

STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

REPORT OF
INVESTIGATION



AGENCY: OHIO DEPARTMENT OF DEVELOPMENT
FILE ID NO.: 2010-108
DATE OF REPORT: NOVEMBER 29, 2011

The Office of the Ohio Inspector General.... The State Watchdog

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REPORT OF INVESTIGATION

FILE ID NUMBER: 2010-108

SUBJECT NAME: Home Weatherization Assistance Program

POSITION: American Recovery and Reinvestment Act of 2009 (ARRA) Grant

AGENCY: Ohio Department of Development

BASIS FOR INVESTIGATION: Initiative of the Ohio Inspector General

ALLEGATIONS: Failure to comply with grant requirements;
Failure to comply with state law and/or regulations.

INITIATED: March 16, 2010

DATE OF REPORT: November 29, 2011

BASIS FOR INVESTIGATION

In 2009, the Ohio General Assembly expanded the authority of the Office of the Ohio Inspector General to monitor the state government's expenditure of funds received from the United States government under the American Recovery and Reinvestment Act of 2009 (ARRA).¹ Among the many areas in Ohio government where a substantial increase in spending would occur as the result of the passage of ARRA, the Office of the Ohio Inspector General focused on the Home Weatherization Assistance Program (HWAP), where spending allocations increased over three times previous levels. In November 2009, an initial review assessed the overall mission and goals of the program.

Recognizing Ohio entered into a grant requiring the state government to rapidly spend in excess of \$266 million in federal taxpayer money in a limited time span, the Office of the Ohio Inspector General opened an investigation on March 16, 2010. The initial goal of the investigation was to determine whether or not the Ohio Department of Development (ODOD) Office of Community Assistance administered specific grant requirements mandating inspections. In June 2011, the focus of the investigation was expanded to review additional elements of the program to determine whether ODOD was complying with other U.S. Department of Energy (USDOE) Weatherization Assistance Program grant guidance requirements.

BACKGROUND

The American Recovery and Reinvestment Act of 2009 (ARRA)

The American Recovery and Reinvestment Act of 2009 (ARRA) was passed by Congress on February 17, 2009. ARRA aimed to create new jobs and save existing ones, spur economic activity and invest in long-term growth, and foster accountability and transparency in government spending. These goals were to be achieved by providing \$288 billion nationally in tax cuts and benefits for working families and businesses; increasing federal funds for entitlement programs, such as extending unemployment benefits, by \$224 billion; making \$275 billion available for federal contracts, grants, and loans; and requiring recipients of ARRA funds

¹ See Ohio Revised Code §121.53, "Deputy inspector general for funds received through the American Recovery and Reinvestment Act of 2009."

to report quarterly on how they were using the money. Among other areas, ARRA funds were targeted at infrastructure development and enhancement. This included weatherizing 75 percent of federal buildings and more than one million private homes.² ARRA funding related to HWAP began on July 1, 2009, and will run through March 31, 2012.

From February 17, 2009, through December 31, 2010, the state of Ohio was awarded a total of \$8,604,763,955 in ARRA funds via 1,106 contracts, 7,856 grants and 49 loans.³ The majority of the ARRA awards went to supplement current programs.

Office of the Ohio Inspector General and ARRA

The Ohio General Assembly enacted Ohio Revised Code §121.53 effective July 1, 2009, which created the deputy inspector general for funds received through the American Recovery and Reinvestment Act (ARRA) of 2009. This statutorily provided the Office of the Ohio Inspector General oversight to monitor state agencies' distribution of ARRA funds from the federal government and to investigate all wrongful acts or omissions committed by officers, employees, or contractors with relevant state agencies that received funds from the federal government under ARRA. In addition, the Office of the Ohio Inspector General was required to conduct random reviews of the processing of contracts associated with projects to be paid for with ARRA money.

U.S Department of Energy Weatherization Assistance Program

In 1976, Congress created the Weatherization Assistance Program as part of the Energy Conservation and Production Act funded by the U.S. Department of Energy. The purpose of the program was:

... to increase the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total residential expenditures, and improve their health and safety, especially low-income persons who are particularly vulnerable such as the elderly, persons with disabilities, families with children, high residential energy users, and households with high energy burden.⁴

² Source: <http://recovery.gov>.

³ Source: <http://recovery.gov>.

⁴ See 10 CFR §440.1, "Purpose and Scope."

The Weatherization Assistance Program is a federally funded low-income residential energy efficiency program administered at the state level. Funded by the U.S. Department of Energy, it is designed to increase the energy efficiency of residential dwellings for eligible participants whose annual household income is at or below 200 percent of the federal poverty guidelines. The program aims to reduce participants' household energy expenditures and improve participants' health and safety. Weatherization projects include attic, wall, and basement insulation; insulation of heating distribution systems; air sealing to reduce infiltration of outside air into the building; electric base-load measures which addressed lighting and appliance efficiency; and health and safety inspections and testing.

The U.S. Department of Energy has authority over the state agency that administers the Weatherization Assistance Program, the sub-grantees, and entities with whom the sub-grantees contract with, including subcontractors or delegates. An additional explanation of sub-grantees and delegates follows on page 4.

Home Weatherization Assistance Program (HWAP)

In Ohio, the Home Weatherization Assistance Program is overseen by the Ohio Department of Development, Community Development Division, Office of Community Assistance (OCA).⁵ The Ohio Department of Development contracts with providers across the state to ensure citizens in all 88 counties receive weatherization services. The Office of Community Assistance is then responsible for monitoring the weatherization providers for compliance with regulations and established policies and procedures, evaluating actual accomplishments against planned activities, and determining the effectiveness of the HWAP policy. Monitoring provides objective reporting to and from sub-grantees and, when appropriate, recommendations are made to address program and administrative deficiencies and needs.⁶

According to the Ohio Department of Development, HWAP has weatherized more than 304,000 dwellings in Ohio since 1977. ODOD credits the HWAP program with reducing emissions by 376 million pounds of carbon dioxide, 840 thousand pounds of nitrogen oxide, and 2.3 million

⁵ Formerly named the Office of Community Services (OCS).

