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## Part II

This part contains the  
Department of the Auditor General's  
Audit Report on Energy Conservation  
and Assistance Programs Notice





# NOTICES

## DEPARTMENT OF THE AUDITOR GENERAL

### Publication of Audit Report on Energy Conservation and Assistance Programs Under Act 164 of 2012

In accordance with the act of October 24, 2012 (P.L. 1308, No. 164), the Department of the Auditor General (Department) gives notice and submits for publication the performance audit report of the audit of the Low-Income Home Energy Assistance Program (LIHEAP) and the audit of the Weatherization Assistance Program (WAP) released on July 10, 2018.

LIHEAP, administered by the Department of Human Services (DHS), is a program providing for energy assistance and weatherization assistance to low-income households. WAP, administered by the Department of Community and Economic Development (DCED), is a program providing for the WAP. The audits of these two important programs for the benefit of low-income residents in this Commonwealth were conducted under the authority of sections 402 and 403 of The Fiscal Code (72 P.S. §§ 402 and 403) and section 6.1 of the Energy Conservation and Assistance Act (act) (62 P.S. § 3016.1). The Department's audit mandate requires the conduct of a thorough performance audit of LIHEAP and WAP in intervals of 5 years.

#### *Overview*

Under section 6.1(c) of the act, a copy of the Department's performance audit of the "energy conservation and assistance programs" must be published as a notice in the *Pennsylvania Bulletin*.

Consistent with the act, the Department has also transmitted the audit report to the Governor, DHS,

DCED, the Office of Inspector General, the Attorney General, the chairperson and minority chairperson of the Senate and House Appropriations Committees, and the chairperson and minority chairperson of the Senate Health and Human Services Committee and the House Human Services Committee.

#### *Audit Background*

The Department's performance audit of LIHEAP included three objectives: (1) evaluate whether DHS properly determines eligibility for LIHEAP applicants and authorizes the correct cash or crisis benefit; (2) evaluate the adequacy of DHS' monitoring over LIHEAP eligibility and the authorization of the correct cash or crisis benefit; and (3) evaluate the adequacy of how DHS ensures that energy providers timely make deliveries or reconnect the heating source and properly charge DHS for providing the energy to eligible LIHEAP households. The audit period for LIHEAP was July 1, 2015, through June 30, 2016.

The Department's performance audit of WAP included two objectives and the audit period varied by audit objective. The audit period was July 1, 2013, through June 30, 2017, for the following objective: determine whether DCED ensures that WAP local agencies properly manage their waiting lists. The audit period was July 1, 2015, through June 30, 2016, for the following objective: determine whether the WAP monitoring activities that occurred during the audit period were in compliance with policies and procedures.

#### *Contact Person*

The contact person for related questions is Christal Pike-Nase, Deputy Chief Counsel, Department of the Auditor General's Office of Chief Counsel, (717) 787-4546, CPike-Nase@PaAuditor.Gov.

EUGENE A. DePASQUALE,  
*Auditor General*

# PERFORMANCE AUDIT REPORT

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## Department of Human Services Department of Community and Economic Development

Energy Conservation and  
Assistance Programs  
(LIHEAP and Weatherization)

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July 2018



Commonwealth of Pennsylvania  
Department of the Auditor General  
Eugene A. DePasquale • Auditor General

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EUGENE A. DePASQUALE  
AUDITOR GENERAL

June 14, 2018

The Honorable Tom Wolf  
Governor  
Commonwealth of Pennsylvania  
Room 225 Main Capitol Building  
Harrisburg, PA 17120

Dear Governor Wolf:

This report contains the results of the Department of the Auditor General's performance audits of the energy conservation and assistance programs, which include both the Low-Income Home Energy Assistance Program (LIHEAP), administered by the Department of Human Services (DHS), and the Weatherization Assistance Program (WAP), administered by the Department of Community and Economic Development (DCED).

