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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Slow Progress And Uncertain Energy Savings In Program To Weatherize Low-Income Households

The Department of Energy's Low-Income Weatherization Program could go a long way toward conserving energy and reducing the utility bills of people least able to afford them. However, the program has been hampered by

- a lack of procedures for selecting homes, considering both energy savings and the need to reach low-income people,
- problems in obtaining sufficient labor,
- a lack of emphasis on rental units,
- legal limits on administrative expenses at the local level, and
- inadequate financial management and program monitoring at the Federal, State, and local levels.

This report contains several recommendations to the Department of Energy for improving its management of the weatherization program.



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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-197845

To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the need to improve the administration and effectiveness of the Department of Energy's low-income weatherization program.

Section 462 of the Energy Conservation and Production Act (42 U.S.C. 6892) requires the Comptroller General to report to the Congress annually for fiscal years 1977, 1978, and 1979 on four Department of Energy Programs--weatherization assistance for low-income persons, State energy conservation plans, energy conservation and renewable-resource obligation guarantees, and national energy conservation and renewable-resource demonstration for existing dwelling units.

This is our second annual report on the weatherization assistance program, and it covers activities during fiscal year 1978. A report on the other three programs for fiscal year 1978 will be issued separately.

We are sending copies of this report to the Director, Office of Management and Budget, and to the Secretaries of Energy and Labor.

A handwritten signature in black ink, appearing to read "James A. Atch".

Comptroller General
of the United States



COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

SLOW PROGRESS AND UNCERTAIN
ENERGY SAVINGS IN PROGRAM TO
WEATHERIZE LOW-INCOME HOUSEHOLDS

D I G E S T

Through fiscal year 1978, the Department of Energy and the Community Services Administration administered nearly identical low-income weatherization programs. In fiscal year 1979, the Community Services Administration program was not funded. The full responsibility for weatherizing the homes of low-income persons to reduce their high utility bills and conserve energy was given to the Department of Energy.

Although about \$291 million was provided for operation of the program through fiscal year 1979, the Department of Energy has not estimated energy savings actually achieved, and it has not developed procedures for selecting homes to be weatherized which offer the greatest potential for energy savings and for benefiting low-income persons. Also, the program has experienced problems in securing sufficient labor resources, reporting progress accurately, reaching low-income tenants, assuring sufficient administrative funds, and implementing effective financial management and monitoring systems.

The program, which is authorized by the Energy Conservation and Production Act, is administered on a decentralized basis through the Department's 10 regional offices. Grant funds are provided to the States which, in turn, redistribute the money to local administering agencies for program implementation. (See p. 4.)

because of reporting errors. Program progress and effectiveness have been hampered by (1) problems in obtaining sufficient labor, (2) lack of emphasis on rental units where half of the low-income population lives, and (3) legal limits on the amount States and local administering agencies can spend on administrative expenses.

The total of 96,000 homes reported by the Department of Energy as weatherized through December 31, 1978, is overstated by an unknown amount because it includes homes weatherized under the Community Services Administration's program. The single progress reporting form used does not require enough detailed data to determine the number of homes weatherized under each program. (See p. 14.)

Program progress has been slowed by difficulties in obtaining sufficient labor resources through the Comprehensive Employment and Training Act, administered by the Department of Labor. Until recently, Department of Energy regulations have required the exclusive use of labor from this source. (See pp. 16 to 21.)

Comprehensive Employment and Training Act sponsors at the local level have the authority to decide for what purposes they will use available funds, and the Department of Labor is precluded from disapproving a sponsor's plan based on the percentage of funds it devotes to various allowable activities. In many instances sponsors have placed very little emphasis on assigning workers to local weatherization projects; instead they have given preference to allocating public service jobs to their own projects. The Community Services Administration experienced similar labor problems in its weatherization program.

The Departments of Energy and Labor and the Community Services Administration were working together to identify and correct labor problems and thereby improve program progress.

The Energy Conservation and Production Act requires the Comptroller General to report to the Congress annually for fiscal years 1977, 1978, and 1979 on the activities being carried out under the weatherization and certain other programs. This is GAO's second annual report on the weatherization program covering fiscal year 1978 and, as required by the act, addresses four aspects of the program:

- Energy savings.
- Program effectiveness.
- Financial controls.
- Compliance monitoring.

Although GAO's review covered program activities in fiscal year 1978, the report contains more current data where it was available.

ENERGY SAVINGS

The extent to which the program is reducing energy costs and consumption is unknown. The Department of Energy plans to estimate and report savings actually achieved about 6 months before the currently authorized program expires. (See p. 7.)

Procedures for selecting homes to be weatherized have not been developed; consequently, homes are being selected without considering whether they will provide the greatest energy savings. (See p. 8.)

IMPEDIMENTS TO PROGRAM PROGRESS AND EFFECTIVENESS

The Department of Energy estimated that about 393,000 homes would be weatherized during fiscal years 1977 and 1978. Only about 96,000 homes were reported by the Department of Energy as weatherized through December 31, 1978. This figure, however, is overstated

The States are responsible for monitoring local agencies and providing accurate financial status reports to the Department of Energy. Most State offices GAO visited did not monitor the local agencies' financial management systems so that the Department of Energy could identify and correct accounting, inventory, unallowable expenditure, and reporting problems. (See p. 32.)

The ability of the Department of Energy's regional offices to obtain assurances that problems with financial management and reporting are identified has been limited by a lack of permanent monitoring personnel. GAO believes that the Department of Energy should depend primarily on the States to monitor local agencies. GAO further believes that the Department of Energy should improve its monitoring of the States. (See p. 35.)

RECOMMENDATIONS

- ✓ The Secretary of Energy should implement program regulations that will require local agencies to select homes to be weatherized from priority lists, after considering both the magnitude of potential energy savings and the need to reach low-income people.
- ✓ GAO also recommends that the Secretaries of Energy and Labor continue to monitor the labor situation and periodically assess the effectiveness of their efforts. The Department of Energy should grant waivers permitting weatherization funds to pay for labor costs only after (1) all reasonable efforts to obtain labor resources have been exhausted and (2) it determines that denial of a waiver will cause weatherization funds to remain idle.

The Secretary of Energy should also

- ✓ --revise the progress reporting system to ensure that the total number of homes weatherized under the Department's and the Community Services Administration's programs are identified and reported accurately;

A joint plan of action was recently developed whereby the Department of Energy would grant waivers permitting use of weatherization funds to pay for labor costs where labor shortages can be documented. The success of this effort will be influenced by (1) how well the Departments of Energy and Labor monitor the labor situation and take steps to resolve problems and (2) the impact that using funds for labor will have on fund availability for weatherization materials and other program costs. (See p. 21.)

Neither the authorizing legislation nor program regulations require the weatherization of rental dwellings. Although almost 50 percent of the low-income homes in the United States are rental units, few such units are planned to be weatherized. In many cases landlords are reluctant to sign agreements required by the Department of Energy to assure that tenants will benefit from weatherization work. (See pp. 22 and 23.)

The Department of Energy is testing various techniques to obtain landlord agreements. Nevertheless, GAO believes more emphasis needs to be placed on providing program benefits to occupants of rental units.

In response to requirements in the Energy Conservation and Production Act and the National Energy Conservation and Policy Act, the Department of Energy has restricted overall administrative expenditures to 10 percent of each State's grant. State and local administering agency officials complained that this allowance is not sufficient to effectively implement the program. (See pp. 24 and 25.)

FINANCIAL MANAGEMENT AND PROGRAM MONITORING PROBLEMS

Many local administering agencies reviewed by GAO and Department of Energy auditors were not maintaining adequate accounting and inventory systems and were not spending grant monies in accordance with the program regulations. (See p. 28.)

The Department of Labor also concurred in GAO's recommendation to continue monitoring the labor situation and on granting waivers permitting weatherization funds to pay for labor costs.

RECENT CONGRESSIONAL ACTION

The Senate passed on February 28, 1980, S. 1725 which would, among other things, reestablish within the Community Services Administration a program to provide low-income and near-poor individuals and families with weatherization services. The House is considering two similar bills (H.R. 6136 and H.R. 6619). The proposed weatherization program would be similar to the existing weatherization program being conducted by the Department of Energy.

In past reports on the weatherization programs administered by the Department of Energy and the Community Services Administration, GAO recommended that the two programs be consolidated and administered by the Department. GAO has also taken the position that it is desirable to place energy functions in one agency having overall energy responsibility, rather than either place the functions in one or more agencies with no basic energy responsibility, or scatter energy responsibilities among several agencies. This would ensure that energy functions receive proper priority within a single department and compete better for funds through the fund approval process.

GAO continues to believe that the low-income weatherization program should be under the direction of the Department of Energy.

- ✓ --instruct the Department's regional offices, the States, and the local administering agencies to place more emphasis on providing program benefits to occupants of rental units;
- ✓ --closely monitor the adequacy of administrative funds and, if problems continue, ask the Congress to relax the 10-percent limitation; and
- ✓ --design a monitoring system to provide the Department with assurances that States' monitoring of local agencies is adequate and identifies and corrects any unallowable expenditures, and accounting, reporting, and inventory problems.

See page 41
AGENCY COMMENTS

The Department of Energy agreed with all of GAO's recommendations except for requiring local agencies to select homes considering both energy savings potential and the need to reach the low-income target population. The Department of Energy stated that many local agencies had established priority lists on the basis of need and that selecting homes to be weatherized primarily on the basis of potential energy savings ignores the human welfare aspects of the program. It also indicated it would not be feasible to conduct a thorough energy audit of each dwelling unit in order to establish a ranking system.

GAO is not suggesting that the human welfare aspects of the program be ignored. Nor does GAO imply that maximum energy savings should be the program's primary goal. GAO is suggesting, however, that because one of the main purposes of the program is to conserve energy, the Department of Energy should develop criteria and procedures that will give some degree of emphasis to this goal in selecting homes to be weatherized.

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CHAPTER 1

INTRODUCTION

This report discusses the administration and implementation of the Department of Energy's (DOE's) weatherization assistance program for low-income persons. ^{1/} Title IV of the Energy Conservation and Production Act (ECPA), Public Law 94-385, as amended, authorizes \$585 million through fiscal year 1980 to help weatherize the dwellings of low-income persons. The purpose of DOE's weatherization assistance program for low-income persons is to achieve a prescribed level of insulation in the dwellings of low-income persons, particularly the elderly and handicapped, to attain the maximum practicable energy conservation in their homes, and to aid those persons least able to afford higher utility or fuel costs. It is estimated that there are about 10 million low-income dwellings in the Nation.

To accomplish these goals, DOE's program regulations allow numerous weatherization measures. These measures include repairing broken windows; caulking around windows; weatherstripping windows and doors; installing storm windows and doors; and insulating attics, floors, and walls.

