies have not yet been finalized in a WAP Policy and Procedures Manual, it is in process, and the methodology is part of the annual U.S. DOE State Plan. DCED, however, has not included a detailed description of its allocation methodology for the LIHEAP funding in the state plans, as presented in *Finding 3*. Therefore, we consider this prior recommendation **partially resolved**.

We also requested the WAP policies and procedures, including written standard operating procedures regarding DCED's local agency monitoring process. DCED management reiterated it currently uses the WAP Policy Directives, Field Manuals and Technical Guidelines to manage WAP. Although this is an acceptable approach, those documents do not address certain aspects of DCED's WAP operations, as noted in the previous audit; therefore, we included this continued recommendation in *Finding 2*.

Regarding the prior recommendations for DCED to revise the U.S. DOE funding allocation formula, during the audit period, DCED approved a new U.S. DOE allocation formula that uses more recent data for part of the calculation and adds another component to address high energy burdened regions. We reported DCED's use of outdated criteria in our prior audit. DCED decided, however, to phase in the new allocation methodology over a six-year period to reduce the impact of a sudden substantial loss or gain of WAP funding for the local agencies. According to DCED's analysis, some local agency allocations would have dropped up to 40 percent from the previous program year, while others would have increased up to 72 percent. We agree this would be a drastic swing for several local agencies, and therefore, the gradual phase in process of the new formula is reasonable. Because the new allocation formula has not yet been implemented, we reviewed the hybrid formula DCED employed to allocate the U.S. DOE funds for the fiscal year ended June 30, 2023, and determined it to be a reasonable approach to prevent substantial fluctuations in local agency funding that would detrimentally impact WAP operations.

Further, we found that as part of DCED's annual risk assessments of local agencies, DCED asked new questions regarding the local agencies' lists of clients waiting to receive services, which indicated DCED's recognition of the importance of properly managed lists, as described in *Finding 1*. Additionally, DCED established biweekly WAP Network conference calls with local agencies to oversee WAP productivity more closely during the COVID-19 pandemic and continued to hold the calls post-pandemic. This satisfied our prior audit recommendation for DCED to monitor the local agencies' productivity annually to evaluate their ability to spend program funds and reduce service lists. See a further discussion of DCED's efforts to maximize the impact of WAP funding in *Finding 3*.

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Based on the results of our review, we consider our prior audit finding **partially resolved**.

Prior Audit Finding 2 – DCED’s process to prioritize weatherization services to at-risk citizens is flawed, poorly administered, and creates an opportunity for local agencies to abuse the process. (Partially Resolved)

In our prior WAP audit, we found that DCED’s process for assigning priority to at-risk citizens was flawed, poorly administered, and created an opportunity for local agencies to abuse the process. DCED had developed inadequate policies, placed little significance on local agencies’ maintenance of call/inquiry lists (call lists), and lacked sufficient oversight of the local agencies’ client prioritization process. DCED management disagreed with this finding and stated that it complied with U.S. DOE regulations.

We recommended that DCED management revise its client prioritization policy to require local agencies to determine WAP eligibility at the time of first contact to ensure residents are not waiting for weatherization services for long periods of time. We asked DCED management to consider adding a high-risk factor, such as the length of time the client has been waiting for services. We also suggested that it revise its client prioritization directive to require all local agencies to use a uniform process for maintaining weatherization service lists (service lists) and call lists, including what information should be recorded on call lists. Additionally, we advised DCED management to implement and document procedures for monitoring the local agencies’ use of service lists and call lists to ensure compliance with DCED’s policies. We further recommended DCED management regularly evaluate local agency call lists to determine if redistribution of program resources could efficiently and effectively improve services for citizens in need of weatherization services.

Status as of this audit for Prior Audit Finding 2

Our current performance audit included an objective to determine whether DCED ensured that WAP local agencies properly managed waiting lists. We designed procedures to satisfy this objective, as well as conclude on the status of this prior audit finding.

We reviewed DCED’s responses to the prior audit recommendations regarding revising its client prioritization policy to require applicant eligibility determinations at the time of first contact with the local agency, including considering the length of time a client has been waiting for services, as an additional high-risk factor when prioritizing clients. DCED disagreed with both recommendations.

We discussed DCED’s current methodology on when local agencies determine eligibility. DCED instructs local agencies to only determine eligibility for the number of applicants they can serve

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within 12 months with current-year WAP funds. Eligibility must be re-determined for clients waiting longer than 12 months to receive weatherization services. We consider this policy reasonable. As far as adding high-risk factors when determining client prioritization, DCED stated that U.S. DOE established the priorities of high energy use, high energy burden, age, and disability, which it must follow. Consequently, we will not reissue either of these recommendations.

We conducted interviews with DCED management, reviewed WAP policies and procedures, and researched how other states' weatherization programs manage service lists and call lists. We evaluated DCED's oversight activities intended to assist local agencies maintain waiting lists. Although DCED revised its waiting list policy directive to include what information local agencies should maintain on their call lists if one is kept, DCED does not conduct detailed reviews to ensure local agencies follow the policy because call lists are optional. However, we reviewed biweekly WAP Network call documentation showing that DCED management discussed these lists with local agency management. We also obtained the local agencies' service lists and call lists to determine compliance with DCED policies and procedures and evaluate the reasonableness of the total number of names included on the lists.

We also reviewed DCED's WAP monitoring procedures and found that they do not include specific procedures regarding the local agencies' client prioritization activities. DCED management stated that local agencies service clients in priority order according to U.S. DOE regulations using the priority points automatically assigned to every project entered in the HES. Although no monitoring procedures or checklists address client prioritization, DCED management asserted that its program monitors would identify and address any anomalies as they review local agency projects in HES as part of its program monitoring process. However, the lack of formalized procedures and documentation prohibits third parties, such as auditors, from evaluating the effectiveness of DCED's monitoring of the local agencies' compliance with U.S. DOE client prioritization requirements.

Based on our procedures, we consider this prior finding **partially resolved** and present our results along with further recommendations for continued improvements in our current audit *Finding 1*, which describes how DCED ensured that WAP local agencies properly managed their waiting lists, and *Finding 2*, which addresses DCED's WAP monitoring process.

Prior Audit Finding 3 – DCED failed to adequately perform, document, and track its monitoring of local agencies. (Partially Resolved)

During our prior WAP audit, we reviewed DCED's program monitoring and financial monitoring activities of the local agencies, which consists of procedures to ensure compliance with U.S. DOE regulations and DCED policies regarding program administration and delivery of weatherization services, and the local agencies' financial operations, respectively. We found that

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DCED failed to conduct a financial review of one local agency during the audit period. DCED management stated that it decided to forego that review because the local agency had been extensively monitored the previous year without any deficiencies identified. We disagreed with this decision and reported DCED's noncompliance with U.S. DOE guidelines in the previous audit.

We also found that DCED lacked adequate written procedures for monitoring local agencies. While DCED had a policy directive that described its WAP program monitoring reviews for U.S. DOE, LIHEAP, and LIHEAP-Crisis funded services, and local agency financial review monitoring policies, it did not have standard operating procedures that documented the specific monitoring procedures DCED staff monitors and supervisors perform. Specifically, DCED did not have a written methodology explaining how its program monitors determine which dwelling units to inspect, or instructions for how to complete the monitoring checklists. Additionally, there were no written procedures for the supervisory review process of its monitoring activities or tracking the monitoring activities.

The previous auditors also found DCED failed to adequately track its WAP monitoring activities of the local agencies. DCED's administrative staff maintained logs to track its monitoring reviews of local agencies and their U.S. DOE and LIHEAP-funded WAP projects; however, DCED management acknowledged the logs were not fully complete or accurate. DCED monitors did not consistently inform the administrative staff of the various dates to record in the logs.

We recommended that DCED comply with federal WAP guidelines, establish written standard operating procedures for monitoring local agencies, and adequately track its monitoring activity. The standard operating procedures should include detailed monitoring procedures, the process for selecting which dwelling units to review and verify the work was completed, and a monitoring tracking process. We also recommended that DCED document its supervisory review process to ensure that the monitoring results are accurate, and the monitoring tracking logs are complete.

Status as of this audit for Prior Audit Finding 3

Our current performance audit included an objective to evaluate DCED's monitoring procedures to ensure that WAP local agencies provided quality weatherization services that comply with laws, regulations, and guidance documents. We designed procedures to satisfy this objective, as well as conclude on the status of the prior audit finding.

We reviewed DCED's financial and program monitoring activities conducted during the audit period and determined DCED did not conduct the minimum number of monitoring reviews stipulated in the WAP State Plan and U.S. DOE regulations. Therefore, this issue remains

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unresolved. See the results of our audit procedures and further recommendations included in current audit *Finding 2*.