These audits were conducted under the authority of Sections 402 and 403 of The Fiscal Code, 72 P.S. §§ 402 and 403, 62 P.S. § 3016.1 (relating to Powers and duties of Auditor General) of the Energy Conservation and Assistance Act (Act), and in accordance with applicable generally accepted government auditing standards. Those standards require that we plan and perform the audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our performance audit of LIHEAP included three objectives: (1) Evaluate whether DHS properly determines eligibility for LIHEAP applicants and authorizes the correct cash or crisis benefit; (2) Evaluate the adequacy of DHS' monitoring over LIHEAP eligibility and the authorization of the correct cash or crisis benefit; and (3) Evaluate the adequacy of how DHS ensures that energy providers timely make deliveries or reconnect the heating source and properly charge DHS for providing the energy to eligible LIHEAP households. The audit period for LIHEAP was July 1, 2015 through June 30, 2016.

The Honorable Tom Wolf  
June 14, 2018  
Page 2

Our auditors found that DHS' monitoring of LIHEAP applicant eligibility, proper benefits authorization, and energy providers appears to be effective, but improvements in determining the proper benefit amounts during the application process are needed. Specifically, we found some benefit payments were inaccurately calculated and some households improperly received two cash payments. These identified errors netted \$6,200 in overpayments to applicants. We offer three recommendations to rectify these deficiencies.

We also conducted procedures to determine the status of the prior audit findings presented in the performance audit report released on August 10, 2011, and found that DHS adequately resolved the three prior audit findings and implemented the ten recommendations.

Our performance audit of WAP included two objectives with audit periods varying by audit objective. The audit period was July 1, 2013 through June 30, 2017, for the following objective: Determine whether DCED ensures that WAP local agencies properly manage their waiting lists. The audit period was July 1, 2015 through June 30, 2016, for the following objective: Determine whether the WAP monitoring activities that occurred during the audit period were in compliance with policies and procedures.

Our auditors found that DCED failed to spend more than \$5.4 million of U.S. Department of Energy funds over a four-year period due to the 2015-2016 state budget impasse and newly implemented federal weatherization quality standards. For that same time period, the local agencies reported that there were over 30,000 applicants that had inquired about receiving weatherization services. We also found that DCED's process to prioritize weatherization services to at-risk citizens is flawed, poorly administered, and creates an opportunity for local agencies to abuse the process. We estimated that the unspent federal funds could have resulted in more than 500 additional dwellings being weatherized. Further, we found that DCED failed to adequately perform, document, and track its monitoring of local agencies. As a result, we offer one recommendation to the Governor and General Assembly and 19 recommendations to DCED to improve the administration of the WAP.

We also conducted procedures to determine the status of the implementation of our prior 2007 performance audit and 2012 special report findings and recommendations, totaling 24 and 10 recommendations, respectively. We found all the recommendations were adequately implemented except for the recommendation to improve its waiting list policies and procedures which was originally reported in 2007, again in 2012, and continues to be reported in the current audit.

The Honorable Tom Wolf  
June 14, 2018  
Page 3

In closing, I want to thank DHS and DCED for their cooperation and assistance during these audits. DHS is in agreement with the finding applicable to LIHEAP and is committed to implementing the recommendations. DCED appears to be in general agreement with two of the three findings applicable to WAP and agrees with approximately half of the recommendations. We will follow up at the appropriate time to determine whether and to what extent all recommendations have been implemented. Please note that pursuant to Section 3016.1(c) of the Act, 62 P.S. § 3016.1(c), a copy of the performance audit will be published as a notice in the Pennsylvania Bulletin subsequent to the audit's release.

Sincerely,



Eugene A. DePasquale  
Auditor General



A Performance Audit

Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)

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**TABLE OF CONTENTS**

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Executive Summary..... 1  
Introduction and Background..... 6

**LIHEAP**

**Finding One: The monitoring of LIHEAP by DHS appears to be effective, but improvements in determining the proper benefit amounts are needed..... 15**  
**Recommendations..... 23**  
Status of Prior Audit Findings ..... 24  
Agency’s Response and Auditor’s Conclusions..... 26

**WAP**

**Finding One: DCED failed to spend more than \$5.4 million of U.S. DOE funds over a four-year period potentially resulting in more than 500 dwellings not being weatherized due in part to the 2015-2016 state budget impasse ..... 30**  
**Recommendations..... 38**  
**Finding Two: DCED’s process to prioritize weatherization services to at-risk citizens is flawed, poorly administered, and creates an opportunity for local agencies to abuse the process..... 40**  
**Recommendations..... 46**  
**Finding Three: DCED failed to adequately perform, document, and track its monitoring of local agencies ..... 47**  
**Recommendations..... 53**