Title IV of ECPA authorizes four programs to encourage the implementation of energy conservation and renewable-resource energy measures in dwelling units, nonresidential buildings, and industrial plants. The programs authorized are

- supplemental State energy conservation plans,
- weatherization assistance for low-income persons,
- energy conservation and renewable-resource obligation guarantees, and
- national energy conservation and renewable-resource demonstration for existing dwelling units.

Section 462 of ECPA requires the Comptroller General to report to the Congress annually for fiscal years 1977, 1978, and 1979 on the activities being carried out under these programs. This is our second annual report on the weatherization assistance program, and it generally covers activities

^{1/}Low-income is currently defined by the National Energy Conservation Policy Act (NEPCA), Public Law 95-619, as at or below 125 percent of the poverty level determined in accordance with criteria established by the Director, Office of Management and Budget.

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ABBREVIATIONS

CETA	Comprehensive Employment and Training Act
CSA	Community Services Administration
DOE	Department of Energy
DOL	Department of Labor
ECPA	Energy Conservation and Production Act
GAO	General Accounting Office
LAA	Local Administering Agency
NECPA	National Energy Conservation Policy Act
OMB	Office of Management and Budget

in DOE. DOE and the Office of Management and Budget (OMB) agreed with our recommendations. The Congress appropriated all weatherization funds requested in the President's fiscal year 1979 budget to DOE.

However, legislation has been proposed which would reestablish the CSA program.

Recent congressional action to
reestablish a program at CSA

In the current session of the Congress, legislation is being considered to reestablish a low-income weatherization program within CSA. The Senate passed on February 28, 1980, S. 1725 the "Economic Opportunity Amendments of 1980." The bill would, among other things, establish within CSA a program to provide low-income and near poor individuals and families with weatherization services. The House is considering similar bills (H.R. 6136 and H.R. 6619).

The Senate bill states that it is the intention of the Congress that only one Federal agency carry out the administration of any weatherization program for low-income persons. The bill further states that the President shall recommend which authorized program should be implemented.

In prior reports on the DOE and CSA weatherization programs, 1/ we recommended that the DOE and CSA weatherization programs be consolidated and administered by DOE. We have historically taken the position that it is desirable to place energy functions in one agency with overall energy responsibility, rather than to place the functions in one or more agencies with no basic energy responsibility, or scatter energy responsibilities among several agencies. 2/ This would ensure that energy functions receive proper priority within a single department and compete better for funds through the fund approval process (the Congress and the Office of Management and Budget).

1/"Evaluation of Four Energy Conservation Programs--Fiscal Year 1977", EMD-78-81, Nov. 21, 1978; and "Complications in Implementing Home Weatherization Programs for the Poor," HRD-78-149, Aug. 2, 1978.

2/"Energy Policy Decisionmaking, Organization, and National Energy Goals," EMD-77-31, Mar. 24, 1977; and "Evaluation of Four Energy Conservation Programs--Fiscal year 1977," EMD-78-81, Nov 21, 1978.

during fiscal year 1978. 1/ In certain instances, we have updated data to indicate the current situation. As required by ECPA, we reviewed four aspects of the program:

- Energy savings.
- Program effectiveness.
- Financial controls.
- Compliance monitoring.

COMMUNITY SERVICES ADMINISTRATION
WEATHERIZATION PROGRAM

Until fiscal year 1979, the Federal Government funded two low-income weatherization programs--one administered by DOE and the other by the Community Services Administration (CSA).

Prior to our first annual report on DOE's program, we issued a report which discussed complications encountered by CSA and DOE in operating parallel home weatherization programs for low-income families. 2/ In our report on CSA's weatherization program, we noted several problems in the administration of the CSA program, including

- difficulties in obtaining workcrews from Federal manpower programs and volunteers due to weaknesses in Federal planning efforts;
- exclusion of rental dwellings in favor of single-family homeowners; and
- weaknesses in CSA guidance, monitoring, and reporting which contributed to problems in identifying how many have been helped, to what extent they were helped, and how much energy had been conserved.

The report on CSA's program and our first annual report on DOE's program recommended that the Congress consider placing full responsibility for low-income home weatherization

1/The first report covered fiscal year 1977. It was entitled, "Evaluation of Four Energy Conservation Programs--Fiscal Year 1977," EMD-78-81, Nov. 21, 1978. Our report on the other three programs for fiscal year 1978 will be issued separately.

2/"Complications in Implementing Home Weatherization Programs for the Poor," HRD-78-149, Aug. 2, 1978.

The program is administered on a decentralized basis through the 10 DOE regional offices. DOE headquarters is responsible for establishing program development and implementation regulations, providing technical assistance to DOE regional offices, and reviewing and evaluating information received from the regions to ensure effective and uniform program implementation.

The DOE regional offices are responsible for reviewing and approving annual weatherization applications, awarding grants, monitoring and evaluating the operation of the program, and reporting to DOE headquarters.

Each State is responsible for developing its own weatherization program, monitoring program implementation by the LAAs, and reporting regularly to its respective DOE regional office in accordance with program regulations. To receive funding, each State must annually submit to its respective DOE regional office an application containing, among other things,

- the name of the organization responsible for administering the program;
- the proposed budget for the program including amount and source of funds;
- the total number of low-income dwelling units to be weatherized, by calendar quarter;
- an estimate of the amount of energy to be conserved;
- the minimum number of dwelling units to be weatherized annually where elderly, handicapped, and Native Americans reside; and
- an estimate of the Federal manpower programs, volunteer labor programs, or other labor sources to be used.

SCOPE

Our overall plan for the 3 fiscal years we are required to review the program is to cover each of the 10 DOE regions at least once and within those regions States having significant programs. In our 1977 review we covered four DOE regions and eight States in those regions. Our 1978 review covered different DOE regions and States.

The proposed weatherization program would be similar to the existing weatherization program being conducted by DOE. The DOE program is currently authorized only through fiscal year 1980. However, the President's fiscal year 1981 budget is asking for almost \$200 million to continue the program in DOE.

If the program is established at CSA in fiscal year 1981, and the DOE program is discontinued, we believe the loss of program continuity and delays could adversely affect program progress. Both the Senate and House versions of the bill permit up to 120 days between its enactment and publication of program regulations. In addition, both bills provide that if a State does not submit a plan or application within 120 days after final regulations are prescribed, the local administering agencies may do so. These types of time frames are indicative of the delays which we believe may occur in program implementation as administrators familiarize themselves with the new program. Such delays will also mean that needed energy-conserving actions are not taken as quickly as they might be. Also, we have found that many of the problems in the administration of both the DOE and CSA weatherization programs originated at community action agencies at the local level. These same community action agencies administered both the DOE and CSA programs and will continue to do so regardless of which Federal agency is the source of funding.

In a letter to the Chairman, House Committee on Interstate and Foreign Commerce (EMD-80-B4, Mar. 21, 1980) commenting on H.R. 6136 and H.R. 6619, we stated that for the reasons discussed above we continue to believe that the low-income weatherization program should be under the direction of DOE.

PROGRAM IMPLEMENTATION AND ADMINISTRATION

The weatherization program is carried out by granting funds to the States and the District of Columbia which, in turn, redistribute funds to local governments, Native American tribes, and community action agencies ^{1/} for program implementation. In this report, these entities are referred to as local administering agencies (LAAs).

^{1/}Private corporations or public agencies established pursuant to the Economic Opportunity Act of 1964 (Public Law 88-452), which are authorized to administer funds received from Federal, State, local, or private funding entities to assess, design, operate, finance, and oversee antipoverty programs.

CHAPTER 2

ENERGY SAVINGS ESTIMATES AND PROCEDURES

FOR SELECTING HOMES WITH THE GREATEST POTENTIAL

SAVINGS HAVE NOT BEEN DEVELOPED

The weatherization program can benefit low-income persons and save energy, but neither DOE nor the States know the extent to which the program is actually reducing energy costs and consumption in low-income homes. DOE is in the process of gathering the information necessary to estimate savings and assess program effectiveness, but this process is not scheduled to be completed until April 1980--6 months before expiration of the currently authorized program.

LAA's selected homes for weatherization on a "first come, first served" basis without consideration of which homes would provide the greatest energy savings. We believe DOE should develop and implement selection procedures which will increase assurances that the homes weatherized will result in the greatest amount of energy savings per dollar spent.

DOE'S PLAN FOR ESTIMATING AND REPORTING ENERGY SAVINGS

The purpose of the weatherization program is to assist in insulating the dwellings of low-income persons to reduce their utility costs and to conserve energy. However, neither ECPA nor DOE's program regulations require that energy savings actually achieved from weatherizing homes be estimated and reported. DOE's system for estimating and reporting savings actually achieved has not been fully implemented; consequently, the extent to which the weatherization program is reducing energy costs and consumption in low-income homes is unknown.

We believe energy savings estimates must be obtained to answer at least two questions concerning program performance and effectiveness:

1. To what extent is the program reducing energy costs and consumption?
2. To what extent is the program cost effective?

DOE recognized the importance of savings estimates and initially planned to require LAAs to gather savings data. Under the initial plan LAAs were to analyze utility bills for

We conducted our 1978 review at DOE headquarters, four regional offices, and eight States within those regions. (See app. I.) Additionally, we visited 21 LAAs and inspected homes weatherized with DOE funds.

Our work included analyzing legislation, program regulations, weatherization plans, financial records, audits done by DOE and other program documents and correspondence. We also obtained comments regarding program problems and accomplishments from DOE, State, and LAA officials.

Although our sample of LAAs was not intended to be a statistically valid random sample, our findings and conclusions were also generally supported by audits done by DOE, a DOE report on the program, 1/ testimony by a DOE official on the program, 2/ and our 1977 report.

1/"Status of the Weatherization Assistance Program Annual Report for 1979", U.S. Department of Energy, Feb. 1980.

2/Statement on Weatherization Program of Director, Weatherization Special Project Office, DOE, before the Subcommittee on Human Resources, House Committee on Education and Labor, Mar. 26, 1980.

DOE has no assurances that the dwelling units to be weatherized will result in the greatest amount of energy savings per dollar spent.

Our first annual report (see p. 2) discussed the "first come, first served" method of selecting dwelling units and recommended that DOE implement a priority system to assure that dwelling units are selected based on the greatest potential energy savings per dollar spent. DOE disagreed with our recommendation primarily because preliminary assessments of the potential energy to be saved in each dwelling unit would have to be made before selecting units to be weatherized. DOE stated that sufficient resources were not available at the DOE and LAA levels to perform an energy audit of each applicant's dwelling unit and to maintain a prioritized list of possible applicants.