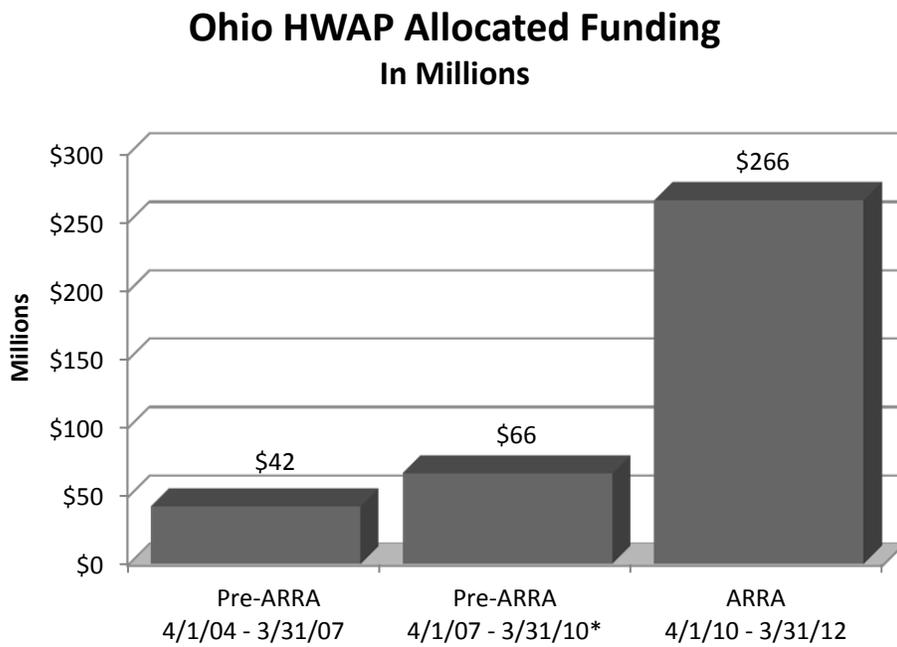
⁶ Source: <http://development.ohio.gov>.

pounds of sulfur oxide. Additionally, ODOD reported that HWAP has created approximately 400 skilled jobs that provide energy conservation services.⁷

Federal Funding to Ohio

Although HWAP is a federally funded program, a “program year” covered in this report refers to neither a calendar year nor a fiscal year. A typical program year begins on April 1 and ends on March 31. Since Ohio chose not to receive ARRA funds until after March 2009,⁸ for purposes of this report, program year 2009 is designated as July 1, 2009, through June 30, 2010, and program year 2010 is July 1, 2010, through March 31, 2011.

With the distribution of ARRA money to Ohio, the budget for HWAP increased to \$266 million to cover the three-year period from 2009-2012, compared to \$66 million received in the previous three-year period – a 303 percent increase, as depicted in the following chart.



* Formula funding suspended on 7/1/2009.

Source: www.waptac.org and Ohio Department of Development State Plan.

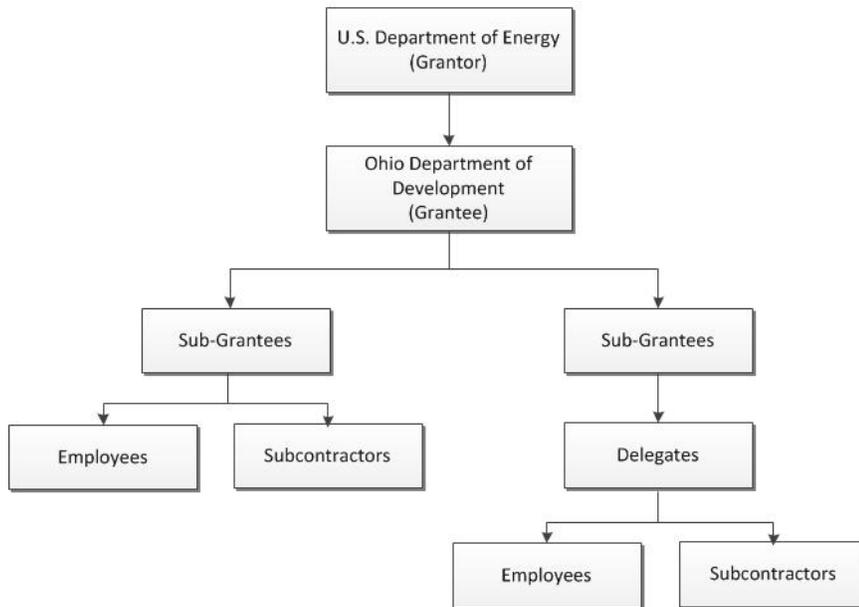
⁷ Source: <http://development.ohio.gov>.

⁸ While the state of Ohio had the option to begin receiving ARRA funds in March 2009, requirements of ARRA necessitated distinct separation between ARRA funds and federal formula grant funds. To ensure these funding streams were not comingled, the state of Ohio chose not to begin to receive ARRA funds until the state fiscal year began on July 1, 2009.