**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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**TABLE OF CONTENTS (continued)**

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**Status of Prior Audit Findings** ..... 55

**Status of Special Report Recommendations** ..... 62

**Agency’s Response and Auditor’s Conclusions** ..... 64

**Appendix A – Objectives, Scope, and Methodology** ..... 74

**Appendix B – Weatherization Local Agencies** ..... 87

**Appendix C – Distribution List** ..... 89

## A Performance Audit

Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)

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### Executive Summary

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The two state agencies responsible for administering the energy conservation and assistance programs within Pennsylvania are the Department of Human Services (DHS), which administers the Low-Income Home Energy Assistance Program (LIHEAP), and the Department of Community and Economic Development (DCED), which administers the Weatherization Assistance Program (WAP). We have summarized the results of our audits of these programs below.

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### *LIHEAP AUDIT*

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Our performance audit of LIHEAP had three objectives: (1) Evaluate whether DHS properly determines eligibility for LIHEAP applicants and authorizes the correct cash or crisis benefit; (2) Evaluate the adequacy of DHS' monitoring over LIHEAP eligibility and the authorization of the correct cash or crisis benefit; and (3) Evaluate the adequacy of how DHS ensures that energy providers timely make deliveries or reconnect the heating source and properly charge DHS for providing the energy to eligible LIHEAP households. Our audit period was July 1, 2015 through June 30, 2016. We also conducted procedures to determine whether DHS implemented our prior LIHEAP performance audit's findings and recommendations from the report issued in August 2011.

Our audit results are contained in one finding with three recommendations. DHS is in agreement with our finding and is committed to implementing the recommendations to strengthen the program.

**Finding 1 – The monitoring of LIHEAP by DHS appears to be effective, but improvements in determining the proper benefit amounts are needed.**

We reviewed 75 cases (137 payments) involving the payment of LIHEAP cash and crisis benefits. We found that DHS properly determined the eligibility of applicants and maintained adequate records to support these determinations. However, we found 25 benefit payments where an error was made that resulted in an incorrect payment or an improper second cash payment, which netted to \$6,200 in LIHEAP benefit overpayments. These errors should not be projected over, nor are they representative of, the entire population of LIHEAP payments because we intentionally selected cases that appeared to have potential errors.

### **A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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A critical part of limiting inaccuracies in the processing of eligibility and payment authorizations for large programs like LIHEAP is a strong system of supervisory review prior to payment and monitoring after payment. We found that DHS appears to be effectively monitoring the processing of applicant eligibility, proper benefit authorizations, and energy providers. While DHS appears to have adequate monitoring in place, additional improvements can be made. These improvements include, particularly, determining household size, reviewing duplicate addresses, and reviewing improper Social Security numbers.

We offer three recommendations for DHS: strengthen its policy for supervisory review at the County Assistance Office (CAO) level, evaluate enhancements to the information system controls used in processing LIHEAP applicants, and reinforce key topics within its DHS and CAO training sessions.

#### **Status of Prior Audit Findings**

We also conducted procedures to determine the status of the prior audit findings presented in the audit report released on August 10, 2011. Our prior performance audit of LIHEAP covered the period of July 1, 2006 through December 31, 2010, and contained three findings and ten recommendations. All of these prior audit findings were incorporated into the Department of the Auditor General's Single Audit as four findings for the fiscal year ended June 30, 2010, and determined to be resolved through the annual Single Audit process in subsequent fiscal years. As a result, no further follow-up was considered necessary.

### ***WAP AUDIT***

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Our performance audit of WAP had two objectives: (1) Determine whether DCED ensures that WAP local agencies properly manage their waiting lists; and (2) Determine whether the WAP monitoring activities that occurred during the audit period were in compliance with policies and procedures. Our audit period was July 1, 2013 through June 30, 2017, for the first objective and July 1, 2015 through June 30, 2016, for the second objective. We also conducted procedures to determine whether DCED implemented our prior WAP performance audit's findings and recommendations from the report issued in August 2007 and the recommendations from our special report issued in February 2012.