DOE's current weatherization procedures require LAAs to assess potential energy savings in each dwelling unit to be weatherized. Additionally, in response to requirements in NECPA DOE has recently changed the program regulations to require that States establish procedures to determine the optimum set of cost-effective weatherization measures to be installed in each dwelling unit. The proposed procedures require the States rather than the LAAs to assess potential energy savings in different types of dwelling units to be weatherized.

Because the proposed and the current procedures for weatherization require savings estimates, we believe either procedure can be used by the LAAs to prioritize and select dwelling units on the basis of the greatest potential energy savings per dollar spent. Consequently, we continue to believe that DOE should implement a priority system for selecting dwelling units to be weatherized.

DOE's current weatherization procedures

Under the present program regulations, LAAs must complete a 12-page data questionnaire and analysis, referred to as The Project Retro-Tech Manual, for each dwelling unit weatherized. The manual enables LAA personnel to calculate the heat loss in a dwelling unit caused by air infiltration through the building envelope and by heat conduction through floors, ceilings, walls, and windows. The manual also provides LAAs with a systematic approach to determining the potential heating unit savings and costs associated with various weatherization measures.

weatherized homes and identify changes in energy consumption. This information was to be reported to DOE headquarters where it would be used to calculate total energy savings. DOE abandoned the plan after deciding that reviewing utility bills would be too burdensome for the LAAs.

DOE now plans to estimate energy savings for weatherized homes as part of a comprehensive program effectiveness evaluation plan which was implemented during 1979. Although DOE plans to continue program evaluation over a 2- to 3-year period, it expected to be able to estimate energy savings by about April 1980.

The current plan consists of identifying changes in fuel consumption for about 160 homes which are being weatherized as part of demonstration projects in Indianapolis, Indiana, and the District of Columbia. DOE will use the fuel consumption data to develop energy savings models for homes weatherized in different areas of the country. After developing the savings models, DOE headquarters plans to estimate energy savings for the number of homes reported as weatherized by the LAAs.

SELECTION OF HOMES DOES NOT GIVE ADEQUATE CONSIDERATION TO POTENTIAL ENERGY SAVINGS

DOE needs to take appropriate steps to assure that dwelling units to be weatherized under the program are selected on the basis of the greatest potential energy savings per dollar spent while at the same time assuring that the target populations (low-income elderly and handicapped) benefit from the program. This would assure that the purposes of the program--achieving the greatest level of energy savings and minimizing the utility costs of those least able to afford such costs--would be achieved.

We found that the LAAs we visited were selecting homes to be weatherized on a "first come, first served" basis without considering potential energy savings.

This condition exists because the program regulations do not adequately define the criteria for selecting homes for weatherization. These regulations stipulate that priority be given to weatherizing the units of low-income elderly and handicapped and, as a LAA determines is appropriate, to weatherizing high energy-consuming dwelling units. While low-income elderly and handicapped represent 61 percent of the persons receiving program benefits through December 31, 1978,

For example, under the proposed procedures, LAAs can still select homes on a "first come, first served" basis. Therefore, homes needing the lowest priority work which is expected to result in relatively small amounts of energy savings could be weatherized without first weatherizing those homes requiring higher priority work. Weatherizing homes requiring higher priority work should result in obtaining relatively larger amounts of energy savings.

We believe DOE's proposed weatherization procedures can be improved by requiring LAAs to discontinue selecting homes on a "first come, first served" basis and to begin selecting homes based on the scope of priority work needed. Such a requirement can be implemented by instructing LAAs to concentrate on weatherizing those homes needing higher priority work and to defer weatherizing homes requiring lower priority work.

We realize that prioritizing homes to be weatherized could cause some applicants to be continually "bumped" by other applicants whose homes need higher priority work. In some cases, homes eligible for program assistance may never be weatherized. Nevertheless, we believe selecting homes to be weatherized from a priority list is necessary to maximize potential energy savings.

CONCLUSIONS

The weatherization program can benefit low-income persons and save energy, but the extent to which the program is reducing energy costs and consumption in low-income homes is unknown. DOE recognizes the usefulness of savings estimates in evaluating program effectiveness and plans to estimate energy savings by April 1980.

The program regulations do not adequately define the criteria for selecting homes to be weatherized. As a result, LAAs are selecting homes in a manner which does not assure that all homes weatherized will maximize the potential energy savings per dollar spent and at the same time reach the low-income population.

RECOMMENDATION

We recommend that the Secretary of Energy implement program regulations which will require LAAs to select homes to be weatherized from a prioritized list. These regulations should require LAAs to develop and continually update lists of candidate homes ranked in descending order of potential

We believe the Project Retro-Tech Manual offers a basis for selecting and ranking dwelling units based on potential energy savings per dollar spent. However, we observed that the LAAs did not always use the manuals correctly and, on a significant number of occasions, they did not complete the data questionnaire and analysis. This problem occurred, according to DOE, because the LAAs could not do the detailed calculations to estimate heating unit savings. The proposed procedures place this responsibility on the States.

Need for modification of the proposed weatherization procedures

Under DOE's proposed weatherization procedures, LAAs are not required to complete the Retro-Tech data questionnaire and analysis. The States, as part of their annual weatherization plans, would calculate the cost-effectiveness of various weatherization measures and rank them by priority for different types of dwelling units by using procedures in a revised Retro-Tech manual.

The revised Retro-Tech procedures require that the measures be prioritized based on the ratio of the estimated installed cost of weatherization materials in relation to the estimated lifetime dollar value of energy saved. The weatherization measure assigned the highest priority will be the one which should save the most energy per dollar spent.

After approval of the priority lists by DOE, the States are to furnish LAAs with copies of the lists applicable to different types of dwelling units. The lists are to be used by LAAs during inspections of buildings to determine which measures are applicable to dwelling units selected for weatherization.

DOE's proposed weatherization procedures are designed to assure that the optimum set of cost-effective measures are installed in each dwelling unit selected for weatherization. Although the proposed procedures may help maximize the potential energy savings for each dollar spent in an individual dwelling unit, the procedures will not necessarily maximize the potential energy savings in terms of total expenditures for all homes weatherized.

cost-effective weatherization measures to be installed in each type of dwelling unit. Because these procedures require savings estimates, it appears that a ranking of the type we are suggesting could be developed for little or no incremental cost.

We believe DOE, through the weatherization program, should try to achieve the dual objectives of maximizing energy savings and assisting the target population of elderly and handicapped low-income persons. Criteria should be developed to guide the LAA in accomplishing these goals.

energy savings expected from applying the combinations of priority weatherization measures needed. Selections could then be made from lists of potential energy savings and the need to reach the target population of low-income elderly and handicapped persons.

AGENCY COMMENTS

DOE disagreed that program regulations should require LAAs to select homes to be weatherized from a prioritized list. DOE stated that the LAAs we visited did not constitute a representative sample and that many of the agencies visited by the DOE program staff had established priority lists on the basis of need. DOE also stated that it endorses the concept of giving priority to households requiring assistance in meeting their fuel bills and that selecting homes to be weatherized primarily on the basis of potential energy savings ignores the human welfare aspects of the program.

We are not suggesting that the human welfare aspects of the program be ignored, nor are we implying that maximizing energy savings should be the program's primary purpose. We are suggesting, however, that one of the main purposes of the program, as specified in ECPA, is to conserve energy, and that criteria should be developed that will give some degree of emphasis to this goal in selecting homes to be weatherized.

With regard to DOE's comments that our sample was not representative of all LAAs, we did not so state or imply that it was statistically valid. The sample did, however, provide broad coverage--eight States in four DOE regions (see app. I), including 21 LAAs. Furthermore, we found the same situation existed when we reviewed DOE's fiscal year 1977 weatherization program. That review covered eight States in four different DOE regions.

DOE's comments indicate that the costs of conducting a thorough energy audit of each unit for purposes of establishing a ranking system are greater than the marginal energy savings to be gained by using that ranking. However, as we pointed out on pages 9 and 10, DOE's current weatherization procedures require LAAs to assess potential energy savings in each dwelling unit to be weatherized. Additionally, in response to requirements in NECPA, DOE has recently changed the program regulations to require States to establish procedures to determine the optimum set of

not attempt to estimate its magnitude. Obtaining a reliable estimate, in our opinion, would involve reviewing progress reports and supporting records at most of the approximately 1,000 LAAs participating in the weatherization program.

Overstatements have occurred, in our opinion, primarily because of deficiencies in the format of a quarterly program progress report used by the LAAs to report weatherization completions through the States to DOE and directly to CSA. DOE and CSA decided that the use of a single form for reporting program progress would satisfy both agencies' data needs and reduce paperwork at the LAA level. Unfortunately, the form does not provide a means to indicate clearly the number of homes weatherized (1) solely with DOE funds, (2) solely with CSA funds, and (3) with combinations of DOE, CSA, and other funds.

We found some cases which indicate that the statistics reported to DOE include homes weatherized under both the DOE and CSA programs. For example, officials in the Dallas regional office believed that the States in their region were submitting summary reports that included the number of homes weatherized under both programs. LAAs in Washington and Idaho were, in fact, submitting reports which represented the number of homes weatherized under both programs. In another case, the District of Columbia reported weatherizing 26 homes during a quarter when no DOE funds were spent. We also found that a Texas LAA double-counted homes by (1) erroneously reporting work in process as completed work during one quarter and (2) as completed work again when the work was actually finished in a later quarter.

DOE auditors have also found inaccuracies in the number of homes reported to both DOE and CSA. In one case, the 1978 annual report from DOE's Inspector General disclosed that the number of homes weatherized is being overreported. Auditors assigned to a special monitoring project which included a review of 15 LAAs in Washington and Idaho found that the number of homes weatherized with DOE funds was also reported to CSA as homes completed under its program.

Reporting the same home to both agencies has occurred because the degree to which a home is weatherized with DOE and CSA funds varies greatly. For example, one home may be weatherized with 100 percent DOE funds, but the next home may be weatherized with 25 percent DOE money and 75 percent CSA money. Some LAAs are apparently reporting homes weatherized with mixed funding sources to both agencies rather than reporting fractional homes to each agency.

CHAPTER 3

PROGRAM PROGRESS AND

EFFECTIVENESS CAN BE IMPROVED

Overall progress and effectiveness of the weatherization program have been hampered by (1) difficulties in obtaining sufficient labor resources, (2) lack of emphasis on rental units where half the low-income population lives, and (3) legal limits on the amount spent by States and LAAs on administrative expenses.

The actual number of homes weatherized by DOE is unknown. According to DOE budget data, about 393,000 homes were to be weatherized during fiscal years 1977 and 1978. DOE reported only about 96,000 homes had been weatherized through December 31, 1978. This number, however, is overstated by an undeterminable amount because it includes homes weatherized under both the DOE and CSA programs. DOE needs to revise its reporting system to obtain the total number of homes that were weatherized under each program. We also believe additional actions may be necessary to assure enough persons are available to work in support of weatherization projects.

