

STATE OF COLORADO

GOVERNOR'S ENERGY OFFICE

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John Hickenlooper
Governor
Tanuj Deora
Director

May 31, 2011

Ms. Cindi Stetson
Deputy State Auditor
Office of the State Auditor
200 E. 14th Avenue
Denver, CO 80203

RE: Weatherization Assistance Program Performance Audit – Recommendation Status Report

Dear Deputy Director Stetson:

The Governor's Energy Office hereby submits its Audit Recommendation Status Report responses to the Weatherization Assistance Program Performance Audit as requested. As you will see in the attached status report, the Governor's Energy Office Weatherization Program has fully implemented the majority of the ten (10) recommendations your office made in the report last fall and will complete the implementation of those remaining recommendations that have not yet implemented, prior to July 1, 2011.

Should your staff need any additional information to complete its review of the status of the audit recommendations, or should you require our presence at any upcoming Legislative Audit Committee hearings regarding this audit, please feel free to contact either Douglas Karl, Weatherization Director (303-866-2206 or myself.

Sincerely,

Tanuj Deora
Director

Enclosure

cc: Douglas Karl, GEO
Michelle Losier, GEO
Margie Carrasco, GEO
Laura Lippman, GEO

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Weatherization Assistance Program Performance Audit

AUDIT NUMBER: 2070

DEPARTMENT/AGENCY/ENTITY: Governor's Energy Office

DATE: October 2010

SUMMARY INFORMATION

Please complete the table below with summary information for all audit recommendations. For multi-part recommendations, list each part of the recommendation SEPARATELY. (For example, if Recommendation 1 has three parts, list each part separately in the table.)

Recommendation Number <i>(e.g., 1a, 1b, 2, etc.)</i>	Agency's Response <i>(i.e., agree, partially agree, disagree)</i>	Original Implementation Date <i>(as listed in the audit report)</i>	Implementation Status <i>(Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable)</i> <i>Please refer to the attached sheet for definitions of each implementation status option.</i>	Revised Implementation Date <i>(Complete only if agency is revising the original implementation date.)</i>
1a.	Agree	Implemented	Implemented	-
1b.	Agree	February 2011	Implemented	-
1c.	Agree	Implemented	Implemented	-
1d.	Agree	Implemented	Implemented	-
2a.	Agree	July 2011	Not Implemented	-
2b.	Agree	July 2011	Not Implemented	-
3a.	Agree	July 2011	Implemented	-
3b.	Agree	July 2011	Implemented	-
4	Agree	Implemented and Ongoing	Implemented & Ongoing	-
5a.	Agree	July 2011	Partially Implemented	-
5b.	Agree	July 2011	Partially Implemented	-
6a.	Agree	July 2011	Not Implemented	-

Recommendation Number (e.g., 1a, 1b, 2, etc.)	Agency's Response (i.e., agree, partially agree, disagree)	Original Implementation Date (as listed in the audit report)	Implementation Status (Implemented, Implemented and Ongoing, Partially Implemented, Not Implemented, or No Longer Applicable) Please refer to the attached sheet for definitions of each implementation status option.	Revised Implementation Date (Complete only if agency is revising the original implementation date.)
6b.	Agree	July 2011	Partially Implemented	-
7a.	Agree	April 2011	Implemented	-
7b.	Agree	January 2011	Implemented & Ongoing	-
7c.	Agree	March 2011	Implemented	-
7d.	Agree	November 2010	Implemented & Ongoing	-
7e.	Agree	November 2010	Implemented	-
7f.	Agree	December 2010	Implemented	-
7g.	Agree	January 2011	Implemented & Ongoing	-
7h.	Agree	Immediately	Implemented	-
8a.	Agree	July 2011	Implemented	-
8b.	Agree	July 2011	Implemented	-
9a.	Agree	July 2011	Implemented	-
9b.	Agree	July 2011	Partially Implemented	-
9c.	Agree	December 2010	Implemented	-
10	Agree	July 2011	Implemented	-

DETAIL OF IMPLEMENTATION STATUS

Recommendation #: 1a.

Agency Addressed: Governor's Energy Office

Recommendation Text in Audit Report:

The Governor's Energy Office should ensure that its procurement process for competitive and negotiated bids complies with federal regulations by making award decisions with full information and keeping accurate documentation to support its award decisions. Specifically, the Governor's Energy Office should implement procedures to:

- a. Ensure all public hearings related to awards are held and public comment is considered prior to the issuance of letters or press releases announcing the winning bidders.