As noted previously in the Status as of this audit for Prior Audit Finding 1, DCED is in the process of drafting its WAP Policy and Procedures Manual, which has not yet been finalized. As such, DCED continues to manage its monitoring efforts of local agencies through WAP Policy Directives, Field Manuals, and Technical Guidelines, however, those documents do not cover certain aspects of DCED's WAP operations, as noted in the previous audit. For instance, written procedures and methodology to document how DCED monitoring staff select the dwelling units reviewed as part of a local agency's monitoring visit are not covered in any WAP directive, manual, or guidelines that DCED provided. Therefore, this issue remains **unresolved**. See the results of our audit procedures and further recommendations included in current audit *Finding 2*.

Additionally, we further reviewed the WAP policy directive that covers DCED's program and financial monitoring procedures to evaluate DCED's process to document and track its monitoring activities.⁴⁴ The directive includes templates DCED monitors use to complete local agency monitoring activities and a WAP monitoring summary report template used to summarize and communicate DCED's monitoring results to the local agency, including any discrepancies identified.

We requested monitoring tracking logs used to manage its monitoring activities during our audit period, July 1, 2020, through June 30, 2023. DCED management provided the monitoring tracking log used to track the number of projects monitored during the year and described how it internally tracked the required correspondence between DCED and the local agencies. An administrative staff member coordinates with the WAP monitoring supervisors to ensure the documents are sent and received timely.

As part of our review of DCED's WAP monitoring activities, we selected 22 local agencies monitored during the audit period, July 1, 2020, through June 30, 2023, and found all correspondence and required documents were submitted/received timely.⁴⁵ Consequently, we are satisfied that DCED has **resolved** this issue and prior audit recommendation.

⁴⁴ WAP Policy Directive W2022-07 (DCED Monitoring of WAP Agencies), July 1, 2022.

⁴⁵ We judgmentally selected the 22 local agencies for review to include financial monitoring performed by DCED for 12 local agencies and program monitoring performed for 10 local agencies. We selected 12 of 104 financial monitoring summary reports issued by DCED and 10 of 99 program monitoring reports issued during the audit period July 1, 2020, through June 30, 2023. We ensured our selections included different local agencies, geographic coverage throughout the state, and various sizes of local agencies based on funding allocations for the 2022-23 program year. Additionally, from the ten selected program monitoring reports, we judgmentally selected 60 individual dwelling unit inspection reports that DCED reviewed ensuring coverage of the three types of WAP funding, U.S. DOE, LIHEAP-Standard, and LIHEAP-Crisis funds.

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Department of Community and Economic Development's Response and Auditor's Conclusion

We provided copies of our draft audit findings and related recommendations to the Pennsylvania Department of Community and Economic Development (DCED) for its review. DCED provided its response on June 7, 2024. Approximately three weeks later, on June 27, 2024, DCED disclosed an issue discovered at one local agency regarding the number of weatherization projects reported as complete. A description of the issue is presented in *Appendix D* of this audit report.

Consequently, we revised the draft audit findings and provided a new draft to DCED for review which included two additional Recommendations 4 and 5 for *Finding 2*. DCED provided a supplemental response to address these two additional recommendations (via email). Note that DCED's initial response dated June 7, 2024, refers to Recommendations 4 and 5 for *Finding 2* which are now numbered Recommendations 6 and 7 in the final audit report. On the pages that follow, we included all DCED responses in their entirety. Following DCED's responses is our auditor's conclusion.

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Audit Response from the Department of Community and Economic Development



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

June 7, 2024

Timothy L. DeFoor
Auditor General
Department of the Auditor General Finance Building
613 North Street, Room 229
Harrisburg, PA 17120-0018

Dear Auditor General DeFoor,

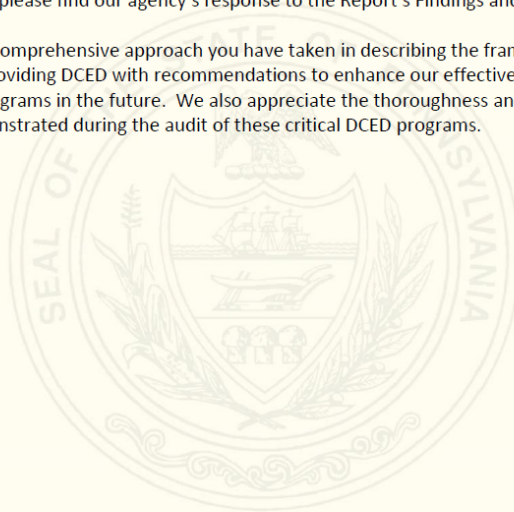
Our team has had an opportunity to review your draft Performance Audit Report of the Energy Conservation and Assistance Programs (Weatherization), which include both the Low-Income Weatherization Assistance Program (WAP) and the Low-Income Home Energy Assistance Program (LIHEAP). Attached please find our agency's response to the Report's Findings and Recommendations.

We appreciate the comprehensive approach you have taken in describing the framework of the programs, and in providing DCED with recommendations to enhance our effectiveness and ensure the success of these programs in the future. We also appreciate the thoroughness and professionalism your staff has demonstrated during the audit of these critical DCED programs.

Sincerely,

A handwritten signature in black ink, appearing to read "F. C. Siger".

Frederick C. Siger
Secretary



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DCED Response to Audit Findings

Finding 1 – DCED acted to improve its oversight of local agencies’ waiting lists for weatherization services, and continued improvements will lead to a better-managed program.

Recommendations for Finding 1

1. Consider requiring local agencies to provide more frequent updates on the status of their service lists and call lists during the WAP funding year, such as quarterly, to allow DCED management to make operational decisions based on the most current information, thereby maximizing the number of individuals who receive weatherization services during the year.
 - a. DCED agrees with the recommendation.
2. Obtain local agency service lists and call lists for review during the annual risk assessment process to evaluate compliance with DCED policy and obtain a more comprehensive understanding of local agency operations for the program year.
 - a. DCED agrees with the recommendation.
3. Develop a process for local agencies to routinely remove outdated information from call lists to retain only those individuals still interested in applying for weatherization services, which will allow management to make operational decisions based on more complete and reliable information. This process should incorporate into the WAP Policy Directive.
 - a. DCED disagrees with the recommendation and has already addressed the Auditor General’s recommendation through current DCED WAP Policy Directives. DCED’s current written policy provides specific direction to agencies as to how they should manage their inquiry list, specifically surrounding how potential WAP participants are processed in batches which moves them from the inquiry list onto the Weatherization Service List.

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DCED Response to Audit Findings

Finding 2 – DCED must improve WAP local agency monitoring procedures, tracking, and documentation to ensure compliance with U.S. DOE regulations and the approved state plans.

Recommendations for Finding 2

We recommend that the Department of Community and Economic Development:

1. Finalize, approve, and implement its full WAP Policy and Procedures Manual to include operating procedures related to DCED’s financial and program monitoring to ensure compliance with U.S. DOE regulations and policies and to strengthen its administration oversight of WAP.
 - a. DCED disagrees with the recommendation due to already established and annually updated WAP Policy Directives and DOE WAP State Plan. These required DOE processes allow for compliance with everchanging DOE rules and regulations.
2. Ensure DCED meets the U.S. DOE and WAP policy monitoring percentage requirements for QCI reviews by providing adequate oversight of the monitoring tracking spreadsheets to confirm accurate information is maintained and reported.
 - a. DCED agrees with the recommendation.
3. Revise its financial monitoring report template to clearly indicate the period covered by the financial review.
 - a. DCED agrees with this recommendation.
4. Develop detailed supervisory review procedures for both program and financial monitoring to ensure that monitoring supervisors adequately and consistently review DCED’s monitoring documentation to include the monitoring checklists and supporting documents, monitoring summary reports, and monitoring tracking spreadsheets.
 - a. DCED agrees with the recommendation.
5. Add steps to the program monitoring checklists to ensure that monitors verify that the local agencies adhere to the client prioritization requirement by using the priority points in HES and adequately document and deviations from the priority points ranking.
 - a. DCED agrees with the recommendation.

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DCED Response to Audit Findings

Finding 3 – DCED returned \$8.5 million to the federal government as it faced difficulties spending the influx of new federal funding for the Weatherization Assistance Program under extraordinary circumstances due to the pandemic.