DOE, CSA, and the Department of Labor (DOL) have jointly developed a plan of action whereby DOE would grant waivers permitting use of weatherization funds to pay for labor costs where labor shortages can be documented. This action should lessen the problems associated with obtaining sufficient labor. However, DOE and DOL should continually monitor the labor situation and take steps to resolve any problems that develop.

Additionally, we believe the program can be improved by (1) placing more emphasis on weatherizing renter-occupied dwelling units and (2) assuring sufficient administrative funds are available for effective program management and monitoring.

INADEQUATE PROGRESS REPORTING SYSTEM

DOE, in its March 1979 annual weatherization report to the Congress, estimated that about 96,000 homes had been weatherized through December 31, 1978. Information obtained during our review and during reviews conducted by DOE auditors indicates the estimate includes homes weatherized under CSA's program; consequently, the number of homes reported as weatherized under DOE's program is overstated. DOE was unable to identify the extent of over-reporting, and we did

expenses and no more than 30 percent can be applied to other costs such as transporting work crews, maintaining equipment, and paying onsite supervisory personnel.

LAAs depend on CETA labor to weatherize homes. Since the inception of DOE's and CSA's weatherization programs, some LAAs have experienced difficulties in obtaining sufficient labor to carry out the programs. As a result, a relatively small amount of the DOE weatherization funds available to all States had been spent, and the eight States we visited had accomplished only about half of their weatherization goals.

DOE, CSA, and DOL have jointly reached an agreement to try to identify and resolve labor problems at the local level. A plan of action was recently developed whereby DOE would grant waivers permitting use of DOE weatherization funds to pay for labor costs where CETA labor shortages can be documented.

Effect and nature of labor problems

DOE's 1978 annual report to the Congress on the weatherization program stated that difficulties in obtaining enough persons to weatherize homes have caused situations where large sums of program moneys made available to the States were not being spent. While we believe that the difficulty in obtaining labor is the major reason for limited program progress, we recognize that some States and LAAs received funds later than anticipated. The late receipt of program funds has undoubtedly also had some impact on meeting weatherization goals.

The Congress provided about \$291 million (based on DOE's budget requests) for operating DOE's weatherization program through fiscal year 1979. Although \$288 million had been granted to the States, only about \$25 million--9 percent of this amount--had been spent as of December 31, 1978, and about \$96 million--33 percent--had been spent as of December 31, 1979.

An overall low program expenditure rate parallels a trend of LAAs weatherizing far fewer homes than estimated in the States' 1977 and 1978 weatherization plans. Nationwide data on each State's progress toward its weatherization goals was not readily available, but the eight States we visited had, overall, accomplished less than one-half of their combined weatherization goals.

As previously discussed, the Congress did not appropriate any fiscal year 1979 funds for CSA's weatherization program. 1/ This suggests that problems in reporting accurate program progress data will be lessened because future weatherization work will be performed under DOE's program. According to CSA officials, all prior years' grants have not been spent, and LAAs will continue to weatherize homes under CSA's program until the money is spent. We believe that DOE will continue to receive inaccurate program progress reports unless steps are taken to improve the reporting process.

There is a way for DOE to obtain more accurate progress data without changing the quarterly report form. To obtain more accurate data, DOE can instruct all LAAs to

--continue reporting the total dollars spent separately by CSA, DOE, and other funding sources; and

--begin reporting the total number of homes actually completed with all funding sources.

DOE can next make arrangements for headquarters, regional, or State personnel to analyze summary reports and determine the number of homes weatherized with DOE, CSA, and other funds. This determination can be made by computing the percentage of total expenditures represented by the different classes of expenditures. Next, these percentages can be applied to the total number of homes weatherized to estimate the number of homes completed with DOE, CSA, and other funds.

DIFFICULTIES IN OBTAINING LABOR RESOURCES

ECPA requires that, to the maximum extent feasible, program labor be provided by volunteers and public service employment workers and training participants enrolled under the Comprehensive Employment and Training Act (CETA) of 1973. This act is administered by DOL. Until recently, DOE's regulations have interpreted this as requiring the exclusive use of CETA labor.

Under DOE's program regulations in effect at the time of our review, about 60 percent of the money allocated for weatherization work must be used to purchase materials. No more than 10 percent of the funds can be used for administrative

1/See discussion on p. 3.

to local weatherization projects. In past audits of DOL, we found a tendency for CETA prime sponsors to give preference to allocating CETA public service jobs to their own projects, rather than those of other agencies. 1/

- An LAA in Louisiana could not obtain any CETA workers from its prime sponsors; consequently, DOE funds available to the LAA for over a year had not been used.
- The prime sponsor responsible for allocating CETA slots to weatherization projects throughout Idaho overobligated program funds and could not provide enough workers to LAAs in the State. Consequently, during August 1978, Idaho LAAs were operating with only 66 laborers, or about 38 percent of the number needed to accomplish their overall weatherization goals.
- Weatherization officials in two of the States we visited complained that the use of CETA labor hinders program effectiveness because the workers generally possess low skill levels and require extensive on-the-job training. We were also told that CETA workers cannot work a full 40-hour week because 10 hours per week must be devoted to classroom training or counseling. Moreover, one LAA official advised us that CETA workers are allowed to be absent from work during the last 2 months of their contracts to seek unsubsidized employment.

Initial Federal efforts to
resolve labor problems
were not successful

Early evaluations of several CSA weatherization programs highlighted labor problems stemming from using CETA workers. DOL recognized these labor problems and, prior to the publication of DOE's initial program regulations, wrote a CETA policy letter to prime sponsors encouraging their participation in energy conserving weatherization projects. Specifically, prime sponsors were requested to place top priority on weatherization projects in order to create a more healthful environment for as many low-income elderly persons as possible

1/See our reports to the Congress, "Formulating Plans for Comprehensive Employment Services--a Highly Involved Process," HRD-76-149, July 23, 1976; and "More Benefits to Jobless Can be Attained in Public Service Employment," HRD-77-53, Apr. 7, 1977.

DOE granted the eight States about \$15.6 million to weatherize 44,275 homes under their 1977 and 1978 weatherization plans. As of December 31, 1978, the States had spent only \$6.2 million, or 40 percent of their grants, and had completed 21,893 homes, or 49 percent of their combined weatherization goals. Examples of progress in the eight States as of December 31, 1978, are shown in the following table.

State	1977 and 1978 grants (thousands)	Expenditures		Weatherized homes		
		Total spent (thousands)	Percent of grants spent	State goal	Homes completed	Percent of goal
Massachusetts	\$ 2,508.0	\$ 286.6	11	6,405	857	13
Connecticut	1,283.5	170.0	13	3,769	115	3
Pennsylvania	6,118.7	4,322.7	71	19,340	14,555	75
Maryland	1,220.2	358.3	29	2,927	767	26
Washington	1,667.7	277.5	17	4,735	2,325	49
Idaho	863.5	236.6	27	1,802	812	45
Texas	1,389.6	349.3	25	4,142	1,830	44
Louisiana	<u>521.8</u>	<u>152.9</u>	<u>29</u>	<u>1,155</u>	<u>632</u>	<u>55</u>
Total	<u>\$15,573.0</u>	<u>\$6,153.9</u>	40	<u>44,275</u>	<u>21,893</u>	49

State and local agency officials in six of the eight States cited difficulties in obtaining and utilizing CETA workers as a primary obstacle to program progress and effectiveness. Officials in Pennsylvania and Maryland advised us that no problems had been experienced in obtaining an adequate number of CETA laborers. The following examples illustrate some of the problems associated with reliance on CETA laborers.

--Allocation of CETA slots are controlled by State and local agencies referred to as prime sponsors. DOE regional and State officials complained that prime sponsors have ignored DOL policy directives by placing very little emphasis on assigning CETA workers

In November 1978, NECPA assigned DOL primary responsibility for assuring there are a sufficient number of persons available to support weatherization programs.

Current efforts to resolve
labor difficulties

NECPA mandated three actions to assure that a sufficient number of workers are available to support weatherization projects. First, DOE is required to determine the number of individuals needed to carry out weatherization programs in various areas of the country. After the number of individuals needed is determined, DOL is required to identify the areas of the country where there is an insufficient number of workers to support weatherization projects. Then, DOL is required to take steps to assure that weatherization projects are supported, to the maximum extent practicable, by volunteers and training participants and public service employment workers pursuant to CETA and the Older American Community Service Employment Act (P.L. 93-29).

DOE, CSA, and DOL, with assistance from OMB and the White House Domestic Policy Council staff, reached an agreement on how to meet the NECPA requirements for assuring an adequate labor force. Under this agreement, implemented during January 1979, two steps were taken: (1) DOE sent a questionnaire to all LAAs to obtain labor availability data for each local area and (2) each agency issued instructions to its regional offices requiring combined actions at the regional level to attempt to resolve labor problems.

However, more recently as a result of growing problems in maintaining sufficient labor resources to effectively operate the program and sizeable increases in home heating fuel prices in 1979, DOE, in cooperation with DOL, OMB, CSA, and the White House Domestic Policy Staff, developed a new plan of action to resolve these problems, as follows:

- DOE authorized the granting of waivers to States and LAAs to use DOE funds to contract for weatherization services where CETA labor shortages can be documented.
- DOL will become more directly involved in weatherization labor needs and, if necessary, will mediate between CETA prime sponsors and LAAs. DOL, in cooperation with DOE, will establish a system to identify situations where CETA prime sponsors and LAAs have reached an impasse in negotiations and recommend whether DOE should grant a special waiver to allow use of DOE funds for contract weatherization.

before the winter of 1977. Because prime sponsors have the authority by law to decide for what allowable purposes they will utilize available CETA funds, DOL could not require prime sponsors to place priority on weatherization projects.

In August 1977, DOE and CSA signed an agreement with DOL to establish interagency cooperation on weatherization program efforts at the national and local levels. The agreement renewed a previous commitment to encourage prime sponsors to use CETA funds to provide labor for CSA weatherization projects.

Our August 1978 report on the CSA weatherization program concluded that, despite the interagency agreement, there would still be difficulties in securing cooperation at the local level because DOL had not issued implementing instructions to the prime sponsors. ^{1/} The report recommended that DOL, DOE, and CSA jointly establish procedures whereby CETA sponsors' program plans are made available to CSA and DOE regional offices for comment before DOL approves them. We believed such comments would provide DOL with insight into how well CETA sponsors' plans are coordinated with weatherization program efforts. We also recommended that procedures be established to resolve difficulties that may arise with CETA program sponsors meeting commitments to support weatherization projects.