Agency's Response (*i.e., Agree, Partially Agree, or Disagree*): **Agree**

Agency's Written Response in Audit Report:

Agree. Implementation date: Implemented.

The Energy Office has consistently employed, and continues to employ, a procurement process that complies with federal regulation and that ensures that no contracts are executed with potential subgrantees prior to a public hearing and the completion of a public comment period. The U.S. Department of Energy has directed the Energy Office to identify the leading bidder prior to the public hearing so that the public has the information necessary to focus its comments and provide meaningful feedback. The U.S. Department of Energy regulations are unclear with respect to the timing of award letters and notification to the media. Although the Energy Office issued award letters and media notification prior to the public hearing, no award is final until contract has been fully executed and signed by the Office of the State Controller.

- a. Agree. Implementation date: Implemented.

As directed by federal regulation [Section 10 CFR 440.14] the Energy Office must identify a list of all proposed subgrantees not less than ten (10) days prior to the public hearing. The Energy Office has now clarified that the proposed subgrantee is referred to as a “leading bidder” and not a “winning bidder” consistent with these guidelines and the recommendation in 1(a). The Energy Office improved its “Request for Application” (RFA) process for all Weatherization Program RFA’s, beginning with the RFA’s held in March and April 2010. The process ensures that bidders participating in an RFA are notified by the Energy Office after the first proposal review by the Weatherization Program RFA Evaluation Committee whether or not they are a —leading bidder|| prior to the public hearing notice being issued; after final consideration of public comments received at the public hearing, the Weatherization Program RFA Evaluation Committee then determines if the “leading bidder” is selected for the award and entered into the award contracting phase; no press release can be issued until after the public hearing has taken place and consideration of public comments are undertaken by the Weatherization Program RFA Evaluation Committee and a “leading bidder” is selected by the Weatherization Program RFA Evaluation Committee to enter into the award contracting phase of the RFA. It remains the policy of the Energy Office that no award is final until a contract is executed by the Office of the State Controller.

Agency’s Current Comments on Implementation Status of Recommendation:

The Energy Office continues to adhere to its RFA process whereby all comments received in connection with Public Hearings are considered prior to the issuance of any bidder selection notification letters and/or press releases. The Energy Office recently conducted its 2011-2012 Weatherization Assistance Program RFA in accordance with these procedures. A Public Hearing was held on April 18, 2011 from 2:00 -4:00 pm and an official transcript of the hearing was recorded and is filed with the 2011-2012 RFA records that will be maintained at the Energy Office. No public comment was received at the hearing and as such, the Energy Office selected three incumbent service provider’s who provided the only bids in the three regions open in the competitive portion of the RFA (Northwest Colorado Council of Governments, Northeast Colorado Association of Local Governments and Pueblo County Housing) for contract award, pending DOE approval, as the 2011-2012 weatherization service providers..

Recommendation #: 1b.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Retain documentation of all discussions and meetings related to the negotiated bid process for at least six years after the award has been made.

Agency's Response (*i.e., agree, partially agree, disagree*): **Agree**

Agency's Written Response in Audit Report:

Agree. Implementation date: February 2011.

The Energy Office will retain "Request for Application" (RFA) documentation of all discussions and meetings held by the Weatherization Program RFA Evaluation Committee for a period of not less than six (6) years after an award.

Agency's Comments on Implementation Status of Recommendation:

All RFA documentation will be maintained for a period of not less than six (6) years. The 2011-2012 RFA documents have been completed and are on file at the Energy Office.

Recommendation #: 1c.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Ensure that all evaluations of bids are documented and that all supporting documentation, including scoring sheets, is accurate and consistent for decision-making purposes.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: Implemented.

The Energy Office has and will continue to document the evaluation of all bids submitted in a "Request for Application" (RFA) process. The Energy Office has the scoring sheets from the members of the Weatherization Program RFA Evaluation Committee reviewed by an individual outside of the Weatherization Program RFA Evaluation Committee to ensure accuracy of the scoring process and summary.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office, as previously reported, has and continues to fully document all proceedings with the RFA process. The Energy Office conducted the 2011-2012 RFA in accordance with this recommendation.