Recommendations for Finding 3

We recommend that the Department of Community and Economic Development:

1. Maintain the processes implemented as a result of the pandemic restrictions that improved DCED's oversight of WAP, such as the biweekly WAP Network Calls.
 - a. DCED agrees with the recommendation.
2. Continue to work with local agencies to develop additional strategies to maximize the impact of WAP for eligible residents and reduce the amount of grant funds returned as the grant period ends.
 - a. DCED agrees with the recommendation.
3. Evaluate the current network of local agencies to assess whether additional local agencies could improve the state's weatherization production levels to maximize use of available funds.
 - a. DCED disagrees with the recommendation. The WAP Network is a specialized group of organizations made up of Community Action Agencies and other localized non-profit organizations. Becoming a WAP subgrantee requires extensive training and experience and adding additional agencies may be challenging. DCED is open to reviewing the need for additional subgrantees but is limited to strict DOE requirements. For example, current subgrantees must be considered first. DCED has made efforts within the last year to establish a WAP-Multi Family program which will provide a substantial investment into the state's multi-family building inventory across the Commonwealth, a segment of our state's housing stock that's historically underserved with WAP.

Additionally, DCED must follow the requirements of 10 CFR 440.15:

§ 440.15 Subgrantees.

(a) The grantee shall ensure that:

(1) Each subgrantee is a CAA or other public or nonprofit entity;

(2) Each subgrantee is selected on the basis of public comment received during a public hearing conducted pursuant to § 440.14(a) and other appropriate findings regarding:

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Department of Community and Economic Development Weatherization Assistance Program

DCED Response to Audit Findings

(i) *The subgrantee's experience and performance in weatherization or housing renovation activities;*

(ii) *The subgrantee's experience in assisting low-income persons in the area to be served; and*

(iii) *The subgrantee's capacity to undertake a timely and effective weatherization program.*

(3) *In selecting a subgrantee, preference is given to any CAA or other public or nonprofit entity which has, or is currently administering, an effective program under this part or under title II of the Economic Opportunity Act of 1964, with program effectiveness evaluated by consideration of factors including, but not necessarily limited to, the following:*

(i) *The extent to which the past or current program achieved or is achieving weatherization goals in a timely fashion;*

(ii) *The quality of work performed by the subgrantee;*

(iii) *The number, qualifications, and experience of the staff members of the subgrantee; and*

(iv) *The ability of the subgrantee to secure volunteers, training participants, public service employment workers, and other Federal or State training programs.*

(b) *The grantee shall ensure that the funds received under this part will be allocated to the entities selected in accordance with paragraph (a) of this section, such that funds will be allocated to areas on the basis of the relative need for a weatherization project by low-income persons.*

(c) *If DOE finds that a subgrantee selected to undertake weatherization activities under this part has failed to comply substantially with the provisions of the Act or this part and should be replaced, such finding shall be treated as a finding under § 440.30(i) for purposes of § 440.30.*

(d) *Any new or additional subgrantee shall be selected at a hearing in accordance with § 440.14(a) and upon the basis of the criteria in paragraph (a) of this section.*

(e) *A State may terminate financial assistance under a subgrant agreement for a grant period only in accordance with established State procedures that provide to the subgrantee appropriate notice of the State's reasons for termination and afford the subgrantee an adequate opportunity to be heard.*

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Department of Community and Economic Development Weatherization Assistance Program

DCED Response to Audit Findings

4. Consider increasing DCED's outreach for promotion of WAP and/or augmenting the local agencies' advertising efforts to help ensure program awareness.
 - a. DCED disagrees with the recommendation. DCED recognizes that many households may not be aware of the WAP programs, but we must also be cognizant of existing inquiry and waitlists throughout the state. DCED considers appropriate marketing strategies to ensure that all residents are aware of resources available to them and their family members. It's currently the goal of DCED to ensure that all outreach and marketing efforts provide awareness to residents, but also provide critical educational information based on historic misconceptions about what services are provided through WAP.
5. Continue working with local agencies to correct deficiencies found during the annual risk assessment to reduce the number of local agencies categorized as high or medium risk agencies.
 - a. DCED agrees with this recommendation.
6. Finalize the WAP Policy and Procedure manual to include standard procedures for the reallocation of funds between local agencies.
 - a. DCED disagrees with this recommendation. DCED's formal reallocation process is outlined in the WAP State Plan which is reviewed and approved annually by DOE. The Department must follow approved processes outlined in the WAP State Plan to stay in compliance with DOE. Restating those procedures in another manual would be a duplication of effort and that time could be utilized to implement other improvement.
7. Consider the feasibility of having local agencies share workers based on fluctuating demand for weatherization services by region.
 - a. DCED agrees with this recommendation.
8. Ensure local agencies' productivity does not suffer as they provide new weatherization-related services, such as deferral work.
 - a. DCED agrees with the recommendation.
9. Coordinate with local agencies to expand their subcontractor networks that include nontraditional weatherization work provided through the deferral programs, such as roofing subcontractors.
 - a. DCED disagrees with this recommendation. DCED currently conducts contractor and agency surveys to assess contractor needs from both the contractor and agency perspective. These surveys allow DCED to better utilize its training center and develop and implement contractor recruitment and training strategies.

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Department of Community and Economic Development Weatherization Assistance Program

DCED Response to Audit Findings

- 10. Adopt employment development strategies that will provide local agencies access to a robust workforce to fill long- and short-term positions.**
 - a. DCED agrees with this recommendation.**

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Department of Community and Economic Development Weatherization Assistance Program

From: PA Department of Community & Economic Development

Sent: Wednesday, September 4, 2024 1:17 PM

To: Dept of the Auditor General Bureau of Performance Audits

Subject: Revised draft report of findings and recommendations - Weatherization Assistance for Low-Income Persons Program, administered by the Department of Community and Economic Development.

The Honorable Auditor General,

DCED accepts all recommendations outlined under the revised finding 2 in the Auditor General's Performance Audit Report of the Department of Community & Economic Development's Weatherization Program.

Thank you for your consideration

PA Department of Community & Economic Development
Financial Management Center
Commonwealth Keystone Building
400 North Street, 4th Floor | Harrisburg, PA 17120-0225
dced.pa.gov | www.visitPA.com

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Department of Community and Economic Development Weatherization Assistance Program

Auditor's Conclusion to the Department of Community and Economic Development's Response

The Pennsylvania Department of Community and Economic Development's (DCED) management generally agrees with the three findings and 14 of the 20 recommendations. Based on DCED's disagreement with six recommendations in its original response dated June 7, 2024, we provide the following comments and conclusions. We confirmed with DCED that based upon its supplemental response dated September 4, 2024, it is in agreement with our two additional recommendations presented as Recommendations 4 and 5 for *Finding 2* in this final audit report.

Finding 1 – DCED disagrees with Recommendation 3 to develop a process for local agencies to routinely remove outdated information from the call lists to retain only those individuals still interested in applying for weatherization services by claiming that current DCED Weatherization Assistance Program (WAP) Policy Directives already address this recommendation. We disagree. While the WAP Policy Directive on the Weatherization Service List (service list) describes how local agencies should maintain their service lists, it only mentions that they may need to also maintain a Request for Service List (call list) to replenish the service lists. The directive provides no guidance on how local agencies should ensure the call lists are kept up to date.

Finding 2 – DCED disagrees with Recommendation 1 to finalize, approve, and implement its full WAP Policy and Procedures Manual. DCED's response contradicts information provided during our audit. DCED stated that it planned to develop a full WAP Policy and Procedures Manual in its written response to our prior audit, and after providing an incomplete draft of the manual at the beginning of this audit, indicated it should be finalized before our next mandated audit. While the policy directives currently used to administer WAP provide some guidance, they lack the detailed procedures of a comprehensive manual that describe DCED's WAP operations to ensure accountability, consistency, and continuity, such as a supervisory review process and detailed instructions for completing program monitoring reports. Consequently, the directives are not sufficient, and we encourage DCED management to reconsider our recommendation to finalize the WAP Policy and Procedures Manual.

Finding 3 – DCED disagrees with four of our ten recommendations, including Recommendations 3, 4, 6, and 9.

DCED disagrees with **Recommendation 3** to evaluate the current network of local agencies to assess whether additional local agencies could improve the state's production levels and maximize use of available funds. While DCED states that it disagrees with this recommendation, it notes that "DCED is open to reviewing the need for additional subgrantees but is limited to strict DOE requirements." This statement appears to indicate that DCED may consider our

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Department of Community and Economic Development Weatherization Assistance Program

recommendation to evaluate the need for additional local agencies within the U.S. DOE requirements.