DOE, CSA, and DOL agreed on the need to coordinate CETA program plans with weatherization labor needs. These agencies stated, however, that prime sponsors have the authority to decide how they will use available funds, and DOL indicated that it is precluded by the act from disapproving a prime sponsor's plan based on the percent of funds devoted to various allowable activities.

DOL believed that needed cooperation and coordination must take place at the local level, where priorities are set, and suggested that DOE and CSA negotiate agreements with prime sponsors to fund labor for weatherization projects while sponsors are developing CETA program plans. DOL also proposed developing procedures to encourage CETA program sponsors to cooperate with LAAs.

^{1/}"Complications in Implementing Home Weatherization Programs for the Poor," HRD-78-149, Aug. 2, 1978.

State officials in Louisiana and Texas also said that they are concerned that landlords will not pass on reduced utility costs to tenants. Consequently, Louisiana has adopted a policy of remaining silent on rental units and letting the LAAs decide if they will weatherize renter-occupied dwellings. Texas, on the other hand, disallowed weatherizing rental units under its 1977 plan. Under Texas' 1978 plan, LAAs must receive permission from the State before weatherizing a rental unit.

As stated in our first annual report, ^{1/} we believe that the types of weatherization measures to be performed under the program will not unduly or excessively enhance the value of the renter-occupied dwelling units and thus should not result in increased rents to low-income tenants. Insuring that the benefits of the program accrue to low-income tenants could pose a serious problem, particularly in cases where utility costs are not paid directly by tenants but are included in the rent. In these cases, rent payments theoretically should decrease following weatherization to the extent that the cost of energy saved exceeds the benefits of a better living environment for the tenants. However, we believe it is highly unlikely that this would occur.

Available data indicates that about 16 percent of the low-income dwellings in the Nation are single family renter-occupied units. For these homes and for multi-family renter-occupied homes where energy sources are individually metered the benefits of weatherization would accrue directly to the tenant.

To assist LAAs in increasing the number of rental dwelling units weatherized, DOE is testing through an ongoing demonstration project various techniques designed to obtain landlord agreements. DOE, in our opinion, should take steps, before the demonstration project is finished, requiring more emphasis on providing program benefits to low-income renters. This can be accomplished by instructing the LAAs not to disregard candidate homes solely because they are occupied by low-income renters. The instructions should require LAAs to disregard rental units only after landlords refuse to sign the agreements required by DOE.

^{1/}"Evaluation of Four Energy Conservation Programs--Fiscal Year 1977", EMD-78-81, Nov. 21, 1978.

These new policies were implemented beginning in August and September 1979.

MORE EMPHASIS NEEDED ON
PROVIDING PROGRAM BENEFITS
TO LOW-INCOME RENTERS

Almost 50 percent of the low-income homes in the United States are rental units, but neither ECPA nor the program regulations require weatherizing renter-occupied dwelling units. ECPA states that if rental units are weatherized, DOE should ensure that (1) weatherization benefits go primarily to tenants, (2) rents will not be raised because of any increase in the value of dwelling units, and (3) no undue or excessive enhancement of the property will occur. If rental units are weatherized, DOE requires landlords to sign agreements designed to ensure that the three requirements in the ECPA are met.

DOE stated, in its March 1979 weatherization report, that rental properties are not being weatherized in many instances because landlords are reluctant to commit themselves to written agreements. According to DOE, this reluctance exists because landlords do not receive the immediate financial benefits of weatherization.

Our first annual report on the weatherization program stated that few low-income renter-occupied dwelling units were planned to be weatherized when compared to the percent of total low-income homes which are rental units. We found the same condition in some of the eight States we visited during this review.

Maryland was the only State with a 1978 weatherization plan projecting 50 percent of the total homes to be weatherized would be renter-occupied. The percentages applicable to rental units in the remaining seven States ranged from zero in Louisiana to 40 in Massachusetts.

We also detected some reluctance to encourage weatherizing rental units from officials in DOE's Dallas Regional Office and from officials in two States in the region-- Louisiana and Texas. Regional officials told us that they do not plan to encourage the States to weatherize rental units because it is not required by the regulations and in their opinion, the States should formulate their own policy regarding rental units. One regional official expressed concern that landlords will not pass on reduced costs to tenants even if they sign the rental agreements required by DOE.

Because the initial regulations did not specify how administrative funds were to be divided among State weatherization offices and LAAs, some LAAs did not receive any administrative funds. Connecticut, for example, received a \$394,000 grant in 1977 and retained a full 10 percent of the grant to cover State administrative expenses. Other States, such as Washington and Texas, retained 5 percent of their grants and allocated the remaining 5 percent among the LAAs participating in the program.

In response to requirements in NECPA, DOE has revised the program regulations to prevent States from retaining all of the administrative funds. The regulations now limit administrative costs to no more than 5 percent of any grant at the local level.

Because overall administrative funds are still limited to 10 percent of a grant, this limitation may continue to hamper program operations. In our opinion, DOE should closely monitor the sufficiency of funds allocated for administrative costs and be prepared to ask the Congress to amend NEPCA so that enough money can be made available to effectively manage and monitor the program.

CONCLUSIONS

Deficiencies in DOE's progress reporting system have caused LAAs to include homes weatherized under the CSA program with statistics reported to DOE. In some cases the homes reported to DOE were also reported to CSA. Consequently, progress of the weatherization program has been overstated.

Since the inception of CSA's and DOE's weatherization programs, many LAAs have experienced difficulties in obtaining an adequate number of CETA workers to carry out the program. A lack of labor resources for DOE's program has resulted in far fewer homes than planned being weatherized, and large sums of program funds were not being spent.

DOE, CSA, and DOL are working together to identify and resolve labor difficulties and thereby improve the progress and impact of the weatherization program. The success of this effort will be influenced, in part, by (1) how well DOE and DOL monitor the labor situation and take steps to resolve problems that develop and (2) the impact that using DOE funds for labor will have on funds availability for weatherization materials and other program costs.

REVISING LIMITATIONS ON ADMINISTRATIVE
COSTS MAY HELP IMPROVE PROGRAM MANAGEMENT

The program regulations in effect during our review contained spending limitations on transportation, tools and equipment, and administrative expenses which State and LAA officials complained were preventing effective program implementation. Through amendments to the program regulations, DOE has relaxed the restrictions on transportation, tools, and equipment expenses. However, requirements in ECPA and NECPA have prevented DOE from changing the restriction that administrative costs cannot exceed 10 percent of a grant.

As required by ECPA, the initial program regulations restricted administrative expenses to 10 percent of each State's grant. DOE received 50 written comments prior to finalizing these regulations, and 82 percent, or 41 commenters, stated that the 10-percent allowance for administrative costs was not sufficient because, among other reasons,

- States are required to monitor and audit LAAs,
- States are accountable for their LAAs' noncompliance, and
- both States and LAAs have recordkeeping and reporting requirements.

Additionally, Texas' 1978 weatherization plan emphasized that limitations on funds for administrative expenses could continue to interfere with the operation of weatherization projects. According to the plan, in previous CSA-funded project most LAAs complained that the cost of administering a weatherization program generally exceeded the 10-percent allocation for administrative costs. If a LAA had no housing director or staff capable of supervising weatherization programs, funding was insufficient to provide that assistance.

We also encountered complaints about insufficient administrative funds. For example, a Maryland official told us that the State does not have enough administrative funds and staff to effectively monitor program implementation. A Texas official stated that the amount allowed for administrative expenses was not sufficient to pay for costs associated with audits and hiring and training onsite supervisors. Insufficient administrative funds have also caused LAAs to rely on untrained personnel to perform bookkeeping and accounting tasks.

AGENCY COMMENTS

DOE and DOL agreed that they should continue to monitor the labor situation and periodically assess the effectiveness of their efforts to provide sufficient labor for the weatherization program. They also agreed that waivers permitting DOE weatherization funds to pay for labor costs should be granted only after (1) all reasonable efforts to obtain labor resources have been exhausted and (2) DOE determines that denial of a waiver will cause weatherization funds to remain idle. DOE stated it was revising its regulations to permit using DOE funds to pay for labor when CETA labor is not available.

DOE agreed that accurate reporting of the number of homes weatherized under DOE's and CSA's programs had been a problem. DOE stated, however, that few LAAs currently have unspent CSA weatherization funds, and the reporting deficiencies presented in the report should no longer be a problem. Recently, legislation has been introduced that would establish another weatherization program under CSA in fiscal year 1981. If this program is implemented, the same local agencies will be involved and, in the event DOE's program is continued, similar reporting problems could occur. DOE should monitor the progress of the pending legislation and be prepared to take whatever steps are necessary to prevent a recurrence of these types of reporting problems.

DOE also agreed that increased emphasis should be placed on weatherizing renter-occupied housing and advised that a demonstration project is planned for New York City in which various approaches to providing assistance will be examined.

With respect to the adequacy of administrative funds for financial management and program monitoring, DOE agreed it should closely monitor the adequacy of administrative funds and, if problems continue, it should ask the Congress to amend NECPA to allow the States and LAAs to obtain enough money to effectively manage and monitor the program.

Almost 50 percent of the low-income homes in the United States are renter-occupied, but only one of the States we visited planned that 50 percent of the homes it weatherized would be rental units. Rental units are not being weatherized in many cases, according to DOE, because landlords are reluctant to sign agreements designed to assure that weatherization benefits accrue primarily to the tenants. DOE is testing various techniques to obtain landlord agreements. We believe DOE should immediately take steps to require more emphasis on providing program benefits to low-income renters.

DOE has relaxed the spending limitations on transportation, tools, and equipment which State and LAA officials complained were preventing effective program implementation. However, statutory limitations on administrative expenses could continue to interfere with the operation of the weatherization program.

RECOMMENDATIONS

We recommend that the Secretaries of Energy and Labor continue to monitor the labor situation and periodically assess the effectiveness of their efforts to provide sufficient labor for the weatherization program. Waivers permitting DOE weatherization funds to pay for labor costs should be granted only after (1) all reasonable efforts to obtain labor resources have been exhausted and (2) DOE determines that denial of a waiver will cause weatherization funds to remain idle.