Recommendation #: 1d.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Properly lock all spreadsheets used by bidders to prevent changes by bidders and enable accurate comparisons between the budgets of all bidders. Additionally, the Energy Office should train all evaluators on proper review practices to identify errors or omissions in applications.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: Implemented.

Beginning in 2010 the Energy Office now locks all proposal spreadsheet templates utilized by bidders in the Request for Applications (RFA) process so there can be no inadvertent altering of the calculations. In February 2010 the Energy Office enlisted the services of an experienced weatherization program third party contractor to independently review the RFA spreadsheets used by potential bidders in any future RFAs. The Energy Office does conduct training for all members of a Weatherization RFA Evaluation Committee to provide a review of the RFA procedures that ensures the members of the committee are properly prepared to review and discuss the proposals submitted by the bidders in the RFA. The Energy Office held a Weatherization RFA Evaluation Committee orientation meeting on March 10, 2010, for the most recent 2010 RFA.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office, as previously reported, has and continues to lock all spreadsheet documents utilized in its RFA process, conducts evaluation team training and provides evaluation team members with instructions for conducting bidder evaluations. The Energy Office conducted the 2011-2012 RFA in accordance with this recommendation.

Recommendation #: 2a.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

The Governor's Energy Office should ensure that local agencies prioritize weatherization services toward the neediest clients as defined under federal regulations. Specifically, the Governor's Energy Office should:

- a. Require local agencies to submit a prioritization plan annually that specifies which federally accepted categories will be prioritized, the order of prioritization, and the method the agency will use to make certain that those categories of applicants are served before other categories.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: July 2011.

The Energy Office will revise its Weatherization Program Policy 301.4 to require all local agencies to prepare and submit an annual “prioritization plan” identifying how they will adhere to prioritization of eligible applicants.

Agency’s Comments on Implementation Status of Recommendation:

The Energy Office will revise its Weatherization program Policy 301.4 prior to July 1, 2011 in accordance with its proposed Master Plan “Priority of Service” revision that has been submitted to DOE for approval. The proposed “Priority of Service” submitted to DOE reads as follows:

III.1.3 Priorities

High Residential Energy User" and "Households with High Energy Burden"

The DOE program rules (10CFR 440.16) state that "Prior to expenditure of any grant funds each grantee shall develop, publish, and implement procedures that..." "...Priority is given to identifying and providing weatherization assistance to: (1) Elderly persons; (2) Persons with disabilities; (3) Families with children; (4) High residential energy users; and (5) Households with a high energy burden". As established in GEO WX Policy 301.4 LAA's must prioritize elderly, persons with disabilities and families with children (children are defined as 5 years of age and younger.) In accordance with DOE Weatherization Program Notice 11-1, the GEO does not require its LAAs to utilize the categories of “high residential energy users” and “households with a high energy burden” in determining priority due to the wide variation in heating degree days (HDD range of 5,000 to 12,000) that exists within the State. LAAs will be monitored on their provision of service to high priority groups, as approved in the LAAs plan to ensure compliance. Once LAAs satisfy prioritization requirements, the LAAs may develop region specific service models that promote cost-effective delivery of services due to constraining factors such as weather, geography, or the need to fulfill other contract obligations, such as serving specific utility customers with utility leveraged funding so long as the prioritization of (1) Elderly persons; (2) Persons with disabilities; (3) Families with children are achieved. The GEO provides oversight of LAA selection criteria at monitoring visits to ensure that local procedures are in accordance with DOE and GEO policies.

Recommendation #: 2b.

Agency Addressed: Governor’s Energy Office

Original Recommendation in Audit Report:

The Governor’s Energy Office should ensure that local agencies prioritize weatherization services toward the neediest clients as defined under federal regulations. Specifically, the Governor’s Energy Office should:

- b. Confirm that local agencies are prioritizing service delivery in accordance with their plans during monitoring and oversight visits.

Agency's Response (i.e., agree, partially agree, disagree): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: July 2011.

The Energy Office's administrative monitoring process will be revised to include any revisions to Weatherization Program Policy 301.4, discussed above.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office will monitor agency compliance with "Priority of Service" in its administrative monitoring process beginning on the new contract date of July 1, 2011. As stated in the proposed Master Plan revision submitted to DOE for approval: "LAAs will be monitored on their provision of service to high priority groups, as approved in the LAAs plan to ensure compliance."

