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November 22, 2013

Randall J. Meyer, Inspector General  
State of Ohio, Office of the Inspector General  
James A. Rhodes State Office Tower  
30 East Broad Street, Suite 2940  
Columbus, OH 43215-3414

Dear Mr. Meyer:

The Ohio Development Services Agency (DSA), Community Services Division, Office of Community Assistance (CSD/OCA), has received and reviewed the September 24, 2013 "Report of Investigation of the American Recovery and Reinvestment Act (ARRA) Ohio Weatherization Assistance Program." OCA concurs with the recommendations made in the report and has included plans for implementation for all recommendations.

The report examines the weatherization program from July 2009 through November 2011. Since that time, the Development Services Agency has implemented improvements to verify eligibility, track client information and more effectively monitor the work conducted at each home. In 2011, the Integrity Unit was formed to identify and investigate potential noncompliance. This team has trained weatherization local staff on how to identify irregularities and trends involving noncompliance that can lead to fraud, waste, or abuse. The Integrity Unit has an email tip line: [reportfraud@development.ohio.gov](mailto:reportfraud@development.ohio.gov) where staff and customers can report any instances of noncompliance.

In addition, the implementation of the Ohio Community Energy Assistance Network (OCEAN) database collection system has allowed the program to assign each client a unique identification number, track the programs they're enrolled in, and identify invalid addresses and zip codes. OCEAN is discussed in detail in the plans of implementation below.

Policies have been prepared in response to this report and are highlighted in the plans of implementation below. DSA leadership, including the Director, reviewed and approved the policy changes for implementation. These policies were vetted through the weatherization Policy Advisory Council (PAC), a 16-member board consisting of weatherization stakeholders and providers, at their regularly-scheduled meeting on October 10, 2013. The PAC is comprised of public utility representatives, non-profit stakeholders, private contractor representatives, and regional weatherization provider representatives. They offered input on the local effects of implementation and support for the development of the policies below.

The new policies will be included in the state plan for weatherization for Program Year 2014, which begins July 1, 2014. Policies will go into effect upon approval of the state plan by the appropriate oversight agency, the Department of Energy (DOE). This will allow the opportunity to introduce the policies to the network and train local providers to properly implement changes. It also will allow time to effectively develop any necessary database or procedural changes to accommodate the recommendations. Many of the recommended changes have already been addressed as a result of our own monitoring and auditing of subgrantee agencies, as noted in the report below.

Below is a detailed response to each recommendation.

**Recommendation 1**

The assigned Building Weatherization Report (BWR) number in the computer system should be printed on the hard copy BWR submitted by the sub-grantees with their reimbursement request.

**Plan of Implementation**

Building Weatherization Reports, or BWRs, are records submitted to OCA monthly that detail the materials and labor for measured installed in weatherized homes. Monthly Production Reports, or MPRs, also are submitted monthly and include aggregate data regarding number of units weatherized and other financial data.

OCA no longer collects hard copies or electronic report data using the computer system reviewed at the time of this report. Beginning April 1, 2012, weatherization was added to the catalog of OCA programs using the OCEAN database collection system, which offers more extensive validation checks than available in the former system. OCEAN is a long-standing program used to collect data for other OCA programs, including the Home Energy Assistance Program (HEAP), Electric Partnership Program, Community Services Block Grant, and Percentage of Payment Plan (PIPP) utility assistance program. It has been in existence since 2006, first used with PIPP and HEAP. Other programs have been phased in over time. This has provided the program with a more diverse toolbox to monitor the progress and performance of agencies. OCA took the initiative to streamline software for all customers in these programs, providing a useful tool that has room to grow and expand with our programs.

Specifically to address this recommendation, in OCEAN a financial reimbursement request may not be submitted until the Monthly Production Report (MPR) is finalized for the month. BWRs are a record of costs for materials and labor for weatherized structures. MPRs are an aggregate report for the monthly expenditures and include a summary of production. It would be necessary to have all BWRs complete to submit the MPR.

Information is now reported electronically in OCEAN and attached to the financial reimbursement request. This effectively "bundles" the data submitted by the sub-grantees to OCA each month for repayment, associating BWRs and MPRs with the request for reimbursement for the month.

**Recommendation 2**

Consider placing restrictions on the number of times an individual may apply for weatherization services when renting from the same landlord but at different addresses.