We also recommend that the Secretary of Energy:

- Revise the progress reporting system to ensure that the total number of homes weatherized under DOE's and CSA's programs are identified and reported accurately.
- Instruct DOE regional offices, States, and LAAs to place more emphasis on providing program benefits to occupants of rental units. These instructions should require LAAs to (1) give equal consideration to candidate homes occupied by renters and owners and (2) eliminate rental units from further consideration only after landlords refuse to sign the agreements required by DOE.
- Closely monitor the adequacy of administrative funds and, if problems continue, ask the Congress to amend NECPA to allow the States and LAAs to obtain enough money to effectively manage and monitor the weatherization program.

supported activities; effective control over and accountability for all funds, property, and other assets; accurate, current, and complete disclosure of the financial results of each grant program; and accounting records that are supported by source documentation. The financial management systems at 16 of the 21 LAAs we reviewed did not meet the requirements of OMB Circular A-102. While the condition of financial management systems varied from one LAA to another, financial controls were generally inadequate for one or more of the following reasons:

1. Supporting source documents could not be located.
2. Homes where funds were spent could not be identified.
3. Inventory systems did not adequately control, account for, or safeguard property purchased with grant funds.

The following examples illustrate some of the problems we found with the financial and inventory systems.

--At the three Maryland LAAs supporting records did not contain enough information to identify work performed on individual dwelling units or to determine if funds were spent on items allowed by DOE's regulations. One LAA's accounting system did not show expenditures among various grant programs. After analyzing weatherization program expenditures, the LAA found that it had overexpended its fiscal year 1977 DOE grant by about \$4,000.

--A LAA in Louisiana was in the process of reconstructing its accounting records at the time of our visit to identify the correct balances for various grant programs administered by the agency. Supporting materials invoices were not available for all homes weatherized, running balances were not maintained for various accounts, and the cash balance reflected in the accounting records did not agree with the check book balance.

--The LAAs we visited in Washington and Idaho generally could not, through their accounting records, trace the use of purchased materials to homes actually weatherized.

--Inventory controls at 13 of the LAAs needed improvement. For example, a Washington LAA paid two vendors about \$4,112 for insulation and composition roofing material. At one vendor's facility we found

CHAPTER 4

FINANCIAL MANAGEMENT AND PROGRAM MONITORING SYSTEMS NEED IMPROVEMENT

We identified deficiencies in the financial management and/or monitoring systems at the LAA, State, and DOE levels. Many LAAs reviewed by us and DOE auditors were not maintaining adequate accounting and inventory systems and were not spending grant funds in accordance with the program regulations. Additionally, most of the State offices we visited did not have financial management and monitoring systems which DOE can rely on for assurances that (1) LAA accounting, inventory, and unallowable expenditure problems are identified and corrected and (2) financial status reports are accurate. Moreover, DOE's ability to monitor the States and LAAs and obtain assurances that financial management and reporting problems are identified and corrected has been limited by a lack of permanent monitoring staffs.

These conditions will continue, in our opinion, unless DOE implements a monitoring system whereby it first identifies and provides any training and technical assistance needed to improve the States' financial management and monitoring capabilities. Next, DOE can begin to rely primarily on the States to identify and correct financial management and reporting problems. One DOE regional office is developing such a monitoring system, and we believe it should be considered for implementation in all of the regions.

INADEQUATE FINANCIAL CONTROLS AND UNALLOWABLE EXPENDITURES AT LOCAL ADMINISTERING AGENCIES

Many of the LAAs we visited did not maintain financial management systems which met Federal requirements designed to assure that grant monies are controlled, spent, and accounted for properly. In addition, we found several cases where unallowable program expenditures occurred. DOE auditors also found similar conditions at 15 LAAs reviewed as part of the special monitoring effort mentioned on page 15.

Financial controls

OMB Circular A-102, among other things, requires that grantees financial management systems provide for: records that identify the source and application of funds for grant

last two homes cost \$120 and \$152. The costs at the homes with \$418 for roof repairs and \$1,261 for electrical repairs 1/ also exceeded DOE's \$400 per home expenditure limitation.

One LAA in Texas exceeded the \$100 repair limitation on two of the three houses we inspected by resurfacing and restructuring roofs. Records supporting work performed on the two houses did not contain enough details to determine exactly how much was spent on roof repairs. However, based on our observations of all work performed at the homes, we concluded that the majority of the materials, which cost \$468 at the first house and \$218 at the second house, were used for roof repairs. Insulation was not installed at either house, and we were told that the LAA planned to insulate the homes later. Any additional expenditures on the first house would increase the amount by which costs already exceed DOE's \$400 per house limit. The LAA director advised us that he planned to adjust his records and charge excess costs to the CSA program.

DOE also prohibited the installation of certain materials such as door locks when new doors are not installed and sheetrock when it is not needed to support ceiling or exterior wall insulation. One Louisiana LAA spent \$117 on door locks and other unallowable materials at three of the four homes we inspected. The same Texas LAA which exceeded the \$100 repair limitation installed sheetrock on interior walls and in ceiling areas without installing insulation at two homes. Supporting records were not sufficiently detailed to estimate the costs of the sheetrock.

We also found two LAAs in Washington that weatherized homes of individuals who were not eligible for program benefits because their incomes exceeded the limits established by DOE. One LAA spent \$1,428 to weatherize 13 ineligible dwelling units. The other LAA spent \$273 weatherizing two ineligible homes. The cost of work at one of the two homes also exceeded DOE's \$100 repair limitation by about \$173.

The DOE auditors found unallowable expenditures at 10 of the 15 LAAs they reviewed in Washington and Idaho. The costs were incurred by seven LAAs that claimed repairs exceeding \$100, four that claimed costs exceeding \$400 per dwelling unit, and three that claimed costs for subcontract

1/Improperly installed attic insulation (blown in over bare electrical wires) caused a fire, and the LAA subsequently decided to approve these funds to repair the wiring.

only 9 of 336 roofing bundles paid for by the LAA were on hand. The vendor stated that he had used the other 327 bundles, but promised to replace them. At the other vendor's facilities, only 102 of 400 bags of insulation were on hand. The vendor had used the remaining 298 bags, and he also promised to replace them. A Texas LAA maintained records of materials withdrawn from and returned to inventory; however, overall records reflecting the quantities and value of materials on hand were not maintained. Also, materials bought with DOE and CSA funds were stored in the same warehouse without records showing the cost and quantity of materials applicable to each program. Another LAA in Texas where we found materials left at weatherized homes, did not maintain any inventory records.

DOE auditors assigned to the special monitoring project also found many weaknesses in the financial controls at 15 LAAs. None of the 15 agencies, for example, had properly accounted for DOE funds. At eight agencies, the auditors could not determine how much DOE money had been spent on individual homes. In addition, records at four agencies were inadequate to determine work actually performed, and eight agencies did not have adequate controls for materials in inventory to preclude losses or misuse.

Unallowable expenditures

LAAs are responsible for spending grant funds in accordance with the weatherization program regulations. We identified unallowable expenditures at 7 of the 21 LAAs we visited. These expenditures generally involved spending more than \$100 on repairs, providing program benefits to ineligible persons, and installing materials not allowed by DOE.

DOE regulations allowed LAAs to spend up to \$400 per house on weatherization materials. DOE also allowed up to \$100 of the \$400 to be spent for repairs such as roofing materials used as a patch to repair leaks which could damage insulation installed in attics. We found numerous instances where LAAs exceeded the \$100 repair limitation. For example, a Washington LAA spent more than \$100 for repairs at 13 of the 24 dwelling units weatherized from April through August 1978. Such repairs included new roofs on eight homes with costs ranging from \$125 to \$418. Plumbing repairs in two other homes cost \$373 and \$253. Electrical repairs in another home cost \$1,261, and miscellaneous repairs in the

As discussed in the following sections, we reviewed some CPA audit reports which did not provide the assurances needed by the States and DOE. Additionally, the States either did not have an onsite monitoring system or did not attempt to identify and correct financial management related problems.

Maryland

The Director of Maryland's Office of Economic Opportunity advised us that he does not have enough staff members to monitor LAAs and assure that expenditures reported to the State are allowable and accurate. Maryland plans to implement a "Monthly Weatherization Control System" to obtain fiscal and statistical reliability at the local level.

This system will require the Maryland LAAs to report detailed costs for items such as work completed, work in process, administration, and transportation. The LAAs will also be required to report the values and quantities of materials in inventory plus data indicating additions to and withdrawals from inventory. LAAs will not be required to submit documents supporting information in the monthly reports; consequently, we believe onsite reviews will still be necessary to test the accuracy of data reported to the States.

Washington and Idaho

The accounting records maintained by Washington and Idaho accurately disclosed program expenditures and remaining grant balances; however, the States did not have adequate controls over expenditure reimbursements made to LAAs to assure such reimbursements were for allowable program expenses, and some financial reports were inaccurate. In addition, monitoring activities by both States were not adequate.

Prior to our review, Washington had not performed onsite monitoring at any of its LAAs. The State weatherization program manager advised us that she did not have time to monitor the LAAs, and she has not been able to hire staff for monitoring.

Although Washington reviewed and approved invoices from LAAs before they were paid, supporting documentation, except for one LAA that had financial problems, was not required. Consequently, Washington generally approved payments to LAAs without knowing what the reimbursements were for other than broad categories such as materials and administrative expenses.

labor. Additionally, three LAAs claimed reimbursement for items such as smoke alarms and electric motors, and two agencies claimed costs for work not performed.

IMPROVEMENTS NEEDED IN SOME STATES'
FINANCIAL CONTROL AND MONITORING
SYSTEMS

The States' financial and monitoring responsibilities consist of (1) maintaining financial management systems which meet the requirements of OMB Circular A-102, (2) submitting quarterly reports to DOE which reflect the overall status of grant funds, and (3) monitoring LAAs for compliance with the regulations and guidelines applicable to the weatherization program.

Based on our review, we believe the financial control and monitoring systems in Connecticut, Massachusetts, and Pennsylvania are adequate for assuring that financial status reports are accurate and that program funds are not spent for unallowable items. The financial controls in the remaining five States we visited needed improvement to assure that financial status reports accurately reflect grant status and/or expenditures reported by LAAs are allowable and accurate. The most serious deficiency in the five States, in our opinion, concerns a lack of assurance that LAAs are maintaining financial management systems which minimize accounting, inventory, unallowable expenditures, and reporting problems.

The States keep track of expenditures by LAAs through quarterly financial status reports submitted by LAAs which stratify expenditures by various budget object classes-- administration, materials, transportation, equipment, and tools. The States do not require the LAAs to provide copies of supporting documents, such as materials, invoices, and cancelled checks, which can be used to verify the accuracy and allowability of reported expenditures...As a result, the States must rely on annual Certified Public Accountant (CPA) audits required by DOE and onsite monitoring performed by State and/or DOE personnel to obtain assurances that expenditures reported by the LAAs are accurate and allowable. Onsite monitoring is also necessary to assess the adequacy of the LAAs financial management and inventory systems.