Recommendation #: 3a.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

The Governor's Energy Office should strengthen its monitoring practices to ensure that local agencies provide high-quality weatherization services. Specifically, the Energy Office should establish and implement policies to:

- a. Ensure appropriate segregation of duties by prohibiting local agencies from using inspectors to perform inspections on work they have performed.

Agency's Response (i.e., agree, partially agree, disagree): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: July 2011.

The Energy Office has drafted and will implement Weatherization Program Policy 801, section 17, prohibiting local agency inspectors from inspecting their own work.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office has revised and implemented its Weatherization program Policy 801, Section 17. Revised GEO WX 801, Section 17 is as follows:

17. Auditors/Inspectors: The person performing the energy audit and the person performing the final inspection on a home, must not be the same person. Agencies are required to use the standard GEO Wx audit and inspection form. Agencies may sub-contract energy audit work, but may not sub-contract the final inspection on a home. ~~The inspector assigned to perform the final inspection for the unit cannot have installed any measures in that unit nor have been a member of the crew that completed the work for that unit.~~

Recommendation #: 3b.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Establish a process for selecting the sample of homes that it will review during the quality assurance monitoring visits. This process should consider risk factors, such as consideration of local agencies' performance, in determining which homes should be selected for inspection.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: July 2011.

The Energy Office has currently implemented a process for selecting a random sample of weatherized units to be inspected by the Energy Office's quality assurance personnel. The selection process will be documented in each inspection report.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office, as previously reported, has and continues to utilize a random sample method of selecting weatherized units to be inspected by the Energy Office quality assurance personnel. Five (5) percent of all completed units at each local agency are inspected each program year by the Energy Office with the provision that if issues or concerns arise, more units may require inspection to ensure all risk factors are mitigated as stated

in the GEO WX 801 policy. The Energy Office documents the sample method used in each quality assurance monitoring report. An example from a quality assurance inspection conducted recently is as follows:

Quality Assurance (QA) Visit Report - Region 6

Longs Peak Energy Conservation

This office currently serves; Boulder, Larimer, Broomfield and Gilpin Counties.

Summary

On April 25 - 26, 2011, Don Walker visited the Boulder County Weatherization Office in Longmont to perform Quality Assurance (QA) Inspections on completed units in their territory. Six (6) Standard DOE funded jobs were randomly chosen from a list of 28 units reported as closed in Focal Point. The range from which the job numbers were chosen from was 22325 through 27505. The 6 job numbers inspected during this state visit are listed below in the Unit Inspection Details of this report. During the inspections Don was accompanied by Aaron Martinez and Steve LeMaire from LPEC. All work met or exceeded GEO program standards.

Recommendation #: 4.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

The Governor's Energy Office should continue to monitor the expenditure of Recovery Act funds for weatherizing homes. In the event that it does not appear that Recovery Act weatherization funding will be fully utilized, the Governor's Energy Office should work with the local agencies to identify means of hiring additional weatherization subcontractors, or explore other alternatives to increase capacity, including having county-run local agencies hire additional temporary employees to weatherize homes through the end of the Recovery Act funding period.

Agency's Response (i.e., agree, partially agree, disagree): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: Implemented and ongoing.

The Energy Office is continually monitoring the expenditure of Recovery Act funds to ensure that all funds are fully and completely utilized prior to the expiration of the Recovery Act funds on March 31, 2012. The Weatherization Program utilizes its "Focal Point" database system

to continually monitor the production of each local agency on a weekly basis in addition to monitoring the fiscal expenditures of each local agency on a monthly basis. The Energy Office has assigned two program managers that are in communication with each local agency on a weekly basis to assist in monitoring to ensure that production targets and fiscal goals are being met, and if there are variances to these metrics, appropriate adjustments are implemented on a real-time basis. These weekly monitoring activities include assessing local agency staffing, including assessment of available subcontractor capacities in each regional area. The Energy Office has currently weatherized 5,429 Recovery Act funded dwellings which represents over 51 percent of the total targeted Recovery Act dwellings. With 17 months of production remaining, the Energy Office is confident that the Recovery Act production and fiscal targets will be met.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office has received detailed plans from each weatherization service provider for the 2011-2012 program year and is working extensively with each of them to ensure that the ARRA funds will be fully utilized prior to March 31, 2012. The Energy Office has also enhanced its monthly fiscal analysis by including a fiscal forecasting capability to accurately monitor monthly ARRA spending.