State Plan

Under the terms of ARRA, all states were required to submit an amended American Recovery and Reinvestment Act of 2009 State Plan explaining how the funds were to be distributed from the states to local entities providing weatherization services at the local level and outlining the accounting controls the state would implement to ensure local entities would spend the funds according to federal requirements. **(Exhibit 1)** The Ohio Department of Development State Plan (State Plan) outlined and organized the process that would be used to allocate funds and provide weatherization services throughout the state. With the increase in funds, Ohio planned on weatherizing an estimated 32,000 housing units. A housing unit is a single family home, a mobile home, or an apartment within a multi-family complex. The following chart outlines the flow of HWAP funding.

Flow of Home Weatherization Assistance Program Funding



As previously stated, the Ohio Department of Development contracted with entities across the state to ensure that citizens in all counties received weatherization services. These entities, known as sub-grantees, included local governments, non-profit agencies, and community action

agencies,⁹ all of which have had historical involvement in HWAP. With the increase in ARRA funding, Ohio elected not to add any new sub-grantees.

Sub-grantees are responsible for administrative and programmatic oversight, which includes the labor involved in performing weatherization work. A portion of sub-grantees hire employees or subcontractors to provide weatherization services. Other sub-grantees have agreements with delegates to provide the weatherization services. In these instances, sub-grantees only have administrative oversight and have neither employees nor subcontractors who provide weatherization services. Delegates, like sub-grantees, might be other local governments, non-profit agencies, or community action agencies.

The Ohio Department of Development distributed funds to 34 sub-grantees¹⁰ and 23 delegates based on a formula allocation. **(Exhibit 2, page 62)** Sub-grantees were given an initial budget of 80 percent of their total 3-year allocation and would be eligible to receive the remaining 20 percent if they met certain production and quality goals by September 2010. Initial production goals were based on dividing the budget amount by an average cost per unit of \$6,500. Production goals could be revised throughout the year by dividing the budget amount by the actual average cost per housing unit.

Process to Obtain Weatherization Services

Housing unit occupants seeking weatherization services apply directly to a sub-grantee based on their geographical location. Applications are also provided by ODOD and can be submitted to the Office of Community Assistance who in turn forwards them to the appropriate sub-grantee. The sub-grantees are responsible for verifying eligibility requirements for each applicant before services are provided. Once an application is approved, an energy audit of the housing unit is conducted by the sub-grantee or delegate to determine the type of services the housing unit is qualified to receive. Typical services include the insulation of attics, sidewalls, heating ducts,

⁹ Community action agencies are local private and public non-profit organizations that carry out the Community Action Program, founded by the 1964 Economic Opportunity Act to fight poverty. Community action agencies are governed by boards of directors consisting of at least one-third low-income community members, one-third public officials, and up to one-third private sector leaders. This board structure is defined by federal statute and is known as a tripartite board.

¹⁰ The State Plan refers to 35 sub-grantees. There were, in fact, 34 sub-grantees.

floors, and water tanks; safety inspection, repair, and if necessary, installation of heating units; reduction of air leakage from major sources; and personalized energy management plans.¹¹

Sub-grantees or delegates systematically determine where on the waiting list eligible households are placed; priority is given to the elderly, disabled, and high energy users. **(Exhibit 2)** Weatherization services are performed by technicians working directly for either the sub-grantee or the delegate, or are subcontracted out. These vendors must be approved by the Office of Community Assistance before weatherization work is conducted.

After weatherization work is completed, an inspection of each unit is conducted by the sub-grantee. The housing unit occupant must also sign an acknowledgment form stating he or she approved of the services provided. The inspection and acknowledgment form must be completed before the sub-grantee can seek reimbursement from ODOD.

Under the State Plan, ODOD established a monitoring system for evaluating the performance and compliance of the sub-grantees and delegates by assigning administrative and technical monitors to execute these functions. Administrative monitors were assigned to inspect sub-grantee and delegate client files and review "... fiscal controls, staffing and organization, procurement and client services." **(Exhibit 2, page 37)** Technical monitors were charged with the structural inspection of weatherized housing units to ensure the work completed was safe, met quality control standards, and to "... review property management, inventory, materials quality, and field work." **(Exhibit 2, page 37)**

In addition to the administrative and technical monitors, HWAP management was comprised of the Office of Community Assistance division chief, assistant chief, HWAP manager, and assistant HWAP manager. During the course of the investigation, the number of administrative and technical monitors fluctuated. There were between two and four administrative monitors and six to eight technical monitors.

¹¹ Source: development.ohio.gov.

After each visit by administrative and technical monitors, a report describing the weatherized housing units and the files reviewed, along with findings and recommendations, was submitted to the sub-grantee. The sub-grantee then had 30 days to respond with documentation detailing the corrective actions taken and supplying photographs as needed.

INVESTIGATIVE SUMMARY

On March 16, 2010, the Office of the Ohio Inspector General opened an investigation of the Home Weatherization Assistance Program (HWAP) focusing on specific grant requirements mandating inspections. The investigation centered on whether or not the Ohio Department of Development (ODOD) Office of Community Assistance administered HWAP in compliance with the terms of the grant. In June 2011, the focus of the investigation was expanded to review additional elements of the program to determine whether ODOD was complying with other U.S. Department of Energy (USDOE) grant guidance requirements involving additional elements of the program, including telephone surveys and HWAP complaints, quarterly reviews, and records requests.

During the investigation, the Office of the Ohio Inspector General reviewed weatherization program grant guidance set forth by the U.S. Department of Energy and the Ohio Department of Development State Plan (State Plan). The table on the following page outlines the differences between the ODOD State Plan and the USDOE Weatherization Assistance Program grant guidance.