DCED disagrees with **Recommendation 4** to consider increasing DCED's outreach for promotion of WAP and/or augmenting the local agencies' advertising efforts to help ensure program awareness. Although DCED admits that many households may not be aware of WAP and its current goal is to ensure that all outreach and marketing efforts provide awareness to residents, DCED disagrees with this recommendation citing to the fact it must be cognizant of existing call and service lists throughout the state. We reaffirm our recommendation that DCED consider increasing its outreach and advertising efforts and emphasize that having long waiting lists does not assure the most vulnerable residents are being reached. WAP's primary purpose is to increase the energy efficiency of dwellings for low-income persons, reduce costs, and improve their health and safety, especially for those who are particularly vulnerable, such as the elderly, the disabled, and children. Additionally, WAP regulations require clients to be prioritized to ensure the most vulnerable residents receive services before other eligible clients. Therefore, DCED should consider our recommendation regardless of the size of local agencies' waiting lists, while continuing to improve its oversight of how they manage their lists, as recommended in *Finding 1*.

DCED disagrees with **Recommendation 6** to finalize the WAP Policy and Procedure manual to include standard procedures for the reallocation of funds between local agencies. As explained in our conclusion to DCED's disagreement with the recommendation for *Finding 2* above, our position remains that maintaining a comprehensive policy and procedures manual would strengthen internal controls over its WAP processes needed to augment the annual state plan and policy directives, which are currently not sufficient. The WAP Policy and Procedures Manual should describe the who, what, when, where, and why associated with DCED's WAP processes. Written operating procedures create a stable, memorialized process that mitigates the risk of staff inconsistently applying or inaccurately performing operational tasks, which could result in noncompliance with WAP regulations. Therefore, we reiterate our recommendation that DCED should finalize the WAP Policy and Procedures Manual.

DCED disagrees with **Recommendation 9** to coordinate with local agencies to expand their subcontractor networks that include nontraditional weatherization work provided through the deferral programs. DCED disagrees with this recommendation but notes that they currently conduct contractor and agency surveys to assess contractor needs. DCED explained during the audit that local agencies struggled to find skilled employees and subcontractors to provide weatherization services and meet production goals due to the pandemic. Additionally, the new weatherization-related program initiatives required other skilled workers, such as roofing contractors. Therefore, we emphasize that DCED continue to foster expansion of the local agency subcontractor networks.

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We commend DCED for addressing some of the issues in the audit report and encourage DCED to reconsider implementing the six recommendations that it stated disagreement with given the additional conclusions provided above. Additional follow up will occur during the next mandated audit of WAP to determine whether and to what extent our recommendations have been implemented.

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Appendix A

Objectives, Scope, Methodology, and Data Reliability

The Department of the Auditor General conducted this performance audit to assess the administration of the Weatherization Assistance for Low-Income Persons Program (WAP) administered by the Pennsylvania Department of Community and Economic Development (DCED).

We conducted this performance audit pursuant to Sections 402 and 403 of The Fiscal Code⁴⁶ and Section 3016.1 of the Energy Conservation and Assistance Act.⁴⁷

This performance audit was also conducted in accordance with generally accepted *Government Auditing Standards*, issued by the Comptroller General of the United States.⁴⁸ Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objectives

Our performance audit included the following three objectives:

1. Determine whether DCED ensured that WAP local agencies properly managed waiting lists. [*See WAP Finding 1*]
2. Evaluate DCED monitoring procedures to ensure local agencies provide quality weatherization services that comply with applicable laws, regulations, policies, and related guidance documents. [*See WAP Finding 2*]
3. Assess DCED's efforts to maximize the impact of weatherization funds it allocates to local agencies to assist eligible applicants. [*See WAP Finding 3*]

We also conducted procedures to determine whether DCED implemented our prior WAP performance audit's recommendations included in the findings from the report issued in July 2018 (*See WAP Status of Prior Audit Findings*).

⁴⁶ 72 P.S. §§ 402 and 403.

⁴⁷ 62 P.S. § 3016.1 (added by Act 164 of 2012); Section 3016.1 (relating to Powers and duties of Auditor General) of the act, 62 P.S. § 3016.1 (added by Act 164). Pursuant to Section 3016.1(c) of the act, a copy of these audit reports must be published as a notice in the *Pennsylvania Bulletin*. See 62 P.S. § 3016.1(c).

⁴⁸ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision. Technical Update April 2021.

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Scope

The WAP performance audit covered the period July 1, 2020, through June 30, 2023, with updates where applicable through the end of our audit procedures on June 7, 2024, and further updates through September 4, 2024, resulting from DCED's subsequent disclosure (see *Appendix D*).

DCED management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance of compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures related to its programs. In conducting our audit, we obtained an understanding of DCED's internal controls, including information systems controls.

Standards for Internal Control in the Federal Government (also known as and hereafter referred to as the Green Book), issued by the Comptroller General of the United States, provides a framework for management to establish and maintain an effective internal control system.⁴⁹ We used the framework included in the Green Book when assessing DCED's internal control system.

The Green Book's standards are organized into five components of internal control. In an effective system of internal control, these five components work together in an integrated manner to help an entity achieve its objectives. The five components contain 17 related principles, listed in the tables below, which are the requirements an entity should follow in establishing an effective system of internal control.

We determined all of the internal control components are significant to the audit objectives for both audits. Each table below represents a summary of the level of the internal control assessment for effectiveness of design (D); implementation (I); or operating effectiveness (OE) that we performed for each principle along with a conclusion regarding whether issues were found with the principles and if those issues are included in a finding.⁵⁰

⁴⁹ Even though the Green Book was written for the federal government, it explicitly states that it may also be adopted by state, local, and quasi-government entities, as well as not-for-profit organizations, as a framework for establishing and maintaining an effective internal control system.

⁵⁰ U.S. Government Accountability Office. *Standards for Internal Control in the Federal Government*. September 2014. The Green Book, Sections OV3.05 and 3.06, states the following regarding the level of assessment of internal controls. Evaluating the design of internal control includes determining if controls individually and in combination with other controls are capable of achieving an objective and addressing related risks. Evaluating implementation includes determining if the control exists and if the entity has placed the control into operation. Evaluating operating effectiveness includes determining if controls were applied at relevant times during the audit period, the consistency with which they were applied, and by whom or by what means they were applied.

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Component	Principle	Level of Assessment	Objective	Conclusion	
Control Environment	1	The oversight body and management should demonstrate a commitment to integrity and ethical values.	D	1, 2, 3	No issues noted
	2	The oversight body should oversee the entity's internal control system.	D	1, 2, 3	No issues noted
	3	Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.	D	1, 2, 3	No issues noted
	4	Management should demonstrate a commitment to recruit, develop, and retain competent individuals.	D	1, 2, 3	No issues noted
	5	Management should evaluate performance and hold individuals accountable for their internal control responsibilities.	D	1, 2, 3	No issues noted
Risk Assessment	6	Management should define objectives clearly to enable the identification of risks and define risk tolerances.	D	1, 2, 3	No issues noted
	7	Management should identify, analyze, and respond to risks related to achieving the defined objectives.	D	1, 2, 3	No issues noted

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Department of Community and Economic Development Weatherization Assistance Program

Component		Principle	Level of Assessment	Objective	Conclusion
	8	Management should consider the potential for fraud when identifying, analyzing, and responding to risks.	D	1, 2, 3	No issues noted
	9	Management should identify, analyze, and respond to significant changes that could impact the internal control system.	D	1, 2, 3	No issues noted
Control Activities	10	Management should design control activities to achieve objectives and respond to risks.	D, I, OE	1, 2, 3	WAP Findings 1, 2, and 3
	11	Management should design the entity's information system and related control activities to achieve objectives and respond to risks.	D	1, 2, 3	No issues noted
	12	Management should implement control activities through policies.	D, I, OE	1, 2, 3	WAP Findings 1, 2, and 3
Information and Communication	13	Management should use quality information to achieve the entity's objectives.	D, I, OE	1, 2	WAP Findings 1 and 2
			D, I, OE	3	No issues noted
	14	Management should internally communicate the necessary quality information to achieve the entity's objectives.	D, I, OE	2	WAP Finding 2
			D, I, OE	1, 3	No issues noted
15	Management should externally communicate the necessary quality	D, I	1	WAP Finding 1	
		D, I	2, 3		

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Component	Principle	Level of Assessment	Objective	Conclusion
	information to achieve the entity's objectives			No issues noted
Monitoring	16 Management should establish and operate monitoring activities to monitor the internal control system and evaluate results.	D	1, 2, 3	No issues noted
	17 Management should remediate identified internal control deficiencies on a timely basis.	D	1, 2, 3	No issues noted

Generally accepted *Government Auditing Standards* require that we consider information systems controls "...to obtain sufficient, appropriate evidence to support the audit findings and conclusions."⁵¹ This process further involves determining whether the data that supports the audit objectives is reliable. In addition, Publication GAO-20-283G, *Assessing Data Reliability*, provides guidance for evaluating data using various tests of sufficiency and appropriateness when the data are integral to the audit objective(s).⁵² See our assessment in the *Data Reliability* section that follows.