Both States were visiting LAAs to inspect weatherized homes and determine if documents required by DOE such as the Project Retro-Tech manual (see p. 9) were being filled out. State personnel were not reviewing accounting and inventory control systems during these visits. Officials in both States agreed that onsite reviews should include an analysis of accounting and related records to determine if expenditures reported by LAAs are accurate and allowable. Louisiana and Texas officials stated that their program monitors do not have accounting backgrounds and that they would try to add individuals with accounting knowledge to their staffs.

One of Texas' financial status reports submitted to DOE was inaccurate because administrative expenditures were overstated by about \$11,000. The overstatement occurred because Texas double-counted administrative expenses reported by LAAs and erroneously included the anticipated costs of items such as an audit in the report. Texas agreed to submit a revised financial status report to DOE.

DOE'S GRANTS MANAGEMENT CAN BE
IMPROVED WITH A REVISED
MONITORING SYSTEM

ECPA requires DOE to monitor and evaluate the operation of weatherization projects through onsite inspections, periodic evaluations, or through any other means DOE deems necessary. Additionally, OMB Circular A-102 requires Federal grantor agencies to make site visits as frequently as practicable to (1) review program accomplishments and management control systems and (2) provide technical assistance that may be required.

All but one of the four DOE regional offices included in our review maintain grants management systems which allow them to determine the status of funds granted for program implementation. These systems alone do not provide assurances that grant funds are being accounted for, spent, and reported by the States and LAAs in accordance with the guidelines and regulations applicable to the weatherization program. As a result, it is necessary to monitor activities at the State and LAA levels to obtain the needed assurances.

Monitoring activities in the regional offices we visited have been hampered by a lack of permanent staff to review program activities. Nevertheless, we believe regional monitoring systems can be improved and DOE can obtain adequate assurances that the States and LAAs are managing and implementing weatherization projects in accordance with program

In several cases LAAs submitted unrequested details supporting their reimbursement requests. These details sometimes indicated duplicate payments or purchase of questionable items. Nevertheless, payments were made without questioning the items. On the other hand, Washington requested clarification or adjustments of some invoices that contained questionable costs.

Monitoring of the weatherization program in Idaho consisted primarily of a part-time program manager answering questions by telephone or mail. Idaho planned to rely on annual CPA audits required by DOE for assurances that LAAs were being reimbursed for allowable expenditures.

We reviewed CPA audit reports on three Idaho LAAs. The reports commented on the accuracy of the financial statements and the funds balances of the LAAs. None of the reports, however, stated whether the LAAs maintained accounting and related records which identify where funds were spent, whether expenditures were allowable, or whether weatherized homes were occupied by eligible program participants.

Our "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" emphasize that examinations of financial transactions should include evaluations of compliance with applicable laws and regulations. Officials who authorize and prescribe the scope of audits have not discharged their full responsibility for obtaining audit work unless evaluations of compliance with laws and regulations are performed.

We also found that one of Idaho's quarterly financial reports submitted to DOE was not accurate. The expenditures on this report were overstated by \$36,474 because the previous quarter's expenditures were included twice. Idaho also neglected to include about \$1,675 of administrative funds spent by the State. Additionally, an LAA incorrectly reported expenditures which were included in the report even though Idaho had just sent the LAA a check for about \$6,560 more than was reported as spent.

We believe that these errors should have been detected and corrected while the State reviewed and summarized data included in the report.

Texas and Louisiana

The accounting systems maintained by Texas and Louisiana are sufficient to keep track of grant funds disbursed to LAAs and determine remaining grant balances. Although one of Texas' financial status reports did not agree with data shown in its accounting records, a more serious problem is the lack of assurance in both States that financial controls at the LAAs are adequate.

obtain a program monitor until about 6 months after grants were awarded to the States. Consequently, no State offices and only three LAAs in Oregon had been visited when we began our review.

After our review began, the region, with assistance from auditors assigned to DOE's Economic Regulatory Administration implemented a 90-day project to review program activities at the State offices in Washington and Idaho and 15 LAAs in the States. Findings from this project are discussed on pages 15 and 31. The project report recommended that the regional weatherization program manager work closely with the State offices to assure that the States implement LAA monitoring programs and make site visits on a periodic basis to assure that program requirements are being met.

About 45 days before the conclusion of the monitoring project, the region made money available for training and technical assistance contracts in Washington, Idaho, and Oregon. The contracts are designed to provide training and assistance to State and LAA personnel in the following areas:

1. Accounting system design.
2. Bookkeeping procedures and practices.
3. Materials procurement, storage, and inventory controls.
4. Records maintenance.

Regional officials believe the training and technical assistance will help overcome financial control and reporting problems at the State and LAA levels. Seattle's Regional Representative stated, however, that DOE headquarters does not allow enough people to adequately monitor the weatherization and other grant programs administered by the region. He believes a permanent regional monitoring team is needed to review grant programs.

Philadelphia

The Philadelphia regional office was relying on a DOL auditor, temporarily assigned to the region for 120 days, to monitor weatherization activities in five States and the District of Columbia. At the time of our review, the auditor had completed onsite reviews at 12 LAAs in Pennsylvania. These reviews were primarily concerned with overall program progress, work quality, and inventory records. The DOL auditor was not performing financial audits.

guidelines and regulations. The approach to monitoring being developed in one regional office, in our opinion, offers the potential for DOE to obtain the needed assurances'.

Grants management

Three of the four DOE regional offices included in our review maintain grants management systems which allow DOE to determine grant amounts available to the States, grant funds withdrawn from the United States Treasury, expenditures reported by the States, and remaining grant balances. The financial records and grant files in the remaining regional office--Seattle--were poorly organized and incomplete; consequently, we found it difficult to determine the total amount of funds withdrawn from the Treasury and the remaining balances of the State's grants.

The grants management systems in the DOE regional offices are based on documents, such as quarterly financial status reports, which do not provide assurances that program funds are being spent in accordance with DOE's regulations and that the States and LAAs are maintaining financial management systems which meet the requirements of OMB Circular A-102. Such assurances, in our opinion, must be obtained through annual CPA audits and periodic compliance monitoring reviews at the State and LAA levels performed by DOE and/or State personnel.

Monitoring

Considering the problems with financial management systems, unallowable expenditures, and monitoring by the States which were discussed above, we believe DOE needs to periodically obtain assurances that the States and LAAs are implementing weatherization projects in accordance with program regulations. Monitoring efforts in the regional offices we visited have been hampered by a lack of permanent program monitors. The Dallas regional office, however, is developing a monitoring system which we believe can provide DOE with needed assurances concerning program compliance without maintaining large permanent regional monitoring staffs. This system plus the extent of monitoring efforts in the four regional offices we visited are discussed in the following sections.

Seattle

The Seattle regional office initially planned to begin monitoring the States and LAAs within 2 months after grants were awarded. Due to staffing problems, the region did not

and 120 homes throughout all five States in the region during the first 6 months of monitoring efforts. The region discontinued monitoring LAAs during December 1978 because the temporary program monitors returned to their regular duties.

Because additional staff cannot be obtained for program monitoring, the regional office is evaluating financial management, reporting, and monitoring systems in the State offices to obtain assurances that these systems will provide DOE with accurate program progress and financial data as well as identify and correct accounting, reporting, inventory control, and unallowable expenditure problems at the LAA level.

As part of this process, the regional office identifies changes, technical assistance, and training which may be needed to improve financial management and monitoring systems in the States. For example, after reviewing Louisiana's systems, the regional office found that onsite reviews of LAAs do not include financial control considerations. State officials agreed to revise their monitoring checklist and begin reviewing accounting and inventory systems provided their program monitors receive some guidance on how to perform the reviews.

The regional office plans to provide the necessary training to Louisiana. As of May 1979, the regional office was waiting for completion of training materials being developed under the training and technical assistance contracts in the Seattle region. According to one regional official, materials developed and tested under these contracts will be made available to Louisiana and other States in the Dallas region.

We believe that Dallas' approach to evaluating State systems, supplemented with periodic spot checks to assure approved systems do not deteriorate, is an acceptable approach to obtaining assurances that the States and LAAs are properly managing and implementing weatherization projects.

CONCLUSIONS

Many LAAs reviewed by us and DOE auditors were not maintaining financial management systems meeting the requirements of OMB Circular A-102 and were not spending grant funds in accordance with DOE's program regulations. The States are

Philadelphia planned to begin comprehensive monitoring at the State and LAA levels to assure proper program management and use of Federal funds. This monitoring effort, as in the Seattle region, was to be carried out by Economic Regulatory Administration auditors and last for 90 days.

Boston

The Boston regional office had assigned two persons to monitor weatherization activities at the 68 LAAs in the New England States. Additionally, one part-time employee was available to work on a management information and inventory control system which the region wants to provide to the States for implementation at the LAA level.

Boston began monitoring LAAs about 4 months after weatherization funds were granted to the New England States. At the time of our review, monitoring had been underway for about 2-1/2 months and 11 LAAs in Massachusetts had been reviewed. During onsite reviews, the program monitors use a checklist developed by the regional office to evaluate LAA procedures for assuring that funds are spent on eligible dwelling units and expenditures are otherwise allowable. The adequacy of accounting and inventory control systems are also checked.

The regional office advises State grantee agencies of any corrective actions needed at LAAs. The State agencies are responsible for ensuring that deficiencies are corrected and notifying the regional office when deficiencies have been corrected.

The monitoring checklist used in the Boston region does not include items applicable to financial management and monitoring systems in the State agencies, and the regional weatherization program manager could not describe the States' monitoring systems. Consequently, we believe the Boston regional office needs to begin reviewing the financial management and monitoring systems in the State office to obtain assurances that the States financial management and LAA monitoring systems are adequate.

Dallas

DOE's Dallas regional office implemented a monitoring system similar to the one in Boston during December 1977. With assistance from two employees temporarily assigned to the weatherization program, onsite visits were made to 21 LAAs

~~*~~ We also recommend that the Secretary of Energy require the scope of annual Certified Public Accountant audits of LAAs to include work which will determine if financial management systems meet Federal requirements and if program expenditures are allowable.

AGENCY COMMENTS

DOE agreed on the need to implement a financial monitoring system that will assure it of accurate financial reporting and adequate monitoring by the States and LAAs. DOE indicated that some action has been taken to improve monitoring and that the DOE Weatherization Special Project Office will consider monitoring as one of its tasks. Further, DOE agreed that the scope of annual Certified Public Accountant audits of LAAs should include work to determine if financial management systems meet Federal requirements and if program expenditures are allowable.

responsible for monitoring LAAs for compliance with the regulations and guidelines applicable to the weatherization program and for submitting accurate financial status reports to DOE. Most of the State offices we visited, however, did not have financial management or monitoring systems which DOE can rely on for (1) identifying and correcting accounting, inventory, and unallowable expenditure problems at LAAs and (2) providing accurate financial status reports. Additionally, the CPA audit reports on LAA activities which we reviewed only commented on the accuracy of financial statements and funds balances; consequently, they did not provide assurances that financial management systems met Federal requirements and that expenditures were allowable.