Weatherization Monitoring – USDOE Guidance and ODOD State Plan		
Requirement	USDOE Guidance (Exhibit 1)	ODOD State Plan (Exhibit 2)
Technical Monitoring – Percentage of units to be inspected	...an inspection of <i>at least</i> 5 percent of the completed units or units in the process of being weatherized. DOE strongly encourages a higher percentage of units be inspected. (page 9)	Each sub-grantee will be visited by a technical monitor ¹² at least once per program year to review 5 percent of the completed units. (page 37)
Technical Monitoring – Due date of monitoring report	No specification	Reports of monitoring visits are to be completed within 30 days of the visit... (page 38)
Administrative Monitoring – Percentage of files to be reviewed	The comprehensive monitoring must include review of client files and sub-grantee records... (page 9)	Each sub-grantee will be visited by an administrative monitor ¹³ at least once every two years to review 10 percent of the completed units' files. (page 37)
Administrative Monitoring – Due date of monitoring report	No specification	Reports of monitoring visits are to be completed within 30 days of the visit... (page 38)
Telephone Satisfaction Surveys	No specification	OCA will conduct telephone satisfaction surveys to recipient households to ensure that local programs are effective and customer friendly. (page 21)
Quarterly Reviews	No specification	...OCA will assess each sub-grantee's performance on a quarterly basis to determine strengths and weaknesses. The OCA will use all available data and resources ... to assess the work quality and to determine whether corrective actions or new policies are needed. (page 39)
Records Request	Any representative of an appropriate Inspector General's Office is authorized to examine any records related to the grant. (page 16)	No specification ¹⁴
Quality and Quantity	If inspection reveals quality control or other problems, grantee shall increase the number of units monitored and frequency of inspection until all issues are resolved. (page 9)	If a recipient is not meeting production goals and/or work quality standards OCS may ... reduce the funding level for the recipient and provide unexpended dollars to another HWAP provider... (page 21)

¹² The State Plan uses technical monitors and technical field staff interchangeably. For the purposes of this report, they are referred to as technical monitors.

¹³ The State Plan uses administrative monitors and administrative field staff interchangeably. For the purposes of this report, they are referred to as administrative monitors.

¹⁴ Records requests are addressed under Ohio Revised Code §149.43 and Ohio Department of Development Public Records Procedure. **(Exhibit 3)**

Technical Monitoring of Weatherized Housing Units

At the start of the ARRA program, the Ohio Department of Development employed six technical monitors. The State Plan outlined the department's intention to hire two more technical monitors. These technical monitors were charged with the structural inspection of weatherized housing units to ensure the work completed was safe, met quality control standards, and to "... review property management, inventory, materials quality, and field work." (**Exhibit 2, page 37**)

During August 2011, the Office of the Ohio Inspector General interviewed technical monitors employed by ODOD to gain an understanding of how each technical monitor determined the number of housing units to inspect in order to meet the 5 percent inspection and review requirement. At that time, seven technical monitors were interviewed, as one employee had retired. The following were the various methods used by the technical monitors to determine the number of housing units requiring inspection:

- Obtained the actual number of weatherized housing units for the current program year and multiplied by 5 percent;
- Obtained the actual number of weatherized housing units as of the date of their last visit and multiplied by 5 percent; or
- Obtained the estimated number of housing units to be weatherized by the sub-grantee for the current program year and multiplied by 5 percent.

Three of the seven technical monitors interviewed explained that Home Weatherization Assistance Program managers calculated and assigned an approximate number of weatherized housing units to be inspected in the coming program year. This was accomplished by counting the actual number of housing units weatherized in the previous program year and multiplying the sum by 5 percent.

The USDOE grant guidelines state, "the comprehensive monitoring must include review of client files and subgrantees records, as well as inspection of *at least* 5 percent of the completed units or units in the process of being weatherized." (**Exhibit 1, page 9**) Taking this into consideration, the Office of the Ohio Inspector General summarized the number of weatherized housing units

inspected using the technical monitoring reports provided by ODOD and calculated the percentage of weatherized housing units inspected over the course of each program year. As depicted in the table below, the results showed that ODOD failed to inspect at least 5 percent of the housing units weatherized at the sub-grantee level as required under the terms of the grant for 19 of 34 sub-grantees in program year 2009 and another 15 of 34 sub-grantees in program year 2010.¹⁵

Home Weatherization Assistance Program Percentage of Housing Units Inspected by Sub-grantees				
Sub-Grantees	Program Year 2009		Program Year 2010	
	Less than 5%	5% or Greater	Less than 5%	5% or Greater
Ashtabula County Community Action Agency	4.9%			5.5%
Board of Van Wert County Commissioners		8.6%		54.1%
Cincinnati-Hamilton County Community Action Agency	4.7%		2.4%	
City of Cleveland - Department of Community Development		6.8%		6.8%
Clermont County Community Services		6.3%	4.7%	
Clinton County Community Action Program	4.3%			8.6%
Community Action Committee of Fayette County	4.7%			5.7%
Community Action Council of Portage County		8.5%		8.2%
Community Action of Wayne-Medina	3.7%			8.5%
Community Action Organization of DMU (Delaware, Madison, Union)	3.9%			8.3%
Community Action Partnership of Greater Dayton		5.6%	0.5%	
Corporation of Ohio Appalachian Development		5.0%		5.0%
Cuyahoga Community Department of Development		5.4%		29.4%
East Akron Neighborhood Development Corporation		7.6%	4.5%	
Ground Level Solutions	4.8%		4.1%	
Ground Level Solutions-Richland/Morrow	4.4%		1.5%	
Hancock-Hardin-Wyandot-Putnam Community Action Committee		6.6%	4.4%	
IMPACT Community Action		8.7%	1.0%	
Lancaster-Fairfield Community Action Agency		5.3%		5.4%
Licking Economic Action Development Study	3.0%		1.8%	
Lorain County Community Action Agency	3.6%			8.9%
Mahoning-Youngstown Community Action Partnership		5.0%	3.3%	
Miami County Community Action Council		7.8%	2.1%	
Mid-Ohio Regional Planning Commission	3.8%		2.2%	
Neighborhood Housing Services of Toledo	4.6%			6.5%
Northwestern Ohio Community Action Committee	3.7%		3.7%	
Ohio Heartland Community Action Committee	2.4%			5.4%
Pickaway County Community Action Organization	3.3%			8.5%
Sources Community Network Services		12.4%		5.1%
Stark County Community Action Agency	4.7%			6.1%
Summit County Department of Development	4.8%			5.4%
Tri-County Community Action Committee - Champaign-Logan-Shelby	4.5%		4.7%	
Trumbull County Action Program	3.7%			6.0%
WSOS Community Action Committee		19.0%	2.8%	