Our procedures to assess the design, implementation, and/or operating effectiveness accordingly are discussed in the *Methodology* section that follows. Deficiencies in internal controls we identified during the conduct of our audits and determined to be significant within the context of our audit objectives are summarized in the conclusion sections below and described in detail within the respective audit findings in this report. See the table above for descriptions of each of the principle numbers included in the conclusions below.

Conclusion for WAP Objective 1:

Our assessment of DCED management's internal controls did not note any issues for Principles 1-9, 11, 14, and 16-17. However, we did identify improvements management should make to its internal controls regarding Principles 10, 12, 13, and 15. These included requiring local agencies to submit Call/Inquiry List and Weatherization Service List information more frequently,

⁵¹ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision. Technical Update April 2021. Paragraph 8.59 through 8.67.

⁵² U.S. Government Accountability Office. *Assessing Data Reliability*. December 2019.

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submission of the actual lists, and development of a process to routinely update the lists. These items are described in detail in *Finding 1*.

Conclusion for WAP Objective 2:

Our assessment of DCED management's internal controls did not find any issues for Principles 1-9, 11, and 15-17; however, we did identify issues with management's internal controls regarding Principles 10 and 12-14. These issues included the following: (1) DCED failed to complete financial monitoring reviews for 3 of the 35 local agencies during the 2020-21 program year; (2) DCED failed to complete the required minimum number of Quality Control Inspection (QCI) reviews for homes completed using WAP U.S. Department of Energy (DOE) funding as of June 30, 2022, and homes completed using LIHEAP-Standard funding as of September 30, 2021; and (3) DCED lacked adequate documented procedures regarding the program monitoring and supervisory review process. These issues are described in detail in *Finding 2*.

Conclusion for WAP Objective 3:

Our assessment of DCED management's internal controls did not note any issues for Principles 1-9, 11, and 13-17. However, our assessment of DCED management's internal controls found issues regarding Principles 10 and 12. This included the lack of formally documented standard procedures for the reallocation of funds between local agencies. This issue is described in detail in *Finding 3*.

Methodology

The following procedures were performed to address the audit objectives. Items selected for testing were based on auditor's professional judgment. The results of our testing, therefore, cannot be projected to, and are not representative of, the corresponding populations.

To satisfy our audit objectives, we performed the following procedures:

- Obtained an understanding of DCED's WAP organizational structure by reviewing DCED's organizational charts and information published on its website, and from interviews with management. [Principles 1, 2, 3]
- Reviewed DCED's Internal Control Self-Assessments for the fiscal years ended June 30, 2021, and 2022, completed in accordance with Management Directive 325.12 (amended) to determine what controls DCED designed to establish an effective internal control system that address each of the 17 principles within the five components of internal control. [All Principles]

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- Identified the following laws, regulations, and DCED policies and procedures relevant to WAP, and DCED’s monitoring procedures to ensure local agencies (LAs) provide quality weatherization services: [Principles 3, 6, 7, 9-17]
 - Title 42, entitled Public Health and Welfare of the United States Code, Section 8624⁵³
 - Title 10 Code of Federal Regulations, Part 440 entitled Weatherization Assistance for Low-Income Persons⁵⁴
 - Title 2 Code of Federal Regulations, Part 200 entitled Monitoring and Reporting Program Performance⁵⁵
 - Infrastructure Investment and Jobs Act of 2021 (IIJA), also known as the Bipartisan Infrastructure Law (BIL)⁵⁶
 - Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020⁵⁷
 - American Rescue Plan Act (ARPA) of 2021⁵⁸
 - DOE Weatherization Program Notices (WPNs) 15.4, 20-4, and 23-4
 - Title 55 of the Pennsylvania Code, Section 601 entitled Low Income Home Energy Assistance Program⁵⁹
 - General Appropriations Act of 2003, Sections 106 and 1907; and General Appropriations Act of 2023, Section 209⁶⁰
 - Energy Conservation and Assistance Act of 1986⁶¹
 - DCED WAP State Plans and DHS LIHEAP State Plans for fiscal years ended 2021, 2022, and 2023
 - DCED’s WAP Policy Directives pertaining to WAP client eligibility and prioritization, the weatherization service list, program and financial monitoring, software reporting guidance, and training requirements⁶²

⁵³ 42 U.S.C § 8624(k).

⁵⁴ 10 CFR 440.16(a) (within the section relating to Minimum program requirements), and 440.22 (relating to Eligible dwelling units).

⁵⁵ 2 CFR 200.329(a) (within the section relating to Monitoring and reporting program performance).

⁵⁶ Infrastructure Investment and Jobs Act, Pub. L. No. 117-058 (2021).

⁵⁷ Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136 (2020).

⁵⁸ American Rescue Plan Act, Pub. L. No. 117-2 (2021).

⁵⁹ 55 Pa. Code § 601.1 et seq. Low Income Home Energy Assistance Program.

⁶⁰ PA General Appropriations of 2003, Act of March 20, 2003, P.L. 463, No. 1A, Sections 106 and 1907 and PA General Appropriations of 2023, Act of August 3, 2023, P.L. (not yet assigned), No. 1A, Section 209.

⁶¹ Energy Conservation and Assistance Act of 1986, P.L. 1398, No. 122.

⁶² DCED Directive #W2022-03, *Eligibility, Client Prioritization, and Weatherization Service List* (effective July 1, 2022), Directive #W2202-07, *DCED Monitoring of WAP Agencies* (effective July 1, 2022), Directive #W2022-08, *WAP Software Reporting Guidance* (effective July 1, 2022) and Directive #W2022-04, *Training Requirements* (effective July 1, 2022).

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- DCED's WAP guidelines regarding the Weatherization Readiness program, as well as, the LIHEAP Clean and Tune program, Cooling program and Deferral program
- DCED's Master Agreement contracts with LAs providing WAP services
- Documented an understanding of information technology general controls and data entry controls over the Hancock Energy System (HES), which included reviewing HES's System and Organization Control (SOC) report and the most recent Peer Review Acceptance Letter for the company that conducted the review and provided the opinion. [Principle 11]

WAP Objective 1:

- Interviewed WAP management to gain an understanding of its oversight of the local agencies' Call/Inquiry Lists and Weatherization Service Lists. [Principles 2, 3, 6-17]
- Reviewed laws, regulations, contracts, grant agreements, and WAP policies and procedures to identify potential criteria needed to evaluate the audit objective.
 - Reviewed DCED's Directive #W2022-03 (Eligibility, Client Prioritization and Weatherization Service List) to determine the following: [Principles 6, 7, 10, 12, 13, 14]
 - Definitions of the Call/Inquiry List and Weatherization Service List.
 - DCED's policy regarding the local agencies management of the Call/Inquiry Lists and Weatherization Service Lists.
- Evaluated DCED's efforts to oversee the local agencies' management of Call/Inquiry Lists and Weatherization Service Lists, including how DCED monitors the size of these lists at each local agency to ensure individuals receive weatherization services timely. [Principles 10, 12, 13, 14]
- Judgmentally selected 9 of 35 local agencies for each year of the audit period, or 27 in total, ensuring a local agency was not selected more than once and geographic coverage of the state, then verified that each local agency reported the number of names on its Call/Inquiry List and Weatherization Service List on the annual risk assessment questionnaire for the audit period year selected. [Principles 10, 12, 13, 14]
- Requested the Call/Inquiry List and Weatherization Service List from each of the 35 local agencies to determine compliance with DCED's Policy Directive #W2022-03.

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- Reviewed the reasonableness of the size of local agencies' Weatherization Service Lists as of June 30, 2023.

WAP Objective 2:

- Interviewed DCED management and staff responsible for WAP financial and program monitoring procedures to gain an understanding of DCED processes to monitor the local agencies. [Principles 2, 3, 6-17]
- Reviewed the WAP State Plans and LIHEAP State Plans regarding DCED's monitoring requirements and strategies for the 2020-21 through 2022-23 program years, as approved by U.S. DOE and DHS. [Principles 10, 12, 13, 14]
- Reviewed DCED's Policy Directive #W2022-07 for monitoring policies related to the financial and program monitoring of WAP local agencies. [Principles 10, 12, 13, 14]
- Verified DCED staff within the WAP program office adequately tracked its monitoring activities by obtaining its financial and program monitoring tracking spreadsheets that list the local agencies monitored during the audit period. [Principles 10, 12, 13, 14]
 - Reviewed the WAP Financial Monitoring Tracking spreadsheets for completeness and anomalies.
 - Reviewed the WAP Program Monitoring Tracking spreadsheets for completeness and anomalies.
- Determined if DCED satisfied its financial monitoring and program monitoring requirements for the 2020-21 through 2022-23 program years.
- Judgmentally selected 12 financial monitoring reports and 10 program monitoring reports of local agencies DCED monitored during the audit period and included on the monitoring tracking spreadsheets to include various sizes of local agencies and ensure geographic coverage of the state.
- For the 12 WAP financial monitoring reviews, we:
 - Obtained the WAP financial monitoring reports and documentation, as described in the following bulleted procedures.
 - Reviewed the financial monitoring documentation for compliance with applicable laws, regulations, policies, and procedures.