Our audit results are contained in three findings with one recommendation to the Governor and General Assembly and 19 recommendations to DCED. Overall, DCED appears to be in general agreement with two of the three findings and agrees with approximately half of the recommendations.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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

DCED failed to spend more than \$5.4 million of the U.S. Department of Energy (U.S. DOE) grant for WAP covering the period of July 1, 2013 through June 30, 2017. DCED management indicated that this situation was caused by significant changes in the federal program to focus on the quality of weatherization services in combination with the 2015-2016 state budget impasse. However, we found that DCED lacked strategic planning during a crucial time for the program to effectively spend as much of the federal grant as possible. We also found several control weaknesses throughout its administration of the program which may have impaired its abilities to handle these events. For instance, DCED lacked an appropriate methodology to allocate program funds to local agencies, and allocated funds based on outdated data as far back as 2007. Additionally, we found DCED did not adequately monitor the productivity of local agencies in providing weatherization services.

We estimate that the returned funds had the potential to cover weatherization services for more than 500 additional households across Pennsylvania.

We offer one recommendation to the Governor and General Assembly to place in state statute a continuing requirement that available federal funding that promotes the safety and welfare of Pennsylvania citizens, such as WAP, must be released to state agencies as of July 1 of each year in the unfortunate event of a state budget impasse. We also offer six recommendations to DCED: improve its administration of the program, strengthen its strategic planning, formally adopt standard operating procedures, improve its allocation process, and increase its monitoring in order to responsibly spend the federal WAP funds allocated to Pennsylvania.

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

The purpose of the federal regulations regarding prioritization is to ensure vulnerable citizens are served by WAP. These citizens include elderly persons, persons with disabilities, families with children, high residential energy users, and households with a high energy burden. DCED is responsible for designing procedures to ensure prioritization is taking place. However, we found DCED failed to provide adequate instructions to local agencies and failed to oversee this process. For example, DCED’s directive explains the priority point system used to prioritize clients that are placed on each local agencies Weatherization Service List (WSL); however, the directive does not explain to local agencies which applicants or how many applicants should be placed on

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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the WSL. This flawed process creates an opportunity for local agencies to circumvent the program's intent.

DCED's directive further states that local agencies may need to maintain a separate list of inquiries or eligible applicants. DCED refers to this list as a "call" list, which is a list of individuals who have contacted a local agency to inquire about weatherization services. We received the "call" lists from 33 of the 37 local agencies and found that these 33 local agencies recorded more than 30,000 applicants over the four-year audit period. However, these lists do not provide an accurate count as to how many eligible individuals are truly waiting for weatherization services. For instance, these lists may include individuals who are not eligible for weatherization services. Additionally, individuals who have inquired more than once could potentially be duplicated on the "call" lists. As a result, it is possible that the most vulnerable and at-risk citizens are left waiting for weatherization services through multiple winters.

We offer five recommendations to DCED to improve its policies and procedures related to the prioritization of eligible citizens for weatherization services and to evaluate the accuracy of the local agency waiting lists to determine if the program resources on a statewide level could be better distributed.

**Finding 3 – DCED failed to adequately perform, document, and track its monitoring of local agencies.**

U.S. DOE requires DCED to perform fiscal and program monitoring of its local agencies each year. Based on our review of DCED's monitoring procedures, we found that the monitoring performed between July 1, 2015 and June 30, 2016, was mostly conducted in compliance with its internal monitoring policies and procedures. However, we noted several internal control weaknesses that threaten DCED's ability to adequately oversee the program, including: DCED lacked adequate written procedures for its monitoring processes; DCED failed to complete a financial review for one local agency; and DCED failed to adequately track its monitoring reviews. DCED acknowledged that its monitoring logs were not fully accurate or complete and compiled a listing of the reviews performed specifically for our audit. However, we found additional errors on these compiled lists while completing our testing. DCED's inadequate tracking of the monitoring reviews led to 4 of 39 items tested not being issued monitoring result reports. Once we brought these situations to DCED's attention, DCED sent out the results, which ended up being 16 – 18 months after the monitoring occurred.