**Plan of Implementation**

OCA drafted new policy to eliminate the possibility that landlords may request weatherization services on multiple structures in the same program year for the same applicant:

Policy: No persons older than age 18 included in a weatherization application may be approved for services for 12 months following the date of final inspection for weatherization on additional unit(s) owned by the same landlord/homeowner.

OCEAN will develop a report that flags customers previously weatherized within a 12-month period at the time of intake. Agencies will then compare homeowner/landlord information on both applications and services will proceed only if meeting the policy stated above. A validation check will be built into OCEAN that will prevent an application being approved in this circumstance, effectively disallowing agencies the ability to proceed.

This policy will be added to Volume II of the Home Weatherization Assistance Program Policy and Procedures Manual, Section C.4 "Renters and Owners/Authorized Agents" (see attachments).

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In the case of a natural disaster or other unforeseen event (e.g. flood, fire, tornado damage) that necessitates provision of services to the same customer within a 12-month period, a waiver may be issued by the director of DSA. This waiver will be required to be placed in the client administrative file as documentation of the request and reasons for allowing such a waiver. In such cases, specific permission also will be granted in OCEAN to add the client record and capture the job.

### **Recommendation 3**

Consider creating eligibility requirements for the housing unit itself such as limits on the age of the unit.

### **Plan of Implementation**

Many homes built during the housing boom of the 1990s, particularly, do not meet the weatherization requirements of our program and are eligible for services. Until 2006, there was no requirement for builders to follow the Model Energy Code promoted in Ohio by the Board of Building and Standards, which relied on local jurisdictions for enforcement. Additionally, manufactured homes comprised 16% of weatherized homes during ARRA and continue to be a significant percentage of homes weatherized. These homes tend to depreciate over time, and the weatherization needs in a 15-year-old manufactured home will be different from those in a single family, site-built home of the same age. These were things considered by OCA when planning for implementation of this particular recommendation.

Homes are weatherized according to a Priority List of Measures that defines the package of required measures by housing type. However, on homes that do not fit any standard type, an energy audit must be performed that defines the cost-effective required measures to be installed in the home. The National Energy Audit Tool (NEAT) or Mobile Home Energy Assessment (MHEA) generally are used to define cost-effective measures in these homes. This tool can be used to address newer homes and determine the measures that are cost-effective to install.

OCA ran reports to determine the numbers of newer homes that were weatherized using ARRA funds. That information is below:

- Number of homes weatherized with ARRA funds that were built 1993 or later: 2,343
- Number of homes weatherized with ARRA funds that were built 1998 or later: 1,154
- Number of homes weatherized with ARRA funds that were built 2003 or later: 319

To put this in perspective, the total number of units weatherized during ARRA was 40,198. Newer homes constitute a relatively low percentage of homes weatherized. However, these homes would have received the same required measures as older homes unless the minimum requirements for a weatherized unit were met. For example, a minimum of R-38 insulation is required in the attic. A home with existing insulation meeting this requirement would not receive additional insulation in the attic, regardless of age of the home.

Therefore, in order to address the need for weatherization in newer homes, OCA proposes the following policy change:

**Policy:** Single family, site-built homes 15 years of age or newer at the time of initial inspection require a valid energy audit prior to weatherization using audit software approved by the Department of Energy. Only measures that are cost-effective showing a Savings-to-Investment Ratio (SIR) of one or greater may be installed. Measures with an SIR of one or greater are determined to be cost effective, meaning the lifetime savings produced by the measure is greater than the total cost of installation.

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Homes using an energy audit will be targeted for monitoring. These energy audits must be available for compliance review by OCA weatherization monitors at annual monitoring visits.

Volume II of the Home Weatherization Assistance Program Policy and Procedures Manual, Section C.2 "Application Process and Prioritization" will be updated to reflect the policy change (see attachments).

#### **Recommendation 4**

Add information regarding leveraged funds on the BWR so the total cost of the services provided by housing unit is tracked by ODSA.

#### **Plan of Implementation**

This was completed for implementation for the current program year starting July 1, 2013. The total costs applied on jobs, including leveraged funds, are captured in the OCEAN database and recorded on the Job Details section of the BWR. Monitors are aware of all funds applied to the structure prior to monitoring and will review invoices and track purchases to ensure leveraged funds do not duplicate reimbursements by the state weatherization program. OCA will continue to explore methods of auditing and monitoring that address these concerns.