Recommendation #: 5a.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

The Governor's Energy Office should improve controls over advances of Weatherization grant monies to local agencies by improving its policies and procedures for making cash advances to local agencies and receiving timely reimbursements. These policies and procedures should include, but not be limited to:

- a. Requiring that local agencies apply for cash advances as needed and furnish supporting documentation.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: July 2011.

The Energy Office will improve Weatherization Program Policy 105 by requiring local agencies to apply for cash advances on an as needed basis. The application for a cash advance shall also require the local agency to provide evidence supporting the need for the requested cash

advance.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office has developed a new cash advance form that is required to be submitted by any local agency requesting a cash advance. The new cash advance form includes a statement of budget, a budget narrative describing the need for the cash advance and a monthly repayment schedule. The Energy Office has successfully piloted this new form with three local agencies on recent contract amendments. The Energy Office is in the process of updating its Weatherization program policy 105 to reflect the requirement and use of this new cash advance form and will issue that the revised Policy no later than July 1, 2011.

Recommendation #: 5b.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Agree. Implementation date: July 2011.

The Energy Office will implement a process to recoup all cash advances provided to the local agency on a month-to-month basis, including any unspent capital equipment advances. The Energy Office has currently requested that each agency having received a cash advance for the 2010-2011 program year to provide a reimbursement schedule for repayment of the current advances. The Energy Office will also continue to seek to improve its reimbursement process in order to expedite expense reimbursements that could reduce the need for amounts of future cash advance requests by a local agency.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: July 2011.

The Energy Office will implement a process to recoup all cash advances provided to the local agency on a month-to-month basis, including any unspent capital equipment advances. The Energy Office has currently requested that each agency having received a cash advance for the 2010-2011 program year to provide a reimbursement schedule for repayment of the current advances. The Energy Office will also continue to seek to improve its reimbursement process in order to expedite expense reimbursements that could reduce the need for amounts of future cash advance requests by a local agency.

Agency's Comments on Implementation Status of Recommendation:

As stated in comments on Recommendation 5a., the Energy Office will require a monthly repayment scheduled requirement on all future cash advances. The Energy Office continues to work on reducing the monthly reimbursement schedule for repayment in order to minimize the cash flow pressures on local service agencies, however as stated previously during the audit, cash advances will continue to be necessary in the weatherization program due to the significant costs incurred by local agencies in conducting the weatherization activities and the not-for-profit, government or quasi-government structure of the local agencies.

Recommendation #: 6a.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

The Governor's Energy Office should improve cash controls over landlord contributions for the Weatherization Program to ensure that local agencies identify, collect, and record all appropriate landlord contributions and document approvals and denials of waivers. Specifically the Governor's Energy Office should strengthen its policies and procedures to:

- a. Outline how local agencies should evaluate landlords' eligibility for contributions and determine the amount of landlord contribution due. Any waivers of landlord contributions should be documented in the file, including the related approval or denial from the Energy Office and from the local agency.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: July 2011.

The Energy Office will strengthen Weatherization Program Policy 306.2 in order to provide further guidance on how local agencies evaluate landlords' eligibility for weatherization services and determine the amount of an expected landlord contribution. All requested waivers of landlord contributions, including the notice of approval or denial, will be documented in the client file at the local agency.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office will implement a revised Weatherization Program Policy 306.2 by no later than July 1, 2011. The Energy Office has conducted survey of other state weatherization program policies to identify best practices for landlord contributions. In addition, the Energy Office formed a working group consisting of Energy Office weatherization staff and local agencies program management staff to develop recommendations on the revised policy. This working group is currently finishing up its work and will make policy revision recommendations to the Energy Office weatherization in late May, 2011 in order to meet the implementation deadline of July 1, 2011 with the start of the next contract period.

Recommendation #: 6b.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Require segregation of duties over the determination of the landlord contribution and the collection of the payment at the local agency level.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: July 2011.