### **A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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We offer eight recommendations to DCED to establish written standard operating procedures for its monitoring process and to strengthen its performance and oversight of the WAP fiscal and program monitoring to ensure its monitoring and corresponding records are complete, accurate, and in compliance with federal regulations.

#### **Status of Prior Audit Findings**

We also conducted procedures to determine the status of the prior audit findings presented in the audit report dated August 1, 2007. Our prior performance audit of WAP covered the period of July 1, 2001 through June 30, 2006, and contained 10 findings with 24 recommendations. Five of these prior audit findings with 15 recommendations were incorporated into the Department of the Auditor General's Single Audit as five findings for the fiscal year ended June 30, 2006, and determined to be resolved through the annual Single Audit process in subsequent fiscal years.

Based on additional procedures performed, we found that four of the remaining five prior audit findings had been resolved. The final prior audit finding related to DCED's waiting lists and prioritization of applicants for weatherization services. This finding was not resolved and was reported again in both our 2012 special report and current performance audit in Finding 2.

#### **Status of Special Report Recommendations**

Additionally, we conducted procedures to determine the status of the prior WAP special report recommendations dated February 2012. This special report contained 12 recommendations that evolved out of evidence acquired during the annual Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2010, and one recommendation as a follow-up to our prior WAP performance audit as noted above. We verified that all of the recommendations, with the exception of the recommendation related to waiting lists, were resolved as part of the annual Single Audit process in subsequent fiscal years, and, therefore, we did not perform any additional procedures regarding these recommendations. The deficiencies regarding waiting lists, and our continued recommendations, are discussed in Finding 2 of the current audit report.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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## Introduction and Background

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This report by the Department of the Auditor General presents the results of two performance audits related to energy conservation and assistance programs. Specifically, we audited the Low-Income Home Energy Assistance Program (LIHEAP), which is administered by the Pennsylvania Department of Human Services (DHS), and the Weatherization Assistance Program (WAP), which is administered by the Pennsylvania Department of Community and Economic Development (DCED).<sup>1</sup> These audits were conducted under the authority of Sections 402 and 403 of The Fiscal Code<sup>2</sup> and Section 3016.1 of the Energy Conservation and Assistance Act.<sup>3</sup> These audits covered various periods and audit objectives based on the specific program audited. These are fully described within Appendix A of this report.

The following provides background information related to LIHEAP and WAP and describes the flow of funding.

### Low-Income Home Energy Assistance Program (LIHEAP)

DHS receives funding from the U.S. Department of Health and Human Services (U.S. DHHS), with up to 15% of the LIHEAP grant transferred to DCED for standard and crisis weatherization services for LIHEAP clients. The DHS Office of Income Maintenance administers the day-to-day LIHEAP operations. County Assistance Offices (CAO) and regional/statewide processing centers throughout the state process LIHEAP applications to determine the eligibility of the applicant and authorize benefit payments. DHS and the CAOs use the Electronic Client Information System (eCIS) to maintain demographic and eligibility information for all LIHEAP clients. LIHEAP provides assistance to low-income families in the following three ways.<sup>4</sup>

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<sup>1</sup> Section 3015 (relating to Supplemental low-income energy conservation and assistance programs) of the Energy Conservation and Assistance Act, 62 P.S. § 3015 (last amended by Act 164 of 2012). *See also* Section 3015.1 (relating to Verification of eligibility) of the act, 62 P.S. § 3015.1, added by Act 164.

<sup>2</sup> 72 P.S. §§ 402 and 403.

<sup>3</sup> Section 3016.1 (relating to Powers and duties of Auditor General) of the act, 62 P.S. § 3016.1 (added by Act 164). Pursuant to Section 3016.1(c) of the act, a copy of these audit reports must be published as a notice in the *Pennsylvania Bulletin*. *See* 62 P.S. § 3016.1(c).