DOE's ability to monitor the States and LAAs and obtain assurances that financial management and reporting problems are identified and corrected has been limited by a lack of permanent monitoring staffs. We believe DOE should revise its monitoring system and begin to rely primarily on the States for identifying and correcting financial management and reporting problems.

RECOMMENDATIONS

We recommend that the Secretary of Energy design a monitoring system to provide DOE with the following assurances:

- Financial management systems at the State level are sufficient to provide DOE with accurate reports on financial transactions applicable to the States and LAAs.
- Each State has implemented a system to periodically monitor LAAs and determine if accounting, inventory, and expenditure practices comply with the regulations and guidelines applicable to the weatherization program. The State monitoring systems should also include steps to (1) determine if financial and progress reports prepared by the LAAs are accurate and (2) correct any deficiencies found.
- State monitoring personnel possess sufficient skills to identify and correct accounting, inventory, unallowable expenditure, and reporting problems.



Department of Energy
Washington, D.C. 20585

FEB 11 1980

Mr. J. Dexter Peach, Director
Energy and Minerals Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Peach:

We appreciate the opportunity to review and comment on the GAO draft report entitled "Slow Progress In The Department of Energy's Low-Income Weatherization Program." Our views with respect to the draft recommendations are discussed below.

GAO Recommendation

"...that the Secretary of Energy implement program regulations which will require LAAs (Local Administering Agencies) to select homes to be weatherized from a prioritized list. These regulations should require LAAs to develop and continually update lists of candidate homes ranked in descending order of potential energy savings expected from applying the combinations of priority weatherization measures needed. Selections should then be made from lists of potential energy savings and the need to reach the target population of low-income elderly and handicapped persons."

DOE Comment

We do not concur with this recommendation. GAO stated in the report that all LAA's visited selected homes for weatherization on a "first come first served" basis. We do not believe that this sample represents the universe. Many agencies visited by the DOE Weatherization Assistance Program staff over the past three years establish priority lists on the basis of need. Considerations include health-or-life-threatening situations, the presence of infants or elderly persons, and application by the household for Energy Crisis Assistance funds. DOE endorses the concept of giving priority to those households which require assistance in meeting their fuel bills. Selecting homes to be weatherized primarily on the basis of potential energy savings ignores the human welfare aspects of the program.

Experience does not support the GAO observations concerning potential energy-saving priority ranking. In Fiscal Year 1979, DOE selected an alternative approach and required that States establish priority lists by types of building. Evidence suggests that: (1) the costs of conducting a thorough energy audit of each unit for purposes of establishing a ranking system are greater than the marginal energy savings to be gained by using that ranking; (2) that the Retrotech procedure is not designed to rank individual homes in terms of potential energy savings; and (3) that the LAA's should be allowed flexibility to address community needs within the confines of the State rankings.

SCOPE OF REVIEW

<u>DOE regional offices visited</u>	<u>States participating in weatherization program</u>	<u>States visited</u>
Boston	Connecticut Maine Massachusetts New Hampshire Rhode Island Vermont	Connecticut Massachusetts
Dallas	Arkansas Louisiana New Mexico Oklahoma Texas	Louisiana Texas
Philadelphia	Delaware District of Columbia Maryland Pennsylvania Virginia West Virginia	Maryland Pennsylvania
Seattle	Alaska Idaho Oregon Washington	Idaho Washington

GAO Recommendation

"...that the Secretary of Energy closely monitor the adequacy of administrative funds and, if problems continue, ask the Congress to amend (National Energy Conservation and Policy Act) NECPA to allow the States and LAAs to obtain enough money to effectively manage and monitor the weatherization program."

DOE Comment

We concur with this recommendation.

GAO Recommendation

"...that the Secretary of Energy implement a monitoring system which is designed to provide DOE with the following assurances:

- Financial management systems at the State level are sufficient to provide DOE with accurate reports on financial transactions applicable to the States and LAAs.
- Each State has implemented a system to periodically monitor LAAs and determine if accounting, inventory, and expenditure practices comply with the regulations and guidelines applicable to the weatherization program. The State monitoring systems should also include steps to (1) determine if financial and progress reports prepared by the LAAs are accurate and (2) correct any deficiencies found.
- State monitoring personnel possess sufficient skills to identify and correct accounting, inventory, unallowable expenditure, and reporting problems."

DOE Comment

We concur with this recommendation. Action has been taken to improve monitoring since the GAO review. The DOE Weatherization Special Project Office will consider monitoring as one of its tasks.

GAO Recommendation

"...that the Secretary of Energy require the scope of annual CPA audits of LAAs to include work which will determine if financial management systems meet Federal requirements and if program expenditures are allowable."

DOE Comment

We concur with this recommendation. This matter will also be addressed by the Weatherization Special Project Office.

GAO Recommendation

"...that the Secretaries of Energy and Labor continue to monitor the labor situation and periodically assess the effectiveness of their efforts to provide sufficient labor for the weatherization program. Waivers permitting DOE weatherization funds to pay for labor costs should be granted only after (1) all reasonable efforts to obtain labor resources have been exhausted and (2) DOE determines that denial of a waiver will cause weatherization funds to remain idle."

DOE Comment

We fully concur with this recommendation. The DOE Special Project Office is in the process of revising the regulations to permit use of DOE funds to pay for labor when Comprehensive Employment and Training Act labor is not available.

GAO Recommendation

"...that the Secretary of Energy revise the program progress reporting system to ensure that the total number of homes weatherized under DOE's and Community Services Administration (CSA) programs are identified and reported accurately..."

DOE Comment

DOE recognizes that accurate reporting has been a problem in the past, but believes the recommendation is currently invalid. Few LAA's have unspent CSA weatherization funds at this date, and the reporting deficiencies presented in the report should no longer be a problem. DOE is currently reviewing and analyzing all reports for FY 1979 accomplishments.

GAO Recommendation

"...that the Secretary of Energy instruct the DOE regional offices, States and LAAs to place more emphasis on providing program benefits to occupants of rental units. These instructions should require LAAs to (1) give equal consideration to candidate homes occupied by renters and owners and (2) eliminate rental units from further consideration only after landlords refuse to sign the agreements required by DOE."

DOE Comment

We agree that increased emphasis should be put on weatherizing renter occupied housing and examining ways to increase assistance through a demonstration project which has been authorized to take place in New York City. Under this project, multi-family buildings may be weatherized if 75 percent of the units are occupied by eligible families. As a part of the project, New York City will examine the issues relevant to renter-occupied, multi-family dwellings which will assist DOE in identifying solutions to those issues. In the meantime, DOE is considering other possible approaches to States assuring that rental units are afforded equitable opportunities for weatherization.

U. S. Department of Labor

Inspector General
Washington D C 20210



FEB 12 1980

Mr. Gregory J. Ahart
Director
Human Resources Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Ahart:

This is in response to your letter to Secretary Marshall requesting comments on the draft GAO report entitled "Slow Progress in the Department of Energy's Low-Income Weatherization Program." The Department's response to those portions of the report pertaining to Department of Labor programs is enclosed.

The Department appreciates the opportunity to comment on this report.

Sincerely,

A handwritten signature in cursive script that reads "Marjorie Fine Knowles".

MARJORIE FINE KNOWLES
Inspector General

Enclosure

We appreciate your consideration of these comments in the preparation of the final report and will be pleased to provide any additional information you may desire. Comments of an editorial nature were furnished to members of your staff.

Sincerely,


Jack E. Hobbs

The reporting system established by DOL under the Action Plan required five semimonthly reports from the Regions beginning with October 15 and ending with December 15. These reports include the following information:

- (a) Number of prime sponsors reporting.
- (b) Total number of positions committed to weatherization.
- (c) Number of weatherization labor requests pending.
- (d) Total number of weatherization agreements.
- (e) Summary of significant problems/progress, and
- (f) Summary of administrative development.

The fourth and fifth reports also included a problem log by prime sponsor.

The first report showed 8,871 CETA positions committed to weatherization activities and requests for 1,238 positions still pending. As a result of the effective management system established for DOL plus the commitment and cooperation of the prime sponsors and DOL, there was a tremendous growth in CETA labor committed to weatherization activities for the duration of the Action Plan. The December 15 (fifth report) report showed 19,580 positions committed, an increase of 10,709. In addition, there were 5,497 positions pending.

The national CETA total - 19,580 - projects a sustainment of support comfortably above DOE's national needs projection of 11,000 - 15,000.

Because of the effectiveness of DOL's reporting system under the Action Plan, as evidenced by the tremendous increase in prime sponsor commitments to the weatherization program, it was agreed that the reporting system would be extended.

These new reports would be submitted monthly rather than semimonthly. Also, under the extended plan, National Office DOL would no longer be involved with waiver requests. However, DOL would continue to monitor the progress of the projects closely and provide technical assistance as needed.

(003310)

U. S. Department of Labor's Response to the Draft General Accounting Office Report Entitled -- "Slow Progress in the Department of Energy's Low-Income Weatherization Program"

Recommendation: GAO also recommends that the Secretaries of Energy (DOE) and Labor (DOL) and the Director of the Community Services Administration (CSA) continue to monitor the labor situation and periodically assess the effectiveness of their efforts. DOE should grant waivers permitting weatherization funds to pay for labor costs only after (1) all reasonable efforts to obtain labor resources have been exhausted and (2) it determines that denial of a waiver will cause weatherization funds to remain idle.

Response: The Department concurs. On September 7, 1979, the Department of Labor entered into an interagency Action Plan, with the Department of Energy and Community Services Administration, to improve implementation of the weatherization program. Under this plan, DOL was responsible for:

- (a) Working with each prime sponsor to come up with a functional match between DOE weatherization funds and CETA subsidized installation labor and for listing the availability of funds by each prime sponsor area.
- (b) Requiring CETA prime sponsors to meet in negotiations with local Community Action Agencies (CAA) receiving DOE funds, to review CAA proposals for projects and other weatherization activities through CETA.
- (c) Providing national level assistance to the system to solve problems or overcome obstacles in developing a functional DOL-CETA labor match.
- (d) Establishing a reporting system to monitor the program and identify, investigate and resolve problems.
- (e) Recommending waivers for DOE funds to be used for labor for weatherization activities, where appropriate.
- (f) Participation by DOL Regional Administrator in semimonthly meetings with officials of DOE and CSA.
- (g) Submission of special cumulative semimonthly reports from the DOL Regional Administrator to the National Office.
- (h) Submission of a semimonthly report by DOL to the Domestic Council.

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