Additionally, OCA initiated regular Utility Summits with Ohio regulated utility providers to discuss common issues, the most prominent being the possibility of data sharing in order to compare financial information on jobs where a combination of funds were used to provide services to ensure no duplicate billing occurs. As OCEAN continues to develop, OCA will explore ways to capture this information and share it. However, much information/technology and legal work must be carried out to make this possible.

Participants in the Energy Summit meetings – which were held April 10, 2013 and July 18, 2013 – included representatives from NiSource /Columbia Gas, American Electric Power, Vectren Corporation, Duke Energy, Dayton Power and Light, First Energy, Dominion and the Ohio Partners for Affordable Energy. The next meeting is slated for late fall.

#### **Recommendation 5**

Review the files where the individual is listed as "Vacant" to determine if the housing units were occupied within the required timeframe.

#### **Plan of Implementation**

Prior to submission of this response, OCEAN ran the report for vacant units submitted April 1, 2012 to present. There were a total of 31 vacant units on 15 structures that would require follow-up. Not all of these would have received individual measures. Common measures, e.g. shell insulation (attic, floor insulation) are allowable in vacant units because they provide energy savings for all units. The total units weatherized for that same time period exceeds 6,000. OCA staff will track and follow-up with agencies on occupancy of these units at annual on-site monitoring visits. The administrative monitoring and evaluation tool used for agency monitoring has been updated with questions regarding vacancies (see attachments).

However, because it is the landlord's responsibility to find suitable occupants for the vacant weatherized units, agencies will be required to secure a 100 percent landlord contribution for the individual measures (e.g. lightbulbs, refrigerator, heating appliance) installed in vacant units.

Policy: The landlord/property owner is responsible for 100 percent of the cost of installation, including labor and materials, of all individual measures installed in vacant multi-family units (structures with five

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or more units). This contribution must be made at the time of approval of the structure and before installation of any materials.

It should be noted that units weatherized under the HUD/DOE agreement would be exempt from this policy. The HUD/DOE agreement, signed May 2009, states:

"... if a public housing, assisted multi-family or Low Income Housing Tax Credit (LIHTC) building is identified by HUD and included on a list published by DOE, that building meets DOE's weatherization program income requirements without the need for further evaluation or verification, and may meet certain other program requirements." This agreement also states that a landlord contribution is waived for these buildings.

The Home Weatherization Assistance Program Policy and Procedures Manual, Volume II, C.4 Renters and Owner/Authorized Agents will be updated to reflect the changes (see attachments).

### **Recommendation 6**

Review the housing units with questionable eligibility to determine if the weatherization services provided met grant requirements.

### **Plan of Implementation:**

All dwelling units to be weatherized are determined eligible in such a manner to ensure that each weatherized unit meets the qualifications of CFR 440.22, "Eligible Dwelling Units." Currently, OCA employs two methods of determining eligibility for weatherization services: Categorical Eligibility and Traditional Eligibility.

Categorical eligibility applies when one or more persons living the unit has received cash assistance payments under Title IV or XVI of the Social Security Act or applicable state or local law at any time during the 12 month period preceding the determination of eligibility for weatherization assistance; or one or more persons in the unit is eligible for assistance under the Low Income Home Energy Assistance Act of 1981.

Traditional eligibility applies to any household whose income is at or below 200% of the federal poverty level determined in accordance with criteria established by the Director of the Office of Management and Budget for the 12 months preceding application.

OCA proposes the policy below, which includes a review of the value of the home of customers to be served. The policy establishes a threshold for house value before an extra layer of income validation is necessary. The threshold of \$169,500 was established by taking 125% of the median value of homes in Ohio (median Ohio home value is \$135,600 according to the US Census). This produced a reasonable expectation for eligibility for the program, which is limited to those at or above 200% of the Federal Poverty Guidelines. The threshold will be adjusted in the future according to the most recent census data available.

**Policy:** When the total appraised (market) value of the single-family, site-built property and structure<sup>1</sup> is greater than the threshold of \$165,500, the household is exempt from categorical eligibility as defined in Volume II of the Home Weatherization Assistance Program Policy and Procedures Manual, Section C.2 "Application Process and Prioritization (see attachments)," and is subject only to traditional eligibility. The household must provide 12 months proof of all sources of income or the most recent 1040(s) for working adults in the household, or applicable tax documentation of income as described in the Poverty

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<sup>1</sup> According to the applicable Ohio county auditor's website assessment

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Income Guidelines and Definition of Income for use in the Low-Income Weatherization Assistance Program, which is updated annually.