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- Verified that the Fiscal Monitoring Questionnaire was completed by the local agency and reviewed by DCED monitoring staff.
 - Ensured that the DCED monitoring staff completed the Internal Control Checklist, Financial Management and Cash Management Checklist, Payroll Testing Checklist, and Expenditure Testing Checklist.
 - Verified DCED monitoring staff obtained source documents from the local agency to support the results and findings, completed the Monitoring Program Checklist, and initialed/dated the project review docket when completed. [Principles 10, 12-14]
 - Compared the results stated in the financial monitoring report issued to the local agency to ensure it agreed with the results on the checklists and that all findings were reported to the local agency.
 - Ensured the Director of Compliance Monitoring Division within DCED's Financial Management Center signed each monitoring report and dated the docket as evidence of the review and approval of the financial monitoring. [Principles 10, 12-14]
 - Reviewed the local agency's Corrective Action Plan (CAP), if applicable, and verified it addressed all findings within the WAP Financial Monitoring Report.
 - Ensured DCED's approval of the local agency's CAP as evidenced in the CAP acceptance letter signed by the Director of Compliance Monitoring Division, if applicable.
 - Verified DCED followed up on the local agencies' prior year CAP during the current year financial monitoring review, as evidenced in the Monitoring Matrix and the Monitoring Program Checklist.
- For the 10 WAP program monitoring reviews, we:
 - Obtained the WAP program monitoring reports and documentation, as described in the following bulleted procedures.
 - Reviewed the program monitoring documentation for compliance with applicable laws, regulations, policies, and procedures.

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- Compared the results stated in the program monitoring report issued to the local agency to ensure it agreed with the results on the checklists and that all findings were reported to the local agency.
- Verified the monitoring supervisor signed the monitoring report cover letter issued to the local agency. [Principles 10, 12-14]
- Reviewed the local agency's CAP, if applicable, and verified it addressed all findings within the WAP Program Monitoring Report.
- Ensured DCED approved the local agency's CAP as evidenced by a signed acceptance letter. [Principles 10, 12-14]
- Determined if DCED evaluated the local agencies adherence to the U.S. DOE requirements regarding client prioritization.
- For 60 weatherization projects judgmentally selected from the projects included in the 10 selected program monitoring summary reports, ensuring coverage of the three WAP funding streams (U.S. DOE, LIHEAP-Standard, and LIHEAP-Crisis), we:
 - Ensured DCED's monitoring staff completed the QCI Checklist for the projects funded by U.S. DOE or LIHEAP-Standard funding, or the LIHEAP-Crisis Checklist for projects completed using LIHEAP-Crisis funds. [Principles 10, 12-14]
 - Reviewed the HES for required documents the local agencies upload to support the weatherization services provided, including QCIs.
 - Compared the results stated in the program monitoring report issued to the local agencies to ensure it agreed with the results on the monitoring checklists.
 - Verified that every heating system repair/replacement related to each LIHEAP-Crisis project selected was properly documented in HES.
 - Determined if the DCED monitoring staff verified that the local agency properly prioritized the selected project.
- Evaluated the written summary and supporting documents DCED provided after it disclosed an issue about a local agency that erroneously reported 90 percent of its projects as completed without required QCIs during the 2022-23 program year.

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- Contacted U.S. DOE officials with knowledge of the reporting issue noted in the previous bullet to corroborate DCED’s information and conclude on any impact to this audit report.

WAP Objective 3:

- Interviewed DCED management to gain an understanding of the typical WAP funding sources, as well as sources of supplemental WAP funds received during the audit period resulting from federal pandemic-related legislation and how the pandemic affected WAP operations.
- Reviewed the following laws, regulations, and guidance applicable to this objective: [Principles 3, 6, 7, 9-17]
 - Infrastructure Investment and Jobs Act of 2021 (IIJA), also known as the Bipartisan Infrastructure Law (BIL)⁶³
 - Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020⁶⁴
 - American Rescue Plan Act (ARPA) of 2021⁶⁵
 - American Recovery and Reinvestment Act of 2009, creating Sustainable Energy Resources for Consumer Grants (SERC)⁶⁶
 - Disaster Relief Supplemental Appropriations Act (DRSAA) of 2023⁶⁷
 - LIHEAP Deferral Program, Clean and Tune, and Crisis Cooling Program guidelines⁶⁸
 - DOE Weatherization Readiness Program guidelines⁶⁹
- Interviewed DCED management to gain an understanding of the strategies and actions DCED implemented to ensure the maximum impact from the influx of supplementary WAP funding. [Principles 1, 2, 4, 5, 9-17]
- Evaluated DCED’s use of the numerous funding streams and determined how much grant funds remained unexpended as of the expiration date and was returned to the federal government using grant award documents from U.S. DOE and DHS, and expenditures

⁶³ Infrastructure Investment and Jobs Act, Pub. L. No. 117-058 (2021).

⁶⁴ Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136 (2020).

⁶⁵ American Rescue Plan Act, Pub. L. No. 117-2 (2021).

⁶⁶ American Recovery and Reinvestment Act of 2009, Pub L. No. 111-5 (2009).

⁶⁷ Disaster Relief Supplement Appropriations Act, Pub. L. No. 117-328 (2023).

⁶⁸ DCED, *Pennsylvania Weatherization Assistance Program Deferral Program Guidelines 2022-2023* (October 22); *LIHEAP Clean & Tune Program Guidelines 2022-2023* (October 2022), and Pennsylvania Department of Community & Economic Development, *Pennsylvania LIHEAP Crisis Cooling Pilot Program Guidelines 2021-2022* (June 2021).

⁶⁹ DCED, *Pennsylvania Weatherization Assistance Program DOE Weatherization Readiness Program Guidelines 2022-2023* (August 2022).

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from the SEFA on SAP. We reconciled WAP expenditures from the SEFA to the Status of Appropriations on SAP, which was tested as part of the Commonwealth's Annual Comprehensive Financial Report (ACFR) and Single Audit conducted jointly by the Department of the Auditor General and a CPA firm.

- Reviewed the Department of the Auditor General's External Peer Review report issued for the period August 1, 2020, through July 31, 2021, to ensure compliance with generally accepted *Government Auditing Standards* for auditor independence and competency of the Single Audit team.
- Requested documentation of biweekly WAP Network Calls, which DCED established during the pandemic to increase communication and oversight of the local agencies, as well as advise them on any issues caused by the pandemic and the impact on WAP operations. [Principles 10, 12, 13, 14]
- Judgmentally selected 24 of 101 WAP Network Calls to ensure coverage of the audit period July 1, 2020, through June 30, 2023, and reviewed the PowerPoint presentation DCED created for each call. [Principles 10, 12, 13, 14]
- Verified that DCED included the specific topics relating to the strategies/actions it took to maximize the impact of the available WAP funding, such as, informing local agencies of available funding, offering guidance on maintaining productivity levels, communicating the new funding allocation formula and new program initiatives. [Principles 10, 12, 13, 14]
- Obtained an understanding of DCED's annual funding allocation methodologies for the U.S. DOE and LIHEAP grant funds.
- Verified the annual grant amounts awarded to DCED with source documents. [Principles 10, 12, 13, 14]
- Recalculated the amounts allocated to the local agencies to ensure mathematical accuracy using DCED's allocation worksheets for U.S. DOE and LIHEAP funding and validated the components of the funding allocation formulas. [Principles 10, 12, 13, 14]
- Verified the amounts provided to each local agency as calculated on DCED's allocation spreadsheet agreed to the Production and Expenditure Reports from HES. [Principles 10, 12, 13, 14]
- Reviewed documentation relating to DCED's development of a new updated U.S. DOE funding allocation formula and a hybrid formula applied for the 2022-23 program year.

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- Reviewed DCED’s process for reallocating funds to local agencies in need of additional funding according to the demand for weatherization services.
- Examined DCED guidelines for other weatherization-related programs expanded or piloted using supplemental funding during the audit period.
- Recalculated the assessed scores and verified the assigned risk levels for accuracy on the individual Annual Local Agency Risk Assessments completed by DCED for the 12 of 35 local agencies judgmentally selected for the financial monitoring procedures as described under WAP Objective 2.
- Conducted a trend analysis of DCED’s assessed risk levels for each local agency over the audit period to evaluate the effectiveness of its risk assessment process.