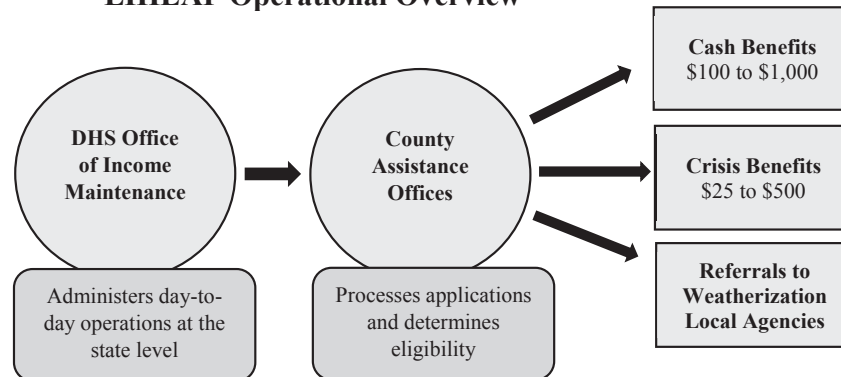
<sup>4</sup> Commonwealth of Pennsylvania Low-Income Home Energy Assistance Program Fiscal Year 2016 Final State Plan, p. i. The current LIHEAP State Plan can be found at: <[http://www.dhs.pa.gov/cs/groups/webcontent/documents/document/c\\_241596.pdf](http://www.dhs.pa.gov/cs/groups/webcontent/documents/document/c_241596.pdf)>.



### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

#### LIHEAP Operational Overview



*Source: Developed by Department of the Auditor General staff.*

1. Cash payments are issued to help eligible low-income households pay for their home-heating fuel. Cash benefits are used to ease the financial burden of winter heating costs for low-income families, with a minimum award of \$100 and a maximum award of \$1,000. The cash benefit amount can vary based on the county in which the household resides, the household's total income, the type of heating source, and the number of members in the household. The one-time payment is sent directly to the home's utility company or fuel provider.<sup>5</sup>
2. Crisis payments are used to resolve weather-related, supply shortage, or other household energy-related emergencies. Crisis benefits are used to help low-income families who are in a heating emergency and can range between \$25 and \$500 depending on the amount of funds needed to resolve the crisis situation. Unlike the cash grant, an applicant can receive multiple crisis payments up to the maximum \$500. Emergency situations include:
  - Broken heating equipment or leaking lines that must be fixed or replaced.
  - Lack of fuel.
  - The main heating source or second heating source (a source that is used to operate the main heating source or used if the main heating source is not working) has been completely shut-off.

<sup>5</sup> In some cases, the cash payment is sent directly to the LIHEAP client. For example, DHS pays renters directly if they pay for heat as part of their lease agreement and monthly rent payment. Source: Ibid., p. B-11.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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- Danger of being without fuel (less than a 15 day supply) or of having utility service terminated (received a notice that service will be shut off within the next 60 days).<sup>6</sup>

Some form of assistance that will resolve the crisis must be provided within 48 hours after a household applies for crisis benefits and is deemed eligible.<sup>7</sup>

3. Energy conservation and weatherization measures are provided to address long-range solutions to home-heating problems of low-income households. Standard and crisis weatherization services are explained in further detail in the WAP section below.

#### LIHEAP Eligibility

There are a number of factors used to determine eligibility of LIHEAP applicants, including:

- An applicant household must have a combined income of no more than 150% of the Federal Poverty Income Guidelines.<sup>8</sup> The following were the income guidelines for the three most recent program years.

<b>Household Size<sup>9</sup></b>	<b>2015-2016 Income Limit</b>	<b>2016-2017 Income Limit</b>	<b>2017-2018 Income Limit</b>
<b>1</b>	\$17,655	\$17,820	\$18,090
<b>2</b>	\$23,895	\$24,030	\$24,360
<b>3</b>	\$30,135	\$30,240	\$30,630
<b>4</b>	\$36,375	\$36,450	\$36,900
<b>5</b>	\$42,615	\$42,660	\$43,170
<b>6</b>	\$48,855	\$48,870	\$49,440
<b>7</b>	\$55,095	\$55,095	\$55,710
<b>8</b>	\$61,335	\$61,335	\$61,980
<b>9</b>	\$67,575	\$67,575	---
<b>10</b>	\$73,815	\$73,815	---

<sup>6</sup> <<http://dhs.pa.gov/citizens/heatingassistance/liheap/index.htm>> (accessed April 4, 2018).