The Energy Office will strengthen its policies and procedures to require segregation of duties over the determination of all landlord contributions and the collection of the landlord payments at the local agency. The Energy Office will also review compliance with this policy in its administrative monitoring process.

Agency's Comments on Implementation Status of Recommendation:

As stated in its response to the status of Recommendation 6a., The Energy Office will implement a revised Weatherization Program Policy 306.2 by no later than July 1, 2011 that will also specify the segregation of duties over the determination of landlord contributions and the collection of landlord payments at the local agency level. The Energy Office has worked with each local agency to ensure that there is currently a segregation of duties. In addition, the Energy Office currently ensures that there is a segregation of these duties through its current administrative monitoring process.

Recommendation #: 7a

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

The Governor's Energy Office should improve controls over the preparation and submission of Weatherization Program Financial Status Reports by:

- a. Performing reconciliations between COFRS and the Weatherization Program database at least quarterly to detect and correct errors before completing quarterly reporting to the federal government.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: April 2011.

The Energy Office will compare the Weatherization database to COFRS on a quarterly basis to reconcile financial information and report accurate cumulative expenditures to the U.S. Department of Energy. The Energy Office will provide written documentation of the process for reconciliation.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office has implemented a quarterly reconciliation process that compares the Weatherization database to COFRS, including the development of a written procedure for this process.

Recommendation #: 7b.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Reviewing all federal guidance and updating reporting procedures to ensure that reports are completed according to current federal instructions, and monitoring future guidance to ensure procedures reflect any changes for report preparation in the future.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: January 2011.

The Energy Office will review federal guidance for changes and update reporting procedures in accordance with new guidance. The Energy Office will ensure that reports are completed according to current, and any future, federal instructions. The Energy Office will identify one staff member responsible for visiting the OMB and the Department of Energy websites for any new guidance. As necessary the Energy Office will also update any written procedures.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office reviews all federal guidance on a regular basis and will update its policies and procedures in accordance with any new guidance as needed.

Recommendation #: 7c.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: March 2011.

The Energy Office will correct the errors identified during the audit on reports submitted. Revisions and submission will be complete for the March 2011 quarterly report.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office has submitted all the corrections.

Recommendation #: 7d.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Maintaining documentation to support all amounts included in the reports.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: November 2010.

Monthly and quarterly reports will be filed separately with appropriate, accurate supporting documentation.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office has and will continue to file all required monthly and quarterly reports as required and will maintain documentation to support the information submitted in those reports.

Recommendation #: 7e.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Properly recording cash advances as receivables.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: November 2010.

The Energy Office will initiate a journal entry to transfer/correct any remaining recorded advances as receivables.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office completed the journal entries required to record the cash advances as receivables.

Recommendation #: 7f.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Ensuring that an authorized official approves and submits all reports.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: December 2010.

The Energy Office Director will provide written authorization giving permission to the agency controller to review, approve, and submit all reports.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office completed this recommendation and the agency controller has the authority to review, approve and submit all reports.

Recommendation #: 7g.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Strengthening supervisory review over reports to ensure all errors are identified and corrected prior to report submission.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: January 2011.

Considering the short turnaround from the time the State closes its quarterly books, to the time the quarterly reports are due to the U.S. Department of Energy (which at times can be as little as 7 to 10 days to compile, review, and submit the reports) the Energy Office will strive to review and correct any errors prior to submission to the U.S. Department of Energy.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office continues to review and refine its processes for submitting quarterly reports to the DOE in order to reduce the risk of errors prior to the submission of all reports.

Recommendation #: 7h.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Training staff on grant accounting and reporting and on COFRS.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: Immediately.

The Energy Office provides grant accounting, reporting, and COFRS training at start of employment. Additional training will be provided as needed. The Energy Office will seek out and attend trainings from the U.S. Department of Energy and any other workshops and grant guidance available.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office weatherization staff has received additional training regarding grant accounting and reporting. In addition, a majority of the weatherization staff attended the "National Association for Community Services Programs Mid-Winter Training Conference" March 2-4, 2011 which provide a number of DOE sessions and workshops on grant management. The Energy Office will continue to seek trainings that will further its grant management capabilities.