To address the *Status of Prior Audit Findings*, we performed the following procedures:

- Interviewed DCED management staff regarding the status of prior audit findings and recommendations.
- Reviewed DCED WAP directives outlining procedures and processes regarding the allocation of U.S. DOE and LIHEAP funds, client prioritization, and Call/Inquiry Lists and Weatherization Service Lists maintained by local agencies.
- Reviewed the WAP State Plans and LIHEAP State Plans for the 2020-21 through 2022-23 program years, as approved by U.S. DOE and DHS.
- Viewed the updated WAP Allocation Formula Recommendation Presentation.

Data Reliability

Generally accepted *Government Auditing Standards* requires us to assess the sufficiency and appropriateness of computer-processed information that we used to support our findings, conclusions, and/or recommendations. The assessment of the sufficiency and appropriateness of computer-processed information includes considerations regarding the completeness and accuracy of the data for the intended purposes.⁷⁰

⁷⁰ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revisions. Technical Update April 2021. Paragraph 8.98.

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In addition to the procedures described in the remainder of this section, as part of our overall process in obtaining assurance of the reliability of computer-processed information and data files, we obtained a management representation letter from DCED. This letter, signed by DCED management, included a confirmation statement indicating the information and data provided to us had not been altered and was a complete and accurate duplication of the data from its original source.

To assess the completeness and accuracy of the data on DCED's Financial Monitoring Tracking Spreadsheets for the 2020-21 through 2022-23 program years, we conducted the following procedures:

- Interviewed DCED management to gain an understanding of how it maintains the financial monitoring tracking spreadsheet.
- Verified DCED included all local agencies on the tracking spreadsheet.
- For a judgmental selection 12 of the 35 local agencies, we traced data on the tracking spreadsheet to monitoring documents, including various checklists and reports completed as part of the financial monitoring reviews. Further, with finding that financial reviews were not completed by DCED during 2020-21 for three local agencies as noted in WAP *Finding 2*, we judgmentally selected an additional nine local agencies and validated that the monitoring was performed as indicated on the tracking sheet. Judgmental selection of local agencies included various size agencies and geographic coverage throughout the state.

Based on the above procedures, we found no limitations with using the WAP data described above for our intended purposes. In accordance with generally accepted *Government Auditing Standards*, we conclude that the WAP Financial Monitoring Tracking Spreadsheets to be sufficiently reliable regarding completeness and accuracy for the purposes of our engagement.

To assess the completeness and accuracy of the data on DCED's Program Monitoring Tracking Spreadsheets for the 2020-21 through 2022-23 program years, we conducted the following procedures:

- Interviewed DCED management to gain an understanding of how it maintains the tracking spreadsheet.
- Verified DCED included all local agencies on the tracking spreadsheet.
- For 10 of the 35 local agencies, we traced data on the tracking spreadsheet to monitoring documents, including various checklists and reports completed as part of the program monitoring reviews. Although we found two incorrect formulas that totaled amounts from

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multiple columns on the tracking spreadsheet, we traced monitoring numbers for individual local agencies to program monitoring summary reports without exception. We refer to these incorrect calculations in *WAP Finding 2*.

Based on the above procedures, we found no limitations with using the WAP data described above for our intended purposes. In accordance with generally accepted *Government Auditing Standards*, we conclude that the WAP Program Monitoring Tracking Spreadsheets to be sufficiently reliable, except for the two incorrectly calculated totals noted above, regarding completeness and accuracy for the purposes of our engagement.

We conducted an analysis of DCED's WAP funding using U.S. DOE and DHS grant award documents and expenditures from the SEFA on SAP, as presented in the table within *WAP Finding 3*. We reconciled the total WAP expenditures from the Status of Appropriations to the SEFA on SAP, which is evaluated as part of the annual audit of the Commonwealth's ACFR and Single Audit. These annual audits are conducted jointly by the Department of the Auditor General and a CPA firm.

To assess the completeness and accuracy of the data on DCED's WAP Funding Allocation Spreadsheets from HES for the 2020-21 through 2022-23 program years, we conducted the following procedures:

- Interviewed DCED management to gain an understanding of its funding allocation spreadsheets.
- Verified DCED included all local agencies on the funding allocation spreadsheets.
- Ensured the mathematical accuracy of the calculated amounts on the funding allocation spreadsheets.
- Traced amounts from the funding allocation spreadsheets to independent source documents, such as the WAP funding award documents from U.S. DOE and DHS.
- Reconciled local agencies allocation amounts from the funding allocation spreadsheets to HES.
- Reviewed the HES SOC report and the most recent Peer Review Acceptance Letter for the company that conducted the review and provided the opinion.

Based on the above procedures, we found no limitations with using the WAP data described above for our intended purposes. In accordance with generally accepted *Government Auditing Standards*, we conclude that the WAP Funding Allocation Spreadsheets to be sufficiently reliable regarding completeness and accuracy for the purposes of our engagement.

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We did not perform procedures to validate the completeness and accuracy of the local agencies' Call/Inquiry Lists and Weatherization Service lists as of June 30, 2023; however, this was the best data available. As a result, we deemed this information to be of undetermined reliability. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings, conclusions, and recommendations.

We assessed the completeness and accuracy of DCED's Annual Local Agency Risk Assessment reports for the 2020-21 through 2022-23 program years by conducting the following procedures:

- Interviewed DCED management to gain an understanding of its annual risk assessment process.
- Verified DCED completed annual risk assessment reports for all local agencies.
- Ensured the mathematical accuracy of DCED's risk assessment scoring, which it used to assess each local agency's risk level as low, medium, or high risk based on noncompliance with WAP policies and/or poor performance.

Although we verified the accuracy of DCED's annual local agency risk assessment scoring and risk levels assessed for the three program years, we did not perform a detailed analysis of the risk assessments DCED conducted during our audit period and could not trace the report data to an independent source. However, this was the best data available. As a result, we deemed the risk assessment data to be of undetermined reliability. Even though this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings, conclusions, and recommendations.

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Appendix B

Weatherization Local Agencies

The following are the names of the weatherization local agencies that DCED contracted with during our audit period to provide weatherization services and the counties those agencies serviced:

Weatherization Local Agencies	Counties Serviced
Action Housing, Inc.	Allegheny, Greene, Washington
Agency for Community EmPOWERment of NEPA	Lackawanna
Armstrong County Community Action Agency	Armstrong
Berks Community Action Program	Berks
Blair County Community Action Program	Blair
Bucks County Opportunity Council, Inc.	Bucks
Carbon County Action Committee for Human Services	Carbon
Center for Community Action	Bedford, Cambria, Fulton
Central Pennsylvania Community Action Inc.	Centre, Clearfield
Commission on Economic Opportunity	Luzerne
Community Action Agency of Delaware County	Chester, Delaware, Lancaster, Lebanon, Montgomery,
Community Action Committee of the Lehigh Valley	Lehigh, Northampton
Community Action Inc.	Clarion, Indiana, Jefferson
Community Action Partnership of Mercer County	Butler, Mercer
Energy Coordinating Agency	Philadelphia
Erie County Housing Authority	Erie
Housing Authority of the County of Beaver	Beaver
Lawrence County Community Action Partnership	Lawrence
Lycoming/Clinton Counties Commission for Community Action, Inc. (STEP)	Clinton, Lycoming
Monroe County Weatherization Program	Monroe
Northern Tier Community Action Corp.	Cameron, Elk, McKean, Potter
Northumberland County Weatherization	Northumberland
Northwest Pennsylvania Weatherization, Inc.	Crawford
Philadelphia Housing Development Corporation (Crisis services only)	Philadelphia
Redevelopment Authority of the County of Fayette	Fayette
Schuylkill Community Action	Schuylkill
SEDA-Council of Governments	Columbia, Juniata, Mifflin, Montour, Perry, Snyder, Union
South Central Community Action Program, Inc.	Adams, Cumberland, Dauphin, Franklin
Tableland Services Inc.	Somerset
TREHAB	Bradford, Sullivan, Susquehanna, Tioga, Wyoming
Warren/Forest Counties Economic Opportunity Council	Forest, Venango, Warren

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Weatherization Local Agencies	Counties Served
Wayne County Redevelopment Authority	Pike, Wayne
Weatherization, Inc.	Huntingdon
Westmoreland County Housing Authority	Westmoreland
York County Planning	York

Source: Compiled by Department of the Auditor General staff from information on DCED's website:
<https://dced.pa.gov/housing-and-development/weatherization/agency-list/> (accessed January 10, 2024).