<sup>7</sup> 42 U.S.C. § 8623(c)(1), <<https://www.gpo.gov/fdsys/pkg/USCODE-2011-title42/pdf/USCODE-2011-title42-chap94-subchap11-sec8623.pdf>> (accessed December 21, 2017).

<sup>8</sup> Commonwealth of Pennsylvania Low-Income Home Energy Assistance Program Fiscal Year 2016 Final State Plan, p. B-6.

<sup>9</sup> All members of a household, regardless of their relationship, are counted when determining the household size.

**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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<b>Each additional person</b>	Add \$6,240	Add \$6,240	Add \$6,270
<i>Source: Commonwealth of Pennsylvania Low-Income Home Energy Assistance Program Final State Plans for Fiscal Years 2016, 2017, and 2018.</i>			

- The applicant household must be responsible for their main source of heat, either directly to an energy provider or indirectly as an undesignated part of rent.<sup>10</sup>
- The applicant household must permanently live in Pennsylvania.
- The applicant must be a U.S. citizen or be a qualified noncitizen.<sup>11</sup>

Interested households can apply for LIHEAP online at [www.compass.state.pa.us](http://www.compass.state.pa.us), by requesting an application from the Statewide LIHEAP Hotline at 1-866-857-7095, calling PA Relay at 711 for the hearing impaired, or by obtaining an application at the local CAO.

**Weatherization Assistance Program (WAP)**

WAP was established to help low-income families reduce energy costs by increasing the energy efficiency of their homes, while ensuring their health and safety, especially low-income persons who are particularly vulnerable such as the elderly, the handicapped, and children. The program is intended to reduce national energy consumption and reduce the impact of higher fuel costs on low-income families.<sup>12</sup>

DCED receives funding from the U.S. Department of Energy (U.S. DOE) for WAP. Additionally, each year, DCED receives a transfer of LIHEAP funding from DHS for standard and crisis weatherization services for LIHEAP clients.

The DCED Center for Community Services administers the day-to-day WAP operations. DCED provides weatherization services through a network of 37 contracted local agencies (Appendix B). DCED and the local agencies use the Hancock Energy System to maintain client information and documentation to support the weatherization services provided. These services fall under two programs: the Standard Weatherization Service and the LIHEAP Crisis Referral Interface.

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<sup>10</sup> Ibid.

<sup>11</sup> Section 605.1 (General Policy) from 2015 LIHEAP Handbook.

<sup>12</sup> Weatherization Assistance Program Guidelines, April 2017. <<https://dced.pa.gov/download/weatherization-assistance-program-wap-guidelines/?wpdmdl=56946>> (accessed March 2, 2018).

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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Services performed under the Standard Weatherization Services include a site-specific energy audit which identifies areas of energy loss and identifies cost-effective energy saving measures. Weatherization services include:

- Blower door guided air sealing to effectively locate and reduce air-leakage throughout the home.
- Installation of attic, wall, basement and crawlspace insulation and ventilation to reduce energy loss.
- Heating system modification or replacement to increase the efficiency and/or safety of the heating system.
- Minor repairs, and/or health and safety measures are provided (when necessary) to allow the safe and effective installation of the weatherization measures.
- Client education on the proper use and maintenance of the installed weatherization measures and ways to reduce energy waste every day.<sup>13</sup>

These jobs are funded by the U.S. DOE grant and the LIHEAP funding transfer. A portion of the LIHEAP transfer is used for standard weatherization in an attempt to reduce energy consumption of LIHEAP clients. The remainder of the LIHEAP funding DCED receives goes for resolving crisis situations for LIHEAP-eligible clients.

The LIHEAP Crisis Referral Interface helps low-income families in situations where they are without heat or in danger of being without heat and DHS' LIHEAP services cannot resolve the situation. Under this LIHEAP crisis program integration, a portion of the LIHEAP funds allocated for weatherization will be used to alleviate specific LIHEAP crises. For the 2016-2017 program year, \$22.6 million of the total \$31.1 million, or 73 percent, of the LIHEAP funds expended by DCED were for the crisis program. The following types of crises are included:

- Furnace replacement.
- Repair of a heating system.
- Repair of gas or other fuel lines.
- Replacement of an unrepairable heating system.
- Repair of broken windows (if any of the other repairs are being completed).
- Pipe-thawing services.