¹⁵ Note: The Ohio Inspector General's Office grouped the delegates for the City of Cleveland and the Corporation for Ohio Appalachian Development (COAD).

As a result of the insufficient number of inspections conducted by ODOD technical monitors, the Office of the Ohio Inspector General questioned whether the existing number of technical monitors was adequate to perform the required number of inspections. In March 2010, the U.S. Department of Energy had conducted a review of technical monitor staffing levels at the Ohio Department of Development. The USDOE report found the number of technical monitors “... appears to be sufficient ...” to perform structural inspections of housing units under the grant requirements. **(Exhibit 4)** In light of the USDOE report, the Office of the Ohio Inspector General determined the failure to inspect 5 percent of weatherized housing units was not the result of an insufficient number of technical monitors, but an absence of clear direction from management at the Ohio Department of Development. Technical monitors were given neither guidance nor a standard methodology to calculate the number of housing units requiring inspection.

Among those weatherized housing units that were inspected, technical monitors were required to evaluate the structural quality and identify any health or safety issues. When ODOD technical monitors prepared their reports after an inspection, each housing unit was classified as “pass” or “did not pass.” Housing units could be classified as a “did not pass” if any health or safety issue was found, or if required actions were identified. Required actions are corrective actions that must be made to a housing unit not in compliance with the technical requirements outlined in the energy audit, or as the result of conditions affecting the health and safety of the occupant. A required action classification called for the sub-grantee to correct the issues at the time of the inspection or at a later date. Unless the issue involved the health or safety of the occupant, a housing unit could have a required action classification but still receive a “pass” rating from a technical monitor, depending on the severity of the required action.

The Office of the Ohio Inspector General summarized the reports provided by ODOD to show the overall pass rate and the number of visits to each sub-grantee by program year. Additionally, the Office of the Ohio Inspector General took into consideration the U.S. Department of Energy requirement that the states increase the number and frequency of inspections if quality control issues or other problems were identified. **(Exhibit 1, page 9)** As the Ohio Department of Development did not define an acceptable pass rate, the Office of the Ohio Inspector General

relied upon two technical monitors, each having over 20 years of experience in both weatherizing homes and conducting property inspections, and adopted a median of 90 percent as the dividing threshold between a rating of “pass” or “did not pass.” The results showed that for those sub-grantees and delegates having a rating of less than 90 percent, ODOD failed to increase the number of housing units inspected during the next program year five times; failed to increase the frequency of the inspections five times; and failed to increase *both* the number of units inspected and the frequency of the inspections eight times. **(Exhibit 5)**

The Office of the Ohio Inspector General also calculated the number of housing units having required actions or recommended actions regardless of whether the housing unit received a “pass” or “did not pass” rating. Recommended actions are suggested corrective actions based on best practices. When considering the number of corrective actions for weatherized housing units, 54 percent had a required action or recommended action classification. **(Exhibit 6)** Further analysis showed ODOD failed to increase the number or frequency of housing units inspected 13 times in cases where sub-grantees had required actions on 50 percent or more of the units inspected.

In interviews with all seven technical monitors the Office of the Ohio Inspector General found that the Ohio Department of Development did not provide guidance on how to select weatherized housing units for inspection. Two technical monitors provided the list of housing units for inspection to the sub-grantee, while others allowed the sub-grantee to designate which housing units to inspect based on type (single family, mobile home, etc.) By allowing the sub-grantee to select the housing units for inspection, ODOD was exposed to the possibility that sub-grantees might handpick their best housing units and avoid the worst. Nevertheless, ODOD still found corrections were needed in almost half of the weatherized housing units inspected.

ODOD’s State Plan states, “... reports of monitoring visits are to be completed within 30 days of the visit.” **(Exhibit 2, page 38)** The Office of the Ohio Inspector General found the number of days for a report to be released averaged 52 in program year 2009, and 25 in program year 2010. During program year 2009, 24 reports were issued two months or more after the date they were due. **(Exhibit 7)** ODOD management acknowledged the delay in the completion and release of

monitoring reports was a problem at the start of the ARRA program and took steps to resolve the issue, which is reflected in the improved average for reports released in program year 2010.

Administrative Monitoring

ODOD assigned administrative monitors to review both client files and each sub-grantee's "... fiscal controls, staffing and organization, procurement and client services." Furthermore, administrative monitoring of each sub-grantee would occur "... at least once every two years to review 10 percent of the completed units' files." (**Exhibit 2, page 37**) USDOE grant guidance did not enumerate the number of records to review annually, but only indicated the "...comprehensive monitoring of each subgrantee at least once a year." (**Exhibit 1, page 9**) Shortly after the ARRA funding began, the Ohio Department of Development HWAP manager amended the administrative monitoring process to follow the same requirement as the technical monitoring process – a review of 5 percent of files for every program year.