Recommendation #: 8a.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

The Governor's Energy Office should promulgate guidance for the Weatherization Program that clearly defines the costs that should be allocated to administration and the costs that should be allocated to program operations to ensure that these costs are recorded consistently and that costs charged to administration do not exceed the 10 percent limit. Additionally, the Energy Office should:

- a. Include specific examples of each type of cost in its guidance and provide the guidance to the local agencies.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: July 2011.

The Energy Office will add agency guidance, including specific examples, of each type of cost that is allowable as administrative and operational.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office provided additional local agency guidance for further clarifying allowable administrative and operational costs in its 2011-2012 grant guidance meetings, RFA process documents, and one-on-one meetings with local agency fiscal staff and the Energy Office weatherization fiscal staff. In addition, The Energy Office made revisions to its Weatherization Program Policy 202 to further clarify how costs should be classified.

Recommendation #: 8b.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Review a sample of costs charged to administration for adherence to the guidelines and consistency among the local agencies during monitoring visits.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: July 2011.

As part of its current administrative monitoring process, the Energy Office is reviewing a minimum of three invoices at each subgrantee monitoring visit to ensure that costs being charged to administrative activities are accurate. Upon development of the additional guidance as specified in part a. above, the Energy Office will incorporate that guidance into its administrative monitoring practice.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office, as previously reported, has and continues to include a review of local agency administrative and operating expenses as part of its administrative monitoring process and monthly reimbursement analysis to ensure expenses are being charged to the appropriate cost categories.

Recommendation #: 9a.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

The Governor's Energy Office should improve controls over materials expenditures for the Weatherization Program to ensure reimbursement requests are accurate and adequately supported with documentation by:

- a. Informing the local agencies of requirements to charge costs correctly and maintain adequate supporting documentation.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: July 2011.

The Energy Office will provide local agencies with further guidance related to the requirements for accurately charging material cost expenditures and maintaining supporting documentation.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office provided additional local agency guidance for further clarifying allowable material costs in its 2011-2012 grant guidance meetings, RFA process documents, and one-on-one meetings with local agency fiscal staff and the Energy Office weatherization fiscal staff. The Energy Office ensures that local agencies are accurately recording the cost of materials through its administrative monitoring process.

Recommendation #: 9b.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Instituting a policy requiring local agency supervisory review and signoff on reimbursement requests and supporting documentation to ensure that costs are charged correctly.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: July 2011.

The Energy Office will revise Weatherization Program Policy 201 to require that each local agency have a documented procedure for a supervisory signoff.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office has determined that it would be more appropriate to have a supervisory signoff procedure included in its Weatherization Program Policy 202 rather than its Weatherization Program Policy 201. The Energy Office is in the process of drafting the language which will require this supervisory signoff be a documented procedure and will make the revision to it Weatherization Program Policy 202 by July 1, 2011.

Recommendation #: 9c.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

Reviewing a sample of expenditures, supporting documentation, and supervisory signoffs for compliance with requirements during monitoring visits at local agencies.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: December 2010.

The Energy Office will review a sample of expenditures, supporting documentation, and supervisory signoffs for compliance with all requirements as part of its administrative monitoring process.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office is currently and will continue to review a sample of expenditures, supporting documentation, and supervisory signoffs for compliance with requirements during all administrative monitoring visits at local agencies.

Recommendation #: 10.

Agency Addressed: Governor's Energy Office

Original Recommendation in Audit Report:

The Governor's Energy Office should comply with federal regulation by adding the CFDA number, program title, and applicable compliance requirements into all Weatherization Program contracts with local agencies.

Agency's Response (*i.e., agree, partially agree, disagree*): Agree

Agency's Written Response in Audit Report:

Agree. Implementation date: July 2011.

The Energy Office will add to its contracts with subgrantee agencies, the Catalog of Federal Domestic Assistance (CFDA) title, number, and applicable compliance requirements, in order to be in compliance with federal regulations. The Energy Office will immediately begin adding these items to any contracts that are amended during the current program year. All contracts for the next program year, beginning on July 1, 2011 shall contain CFDA titles, numbers, and applicable compliance requirements.

Agency's Comments on Implementation Status of Recommendation:

The Energy Office has begun add to its contracts with local agencies, the Catalog of Federal Domestic Assistance (CFDA) number (CDFA # 81.0420). Any contract that required a contract amendment during 2011 has included this CFDA requirement and all new 2011-2012 weatherization program contracts with its local agencies will include this CFDA number.