This provides an added layer of verification to ensure the household meets the income eligibility requirements established by DOE. This policy will be enforced starting Program Year 2014. Value of the structure and property will be tracked in OCEAN and a report will be made available showing all homes with a value greater than the defined threshold.

Additionally, the newly formed Integrity Unit has offered support in investigation of issues of suspected issues with client eligibility, helping agencies and OCA detect and take action against those who would abuse the services offered through weatherization and other programs managed by ODSA for low-income Ohioans.

Volume II of the Home Weatherization Assistance Program Policy and Procedures Manual, Section C.2 "Application Process and Prioritization" will be updated to reflect the policy change (see attachments).

### **Recommendation 7**

Review the following to determine:

- a. Duplicate lines of data in the electronic BWR spreadsheet were not reimbursed twice by ODSA;
- b. Duplicate charges identified during the review of leveraged funds were not reimbursed by ODSA;
- c. In instances where the hard copy BWRs did not match the electronic BWR spreadsheet, the correct amount was reimbursed by ODSA;
- d. In instances where supporting documentation did not agree to the amounts on the BWR, the correct amount was reimbursed by ODSA; and
- e. ODSA was not over billed for hours where the timesheet did not agree to the amount reported on the BWR.

### **Plan of Implementation:**

Last program year, migrating from the former data collection system to OCEAN, which offers improved functionality and accountability, has addressed many of the above items. Also, it is important to note that OCA does not reimburse from the BWR; rather, the BWR is a record of materials installed in the home and the labor necessary to perform those measures. The purpose of this report is not financial, though some financial information is required to be reported. The BWR is used to record measures installed and compare them to the requirements of the Department of Energy, compare cost-effectiveness of measures, and ensure all expenditures in the home met program guidelines for allowable categories. For example, agencies may not use weatherization funds for major repairs. The category limit on additional repairs is \$600 for materials and labor. This can be tracked using the BWR.

Agencies submit a separate reimbursement request. Therefore, duplicate lines of data on a BWR would not be relevant for financial reimbursement or indicative of duplicate billing.

Additionally, agencies are financially audited by DSA. Resolutions to audits for agencies with questioned costs in the report will be shared with the Ohio Inspector General. The audit schedule is as follows for those agencies:

<b>AGENCY</b>	<b>AUDIT SCHEDULE</b>
Clinton County Community Action	Quarter 1 2014
Mid-Ohio Regional Planning Commission	November 2013
Cuyahoga County Department of Development	Audited Quarter 1, 2013; next audit Quarter 3 2016
Neighborhood Housing Solutions, Toledo	Audited Quarter 3 2013; next audit Quarter 3 2016
Ground Level Solutions, Inc.	Audited September 2013
Ashtabula County Community Action Agency	Audited Quarter 3 2013, next audit Quarter 3 2015
Community Action Partnership of the Greater Dayton Area	Quarter 3 2014
WSOS Community Action	Quarter 3 2014
Community Action of Delaware Madison Union	Audited Quarter 1 2013, next audit Quarter 4 2014
Fayette County Community Action	Quarter 1 2015

Specific responses to each subset of Recommendation 7 are listed below:

- a. OCA does not reimburse from the BWR; rather, it is a record of materials installed in the home and the labor necessary to perform those measures. Agencies submit a separate reimbursement request. Therefore, duplicate lines of data on a BWR would not be relevant for financial reimbursement or necessarily indicative of duplicate billing. The BWR is used to identify measures installed in homes using DOE and HHS funds, and to analyze the cost-effectiveness of the program. It also is used when monitoring as a reference.
- b. OCA currently captures leveraged funds on the BWRs, as discussed in the Plan of Implementation for Recommendation 4. As stated above, monitors are aware of all funds applied to the structure prior to monitoring and will review invoices and track purchases to ensure leveraged funds do not duplicate reimbursements by the state weatherization program. Auditors also specifically test for duplicate charges to utility and other funding programs as part of their regular duties. Administrative monitors also test for duplicate billing. When found, the investigation is expanded and followed to resolution, which may include paying back the measure(s). Utility partners are copied on monitoring reports when there are findings on combination-funded jobs, keeping the lines of communication open between the programs and making them aware of potential issues.