Administrative reports were also to be completed within 30 days of any visit by ODOD administrative monitors to the sub-grantees. The Office of the Ohio Inspector General found the number of days for a report to be released averaged 22 days in program year 2009 and 16 days in program year 2010. However, in advance of their visit, administrative monitors notified sub-grantees to indicate which of the files were to be reviewed. This practice created a potential that documents would be created or altered to meet program requirements.

Telephone Satisfaction Surveys and HWAP Complaints

According to the State Plan, the Office of Community Assistance "... will conduct telephone satisfaction surveys to recipient households to ensure that local programs are effective and customer friendly." (**Exhibit 2, page 21**) In interviews with the Office of the Ohio Inspector General, Office of Community Assistance employees stated telephone satisfaction surveys were not being conducted by the Ohio Department of Development. This was confirmed by Assistant Chief Donald Skaggs of the Office of Community Assistance during an interview conducted in August 2011.

The Office of the Ohio Inspector General also questioned the Office of Community Assistance regarding complaints received by their office. The practice of the Office of Community Assistance (OCA) entailed transferring each complaint to the technical monitor assigned to the complainant's region. Depending on the nature of the complaint, the technical monitor either visited the complainant's home or contacted the sub-grantee for further information. According to the seven technical monitors interviewed, typical complaints involved questions about when customers on the waiting list would receive weatherization services and those services customers believed they were entitled to but were not included as part of the original energy audit requirements.

During the interview conducted in August 2011, Skaggs stated he was unaware of the number of complaints received as there was no internal tracking system to monitor or track complaints. Without a system in place, the Office of Community Assistance was unable to determine if an increase in calls about a particular sub-grantee occurred, or the length of time it took to resolve complaints. While technical monitors were aware problems existed, no system was in place allowing management to track outstanding and unresolved complaints.

Quarterly Reviews

The State Plan also required the Ohio Department of Development Office of Community Assistance to conduct quarterly reviews of sub-grantees' performance to determine strengths and weaknesses. These reviews were to use available data, including administrative and technical monitoring reports, audits, and other statistical information "... to assess the work quality and to determine whether corrective actions or new policies are needed." (**Exhibit 2, page 39**) ODOD management indicated they reviewed monthly reports via several internal reporting systems to assess strengths and weaknesses in the program. However, OCA did not have formal quarterly reviews as required in the State Plan.

Records Request

In November 2010, a special agent of the United States Department of Energy Inspector General's Office (DOE-IG) contacted the ODOD Office of Community Assistance requesting documents related to ARRA and ODOD's Home Weatherization Assistance Program. During an interview in August 2011, the Home Weatherization Assistance Program Manager Nick Milano stated he immediately contacted the Ohio Department of Development Chief Legal Counsel Candace Jones and informed her of the request. Milano further explained that Jones contacted the DOE-IG special agent and asked for a formal request submitted on official letterhead. When the DOE-IG declined this request, the documents were not provided. The USDOE informed the Office of the Ohio Inspector General of a second request made again in May 2011 that was also refused. It was not until a subpoena was issued that the documents were provided.

When interviewed by the Office of the Ohio Inspector General, Milano was asked to clarify whether ODOD treated the request from the USDOE as a public records request and that it be submitted in writing. Milano replied, "Yeah." When asked if OCA would have responded if the request was not made in writing, Milano stated OCA would not, as it was following directions from the ODOD legal division.

The USDOE's grant guidance regarding weatherization programs and ARRA states that documents related to the program should be made available upon request from any employee of the United States Department of Energy or the DOE Inspector General's Office. **(Exhibit 1, page 16)** In addition, by treating the request as a public records request and asking for it to be made in writing, ODOD violated its own policy **(Exhibit 3)** and Ohio Revised Code §149.43(B)(5) that states a written request is not mandatory.¹⁶

Advance Funds

While not required under USDOE grant guidelines, the Ohio Department of Development decided sub-grantees would be given an advance of 10 percent of their allotted budget amount at the start of the ARRA program. Neither the grant agreement nor the supporting documents regarding the weatherization program provided grant guidance on the advance process.

¹⁶ See Ohio Revised Code §149.43, "Availability of public records for inspection and copying."

According to ODOD, this advance was to be used for start-up costs needed to quickly build the program for the increase in workload, including purchasing additional trucks, equipment, and hiring additional employees. Although sub-grantees were provided an advance of funds, the Weatherization Assistance Program grant administered by the USDOE is a reimbursement grant. This means that sub-grantees must first expend their own funds for the weatherization of housing units and then seek reimbursement from the Ohio Department of Development. While ODOD reimbursed sub-grantees, the department did not require supporting documentation to verify the funds were actually expended

In an August 2011 interview conducted by the Office of the Ohio Inspector General, a financial manager with the Office of Community Assistance stated sub-grantees received reimbursements since the start of the program and the advance was used to manage day-to-day expenses. The financial manager tracked payments made to each sub-grantee, including the 10 percent advance, on a detailed spreadsheet. In reviewing the spreadsheet with the Office of the Ohio Inspector General, the financial manager explained that sub-grantees would not receive reimbursement toward the end of the ARRA program in 2012 if their requests plus the cash already received was greater than their allotted budgets. The financial manager also added if a sub-grantee did not spend its entire budget, they would be required to remit the difference back to ODOD.