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Appendix C

Weatherization-related Programs Administered by DCED through WAP Local Agencies

The Pennsylvania Department of Community and Economic Development (DCED) established four weatherization-related programs just prior to or during our audit period of July 1, 2020, through June 30, 2023. DCED provides funding through contracts with the Weatherization Assistance Program (WAP) local agencies to operate these programs. DCED used a portion of the traditional Low-Income Home Energy Assistance Program (LIHEAP) funding transfer from the Pennsylvania Department of Human Services (DHS) to administer the LIHEAP Deferral Program but utilized the LIHEAP supplemental funding received during the audit period to augment that program and pilot two others, Clean and Tune; and Crisis Cooling programs. DCED piloted a fourth program during 2022-23 specifically funded through an allocation from the U.S. Department of Energy (U.S. DOE).

We did not audit these programs as part of our performance audit of WAP but provide program details below for informational purposes.

LIHEAP Deferral Program⁷¹

LIHEAP Deferral Program provides home repairs that are needed before weatherization/energy conservation work can begin. These homes must be eligible for WAP and must have been deferred for weatherization services due to the need for repairs. Once the needed repairs and weatherization services have been completed, clients can expect to see increased energy savings, reduced fuel use and cost, as well as the added benefit of a safe and healthy home environment.

An average of 11 local agencies participated in the LIHEAP Deferral Program during each program year since 2017-18. DCED management reported in the 2024 LIHEAP State Plan that more than 900 homes have received deferral program services, with more than 72 percent weatherized to date.⁷²

U.S. DOE Weatherization Readiness Program⁷³

In response to increased deferrals of weatherization services due to needed home repairs and the success of the LIHEAP Deferral Program discussed above, the U.S. DOE awarded a special

⁷¹ Pennsylvania Department of Community and Economic Development, *Pennsylvania Weatherization Assistance Program LIHEAP Deferral Program Guidelines 2022-2023* (October 22).

⁷² Commonwealth of Pennsylvania Low-Income Home Energy Assistance Program Fiscal Year 2024 State Plan, Appendix C-8.

⁷³ Pennsylvania Department of Community and Economic Development, *Pennsylvania Weatherization Assistance Program DOE Weatherization Readiness Program Guidelines 2022-2023* (August 2022).

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allocation of Weatherization Readiness funds in the 2022-23 WAP program year. These funds were equally distributed between 34 of 35 local agencies.⁷⁴

The U.S. DOE WAP Readiness Program provides the same home repair services as the LIHEAP Deferral Program, as described above, to prepare WAP-eligible homes for weatherization services. Once the home has received the needed repairs, local agencies use U.S. DOE annual WAP funding to complete the weatherization services.

LIHEAP Clean and Tune Program⁷⁵

DCED piloted the LIHEAP Clean and Tune Program during the 2021-22 LIHEAP program year, using supplemental funding received through the American Rescue Plan Act (ARPA) of 2021. One local agency received ARPA supplemental funds during the pilot program year of 2021-22, and 34 local agencies received funds in the program year of 2022-23.⁷⁶ The program provides non-emergency cleaning and tuning of heating systems and educates clients on the need for such routine preventative maintenance work.

The program serves clients who previously received LIHEAP-Crisis funded services, which include the repair or replacement of a broken heating system. The program aims to prevent past clients from having a future crisis, which enables services and funds to be available to help other households in need. The continuation of the LIHEAP Clean and Tune Program is dependent on funding availability.

LIHEAP Crisis Cooling Program⁷⁷

DCED piloted the LIHEAP Crisis Cooling Program during the 2021-22 LIHEAP program year using ARPA supplemental funding. Thirty-five local agencies received supplemental funds to offer the LIHEAP Crisis Cooling Program during the 2021-22 and 2022-23 program years.⁷⁸

The program's main objective is to provide residents with a safe, comfortable area in their homes during times of extreme heat. In addition to repairing or replacing home air cooling units not working efficiently, the program educates clients about energy conservation and health and safety. The program may provide eligible households with air conditioners (window or through the wall) with cover(s) or up to two energy-efficient fans. The continuation of this program is dependent on the availability of future funding.

⁷⁴ Local agency participation based on information maintained in Hancock Energy System that DCED uses to track WAP activity. Philadelphia Housing Development Corporation did not receive an allocation because this local agency only provides LIHEAP-Crisis weatherization services.

⁷⁵ DCED, *Pennsylvania Weatherization Assistance Program, LIHEAP Clean and Tune Program Guidelines 2022-2023* (October 2022).

⁷⁶ Local agency participation based on information maintained in HES that DCED uses to track WAP activity.

⁷⁷ DCED, *Pennsylvania LIHEAP Crisis Cooling Pilot Program Guidelines 2021-2022* (June 2021).

⁷⁸ Local agency participation based on information maintained in HES that DCED uses to track WAP activity.

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Appendix D

DCED Disclosure of a Local Agency Reporting Projects as Complete without Required Quality Control Inspections

On June 27, 2024, subsequent to completing our audit procedures but prior to issuing this report for our performance audit of the Pennsylvania Weatherization Assistance Program (WAP), the Pennsylvania Department of Community and Economic Development's (DCED's) Office of Chief Counsel contacted us to disclose that one local agency reported 126 WAP projects as complete for the program year 2022-23, without having satisfied a required Quality Control Inspection (QCI). The U.S. Department of Energy (U.S. DOE) regulations stipulate that a project cannot be reported as complete until it passes a QCI. DCED stated that although its annual program monitoring of the local agency did not identify an issue in June 2023, the issue was discovered in September 2023 after the U.S. DOE performed a site visit. DCED noted that it continues to work with the local agency and the U.S. DOE, although at the time of this audit report's issuance, a resolution had not yet been reached by the entities.

We requested additional information when DCED disclosed this issue to us. DCED provided a written summary describing the issue and spreadsheets showing the results of DCED's review of all 140 projects reported by the local agency as completed for the 2022-23 program year.⁷⁹ Correspondence emails show that DCED provided these documents to the U.S. DOE between March and June 2024.⁸⁰

According to DCED's documents, its review determined that **126 of 140 projects, or 90 percent**, lacked a completed QCI. Its spreadsheet indicated that the local agency invoiced DCED and received nearly \$500,000, for these 126 projects. DCED found the local agency's staff inappropriately selected 'n/a' (i.e., not applicable), instead of 'incomplete', for the project QCI in the Hancock Energy System (HES) used to track local agencies' WAP activities. This functionality was established for LIHEAP-Crisis projects that do not require QCIs but wasn't restricted by funding type. According to DCED management, a new version of HES replaced the old version as of July 1, 2024, for tracking all U.S. DOE funded WAP activities. However, as of July 9, 2024, local agencies still have the option to select 'n/a' and move projects to a finalized status without a QCI. DCED stated it plans to work with the system vendor to remove this option.

⁷⁹ Using the Production and Expenditures reports previously provided by DCED, we determined that the local agency expended all of its LIHEAP funding allocation to perform LIHEAP-Crisis services and reported zero LIHEAP-Standard weatherization projects completed during the program year 2022-23. Therefore, this issue was isolated to its reporting of the U.S. DOE-funded projects because LIHEAP-Crisis projects do not require QCIs due to the nature of services, which typically involve the repair/replacement of the home's heating system.

⁸⁰ This information was provided by DCED subsequent to our audit procedures, and as such, we did not perform procedures to validate the reliability of this information. We include the information in this appendix as background of the issue disclosed by DCED and generally corroborated the information with the U.S. DOE.

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According to DCED's summary, the local agency's management explained that it had difficulty accessing homes after the work was completed or to confirm that 'punch list' items were addressed to satisfy the QCI, so the WAP Manager submitted the jobs as complete to meet its annual production plan. An email from the local agency's Executive Director indicated he removed the WAP Manager from that position and continues to search for a replacement, and the manager's responsibilities were assigned to other local agency staff.

To corroborate information provided by DCED regarding the issue described in this appendix, we independently contacted the U.S. DOE officials to determine if they were aware of the issue and whether they have knowledge of this issue at any other local agency that could impact our audit. The U.S. DOE stated DCED has kept it informed of the issue and it is not aware this issue involved any other local agency. The U.S. DOE stated that DCED has not yet presented its final conclusions and resolutions from its review of the local agency.

Due to the fact that DCED's annual monitoring of the local agency failed to detect that it was not properly performing QCIs as required for 90 percent of its projects reported as completed for the 2022-23 program year reinforces our recommendations presented in *Finding 2*. We recommended that DCED develop a written project selection methodology for its program monitoring staff that prohibits local agency involvement, provide training to ensure the methodology is properly and consistently applied, and require its staff to document why individual projects were selected for the program monitoring reviews. See the details and recommendations in *Finding 2*.

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Appendix E

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