Additionally, OCA has reached out to utility partners through a series of Utility Summit meetings to discuss the idea of sharing data to ensure that duplicate billing does not occur. Legal issues surrounding the sharing of client data must first be resolved, along with a financial plan and timeline for creating the conduits for sharing the data with differing systems. Because OCA does not control utility funds, it is imperative that these partners volunteer to work with our agency to accomplish this task. Sharing data will provide a long-term solution and definitive method of validation that no duplicate billing occurred.

- c. As stated in the Plan of Implementation for Recommendation 1, hard copies of BWRs are no longer collected by OCA. Additionally, OCA does not reimburse from the BWR, but from the financial reimbursement request. Starting July 1, 2012, OCEAN has captured all data related to the weatherized structure and developed a report that compares the materials installed annually to the materials charged on the financial reimbursement requests in a process called "Materials Accountability." The maximum

allowed variance is 2% (not to exceed \$2,000). OCA may request reimbursement when the variance is exceeded.

Because OCA identified this as a potential risk prior to the issuance of this report, a policy was made effective July 1, 2013, stating that no materials inventory may be charged to DOE or HHS funds until installed in a home. This means agencies may no longer purchase materials with their federal weatherization grant funds and be reimbursed in advance of installing the measures.

- d. Agencies must have a single agency audit annually. Additionally, agencies are monitored by OCA for billing compliance and audited by internal ODSA auditors. These practices are designed to flush out any fiscal non-compliance. During monitoring and auditing of ARRA weatherization jobs, ODSA staff identified the practice of agencies charging additional work to jobs without approval by the inspector, which led to the discrepancies described in the OIG report above, including disagreement between work orders, invoices and the BWR.

OCA addressed this issue with a Change Order Policy. Information Update 2010-105, effective December 15, 2010, stated that all work differing from the original work order (list of items written by the trained inspector to be completed for the job), requires a change order, also signed by the inspector. This guidance states: "Agencies must have a defined process for changes to the original work order. For example, the work order calls for a clean-and-tune on the client's furnace. During the clean-and-tune, it is discovered that the furnace has a cracked heat exchanger (necessitating replacement). This would prompt a work order change, or 'change order.'" This change order needs a process and must be documented in the client file with a change order form signed by the inspector giving permission to make the change.

Change order forms should state the date of the requested change, explanation of the change(s), and be signed and dated by the initial inspector showing agreement on the matter."

This requirement is enforced for all additional or changed work and prevents the majority of discrepancies between file documents and the BWR. However, in instances where a discrepancy is still found, auditors and monitors address at regularly scheduled onsite visits. When unexplained discrepancies are found, funds may be requested to be returned to the grant. One agency identified in the report, Tri-County Community Action Commission of Champaign, Logan, Shelby counties, voluntarily relinquished their weatherization grant because of an inability to adequately respond to monitoring and audit reports. The most recent audit requires the agency to return \$127,549.81 in disallowed and unexpended grant funds by February 12, 2013. Two other agencies identified during ARRA with significant discrepancies also voluntarily relinquished their weatherization grants.

- e. In client files, the daily reports are used to track labor hours including travel to and from the jobsite, inspection time, and time charged to other programs. Daily reports are not designed to match the labor hours reported on the BWR, which captures only the hours spent installing materials paid for with funds from OCA. Labor hours are reimbursed from the financial reimbursement request form, not the BWR. These processes are captured in OCEAN starting April 1, 2012. Additionally, labor is captured for installation of Health

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and Safety measures separately on the BWR from labor to install energy conservation measures.

We appreciate the partnership with the Office of Inspector General and look forward to continued interaction with you in the effective implementation and operation of the Weatherization Assistance Program.

Sincerely,



David Goodman,  
Director

cc: Sadicka White, Chief, Community Services Division  
Diane Lease, Chief, Legal Division  
Holly Ravesloot, Project Officer, DOE  
Randall Hunt, Deputy Chief, Office of Community Assistance  
Sharon Smith, Assistant Deputy Chief, OCA  
Katrina Metzler, Section Supervisor, OCA

**ATTACHMENTS:**

- Home Weatherization Assistance Program Policy and Procedures Manual, Volume II, C.2 "Application Process and Prioritization"
- Home Weatherization Assistance Program Policy and Procedures Manual, Volume II, C.4 "Renters and Owner/Authorized Agents"
- Administrative Monitoring and Evaluation Tool