During an interview conducted in August 2011, Home Weatherization Assistance Program Manager Milano stated, to his knowledge, the first month of expenditures related to the ARRA program were applied against the advance and sub-grantees would not receive reimbursement until the advance was spent. Milano further stated he was unaware of how the expenditures were tracked. The Office of the Ohio Inspector General also asked OCA Chief Nick Sunday to explain his understanding of the reimbursement and advance payment process. Sunday was unaware that sub-grantees were receiving reimbursements instead of spending down the advance funds first.

Quality vs. Quantity

The State Plan established provisions for sub-grantees or delegates not meeting production goals and/or work quality standards. According to the State Plan, the Office of Community Assistance could:

- Allow the recipient to continue operations at the existing funding level and thereafter conduct weekly performance reviews;
- Reduce the funding level for the recipient and provide unexpended dollars to another HWAP provider;
- Require the recipient to select a non-profit delegate in cooperation and with assistance from the Office of Community Assistance to meet production goals in a specified time frame; or
- Reduce the funding to the recipient and provide the dollars on a competitive basis to a qualified non-profit to serve the defined geographic territory. **(Exhibit 2, page 21)**

Throughout the investigation, it was evident that ODOD management focused on the production numbers and not the quality of weatherization services provided. In separate interviews with Office of Community Assistance Chief Nick Sunday, Assistant Chief Don Skaggs, and HWAP Manager Nick Milano, none mentioned the assistance HWAP provided to low-income households, the energy savings produced by the weatherization services the sub-grantees provided or the quality of the work that was performed. Instead, production goals were mentioned numerous times and, as OCA Chief Sunday stated on numerous occasions in various meetings with the Office of the Ohio Inspector General, "... we lead the nation in expenditures."

In an interview with Skaggs, a discussion took place regarding a sub-grantee currently under federal investigation. During a review of both the technical monitor and administrative reports with Skaggs, numerous red flags regarding this sub-grantee's administration of the program were brought to his attention. In fact, the sub-grantee's administrative reports listed 14 required actions, including final inspections that were not conducted on all weatherized housing units, and expenditures incorrectly charged to the grant. Despite this, the sub-grantee received the remaining 20 percent of its allotted ARRA funding.

When asked if Skaggs had any concerns about the regarding the sub-grantee, he replied, "... they were meeting production targets so I am going to say in terms of production, no." When the aforementioned issues and the ongoing criminal investigation were discussed, Skaggs still stated, "... again, they were meeting production targets." Skaggs also indicated ODOD would not typically focus on a sub-grantee unless they were not meeting production targets.

Another example of production quantity overshadowing weatherization quality was reflected in the way OCA dealt with the eligibility of the agencies receiving the remaining 20 percent of ARRA funding. Eight sub-grantees with a combined pass rate of 89 percent on their inspections were told they would not be eligible for the remaining 20 percent because they did not meet their production goals.¹⁷ Conversely, two sub-grantees with pass rates of 50 and 47 percent which met production targets were rewarded with their full allotment of funds, even though there was ample evidence of poor quality work.

At an April 23, 2010, HWAP stakeholders meeting, a handout was distributed outlining plans governing the release of the remaining 20 percent of ARRA funds. This handout included a statement explaining that the Office of Community Assistance "... will review the HWAP productivity in relation to established production goals and/or the quality of the provider's work on a monthly basis." However, this handout included no discussion of what would happen if a sub-grantee failed to meet quality standards. **(Exhibit 8)** In focusing on the production goals and not the quality of work, the Ohio Department of Development failed to meet the requirement as stated in their State Plan. **(Exhibit 2)**

While the Ohio Department of Development Office of Community Assistance had plans to ensure the United States Department of Energy program requirements and grant guidance terms were met, the department failed to manage and exercise controls in numerous instances. The following table is a summary of the investigative issues and results:

¹⁷ A ninth agency voluntarily returned its remaining funding.

Category	Requirement/Other Matters	Accordingly, there is reasonable cause to believe...
Technical Monitoring of Weatherized Housing Units	Inspection of 5 percent of weatherized units	Wrongful act or omission occurred
	Number of units inspected and frequency of visits expanded if quality control issues were identified	Wrongful act or omission occurred
	Sub-grantees selected homes for ODOD inspection	Appearance of impropriety occurred
	Reports submitted within 30 days of visit	Wrongful act or omission occurred (for Program Year 2009)
Administrative Monitoring	Review of files for 5 percent of weatherized units	Wrongful act or omission occurred
	Sub-grantees notified prior to the visit of the files to be reviewed	Appearance of impropriety occurred
Telephone Satisfaction Surveys and HWAP Complaints	OCA to conduct telephone satisfaction surveys to ensure the program was effective and customer friendly	Wrongful act or omission occurred
	No central tracking system or formal process for complaint resolution existed	Appearance of impropriety occurred
Quarterly Reviews	OCA assessed each sub-grantee's performance on a quarterly basis to assess strengths and weaknesses	Wrongful act or omission occurred
Records Request	Records made available to any representative of the Department of Energy or an appropriate Inspector General	Wrongful act or omission occurred
	Public records requests may not be required in writing	Wrongful act or omission occurred
Advance Funds	Management unaware of how advance funds were spent or tracked by ODOD	Appearance of impropriety occurred
Quality vs. Quantity	State Plan allowed for additional funding to be reallocated as a result of production levels and/or quality of work issues, yet OCA focused on the production goals	Wrongful act or omission occurred

CONCLUSION

The objective of this investigation was to determine whether the Ohio Department of Development (ODOD) Home Weatherization Assistance Program was complying with specific monitoring requirements dictated by the terms governing a \$266 million grant made available to Ohio through the federal American Recovery and Reinvestment Act of 2009, as administered by the United States Department of Energy (USDOE).

The terms of the grant are governed by two principal documents; the grant guidelines published by the grantor (USDOE), and the State Plan established by the grantee (Ohio Department of Development.) The standing grant guidelines published by the USDOE, superseded the requirements contained in the Ohio Department of Development State Plan.

Having entered into the grant agreement, ODOD received the funds and began to distribute them to the sub-grantees as required under the grant. However, the investigation revealed ODOD failed to adhere to the principal monitoring terms of the grant agreement outlined under the Ohio Department of Development State Plan, the very portion of the terms of the grant the department had itself constructed and proposed to follow. ODOD failed to comply with grant terms requiring the department to:

1. Inspect an adequate number of weatherized housing units by technical monitors.
2. Increase the number and frequency of ODOD technical monitor inspections when the records showed sub-grantees or delegates failed to properly weatherize housing units.
3. Submit administrative and technical monitoring reports within 30 days after completing periodic monitoring duties with a sub-grantee or delegate.
4. Assess each sub-grantee's performance on a quarterly basis to identify strengths and weakness of each sub-grantee.
5. Take immediate disciplinary or corrective action toward sub-grantees consistently failing to properly weatherize housing units. Poor or improper weatherized housing units should be recognized as a failure by the sub-grantee and a reason to withhold or end the distribution of grant money.

6. Conduct telephone satisfaction surveys to ensure the program was effective and customer friendly.

Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe acts of wrongdoing or omission occurred in these instances.

The investigation further revealed the Ohio Department of Development (ODOD) employed flawed practices and procedures in execution and administration of the program:

1. Technical monitors allowed sub-grantees to select weatherized housing units for inspection.
2. Although ODOD had a consumer complaint process, the department lacked a central tracking system for HWAP complaints or a formal process for complaint resolution.
3. Management had inadequate processes or procedures to monitor the expenditure of advance funds.

Accordingly, the Office of the Ohio Inspector General finds cause to believe there are appearances of impropriety in these instances.

In the course of the investigation, the Office of the Ohio Inspector General found the Ohio Department of Development refused to comply with a request for documents by a special agent of the United States Department of Energy Inspector General's Office. The Ohio Department of Development demanded the request to be in writing and did not provide the documents until a subpoena was delivered. Many of the documents requested were public records under Section 149 of the Ohio Revised Code and as such, the requirement of a demand in writing is a violation.

Accordingly, the Office of the Ohio Inspector General finds reasonable cause to believe an act of wrongdoing or omission occurred in this instance.

RECOMMENDATIONS

The Office of the Ohio Inspector General makes the following recommendations and asks the Ohio Department of Development to respond within 60 days with a plan detailing how these recommendations will be implemented. The Ohio Department of Development should:

Technical Monitoring of Weatherized Housing Units

- 1) Develop a standard methodology to calculate the number of weatherized housing units requiring inspection to meet the 5 percent threshold as defined by the United States Department of Energy.
- 2) Define what constitutes an acceptable “pass” rate for weatherized housing units for the sub-grantees.
- 3) Develop and implement procedures to ensure the number of weatherized housing units or frequency of inspections are increased if a sub-grantee’s pass rate falls below the established acceptable rate.
- 4) Require that OCA technical monitors select the weatherized housing units for inspection and make arrangements with the property owners or occupants to conduct inspections. Sub-grantees should be notified of the date of the inspection but not of the housing units to be inspected.

Administrative Monitoring

- 5) Develop a plan to ensure OCA is conducting monitoring on 5 percent of completed units’ files as defined by the Ohio Department of Development State Plan.
- 6) Require that OCA administrative monitors select the files for review. Sub-grantees should be notified of the date of the visit, but not of the specific files under review prior to ODOD’s arrival.

Telephone Satisfaction Surveys and HWAP Complaints

- 7) Develop a plan for OCA to conduct telephone satisfaction surveys for a random sample of weatherized housing unit occupants. Results of the surveys should be stored in a central system for analysis and reporting by ODOD management.

- 8) Create an internal system to track complaints by type and sub-grantee. Monthly reports should be generated for analysis to identify trends or problems in a particular region and to track the status of the complaints. Management should ensure complaints are resolved in a timely manner.

Quarterly Reviews

- 9) Create a formal process for quarterly reviews with documented results. This process should be different than the one used by ODOD's internal audit section and should focus on production, spending, value, and quality control issues.

Records Request

- 10) Review the grant agreement and grant guidance regarding access to records by federal agencies with OCA staff and ODOD legal department.

Advance Funds

- 11) Include monthly fiscal reports in the internal system used by OCA to track production figures. These reports should be reviewed by management on a regular basis.

Quality vs. Quantity

- 12) Ensure that the importance of quality of work issues have been addressed when determining future funding for sub-grantees.

REFERRALS

The Office of the Ohio Inspector General forwarded a copy of this investigation to the United States Department of Energy as the grantor agency of the Weatherization Assistance Program-ARRA grant and the Ohio Auditor of State's Office as the agency responsible for the annual audit of the grant.



STATE OF OHIO
OFFICE OF THE INSPECTOR GENERAL

RANDALL J. MEYER, INSPECTOR GENERAL

NAME OF REPORT: Ohio Department of Development
FILE ID #: 2010-108

KEEPER OF RECORDS CERTIFICATION

This is a true and correct copy of the report which is required to be prepared by the Office of the Ohio Inspector General pursuant to Section 121.42 of the Ohio Revised Code.

A handwritten signature in black ink, appearing to read "Jill Jones", with a long horizontal flourish extending to the right.

Jill Jones
KEEPER OF RECORDS

CERTIFIED
November 29, 2011

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