Specific DCED responsibilities include addressing the crisis situation within 48 hours, or 18 hours if the situation is considered to be life or health threatening.<sup>14</sup>

<sup>13</sup> <<https://dced.pa.gov/programs/weatherization-assistance-program-wx/>> (accessed March 30, 2018).

<sup>14</sup> This does not mean the repair will actually occur within that timeframe; however, in that time local agency staff will reach out to the client and discuss options for fixing the weatherization crisis, ensure the household residents

**A Performance Audit****Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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For these services, households apply through their CAOs as they would for the other LIHEAP services. The CAOs determine eligibility, and if DHS cannot alleviate the crisis through their services (i.e., vendor payments for supply shortages), the referral for weather-related emergencies will be made to the WAP local agency that covers the household's county.

All weatherization work follows the National Home Energy Standard Work Specification for Home Energy Upgrades for Single Family, Multifamily, and/or Manufactured/Mobile Homes. Every unit must pass a Quality Control Inspection after the work is completed.

**WAP Eligibility**

Eligibility for weatherization services is determined by a number of factors, including income, residency, and citizenship.

- The applicant household must have a total income that is less than 200% of the Federal Poverty Income Guidelines. An applicant household will also meet the income eligibility requirement if there is a household member who is eligible for Title IV or XVI of the Social Security Act, or if they have received cash assistance under the aforementioned titles in the 12 months prior to the eligibility determination.<sup>15</sup> The following were the income guidelines for the three most recent program years.

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have a safe place to stay in the meantime or provide electric auxiliary heating in the short-term. Source: Commonwealth of Pennsylvania Low-Income Home Energy Assistance Program Fiscal Year 2016 Final State Plan as provided by DHS, p. xi.

<sup>15</sup> Excerpted from Wx Master File 2016 – V.1.1 Approach to Determining Client Eligibility.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

#### WAP Income Guidelines

Household Size <sup>16</sup>	2015-2016 Income Limit	2016-2017 Income Limit	2017-2018 Income Limit
1	\$23,540	\$23,760	\$24,120
2	\$31,860	\$32,040	\$32,480
3	\$40,180	\$40,320	\$40,840
4	\$48,500	\$48,600	\$49,200
5	\$56,820	\$56,880	\$57,560
6	\$65,140	\$65,160	\$65,920
7	\$73,460	\$73,460	\$74,280
8	\$81,780	\$81,780	\$82,640
9	\$90,100	\$90,100	---
10	\$98,420	\$98,420	---
<b>Each additional person</b>	Add \$8,320	Add \$8,320	Add \$8,360

*Source: Commonwealth of Pennsylvania Low-Income Home Energy Assistance Program Final State Plans for Fiscal Years 2016, 2017, and 2018.*

- The household must permanently reside in Pennsylvania in order to be eligible for weatherization.
- The applicant must also be a U.S. citizen or be considered a qualified noncitizen.

Households that previously received weatherization services are not eligible unless they meet certain exceptions outlined in the WAP guidelines.<sup>17</sup> Eligibility is determined by the local agency that serves the county from which the household applies.<sup>18</sup> The exception to this is crisis services, in which client eligibility is determined by CAOs (as discussed above).

### LIHEAP and WAP Funding Flow

DHS receives funding from the U.S. DHHS, with up to 15% of the LIHEAP grant transferred to DCED for standard and crisis weatherization services for LIHEAP clients. Additionally, DCED receives funding from the U.S. DOE for WAP. For the 2015-2016 program year, DHS received

<sup>16</sup> All members of a household, regardless of their relationship, are counted when determining the household size.

<sup>17</sup> Excerpted from Wx Master File 2016 – V.1.2 Approach to Determining Building Eligibility - Weatherizing Previously Weatherized Units.

<sup>18</sup> For a list of local agencies and the counties they cover, visit: <<https://dced.pa.gov/housing-and-development/weatherization/agency-list>>.

**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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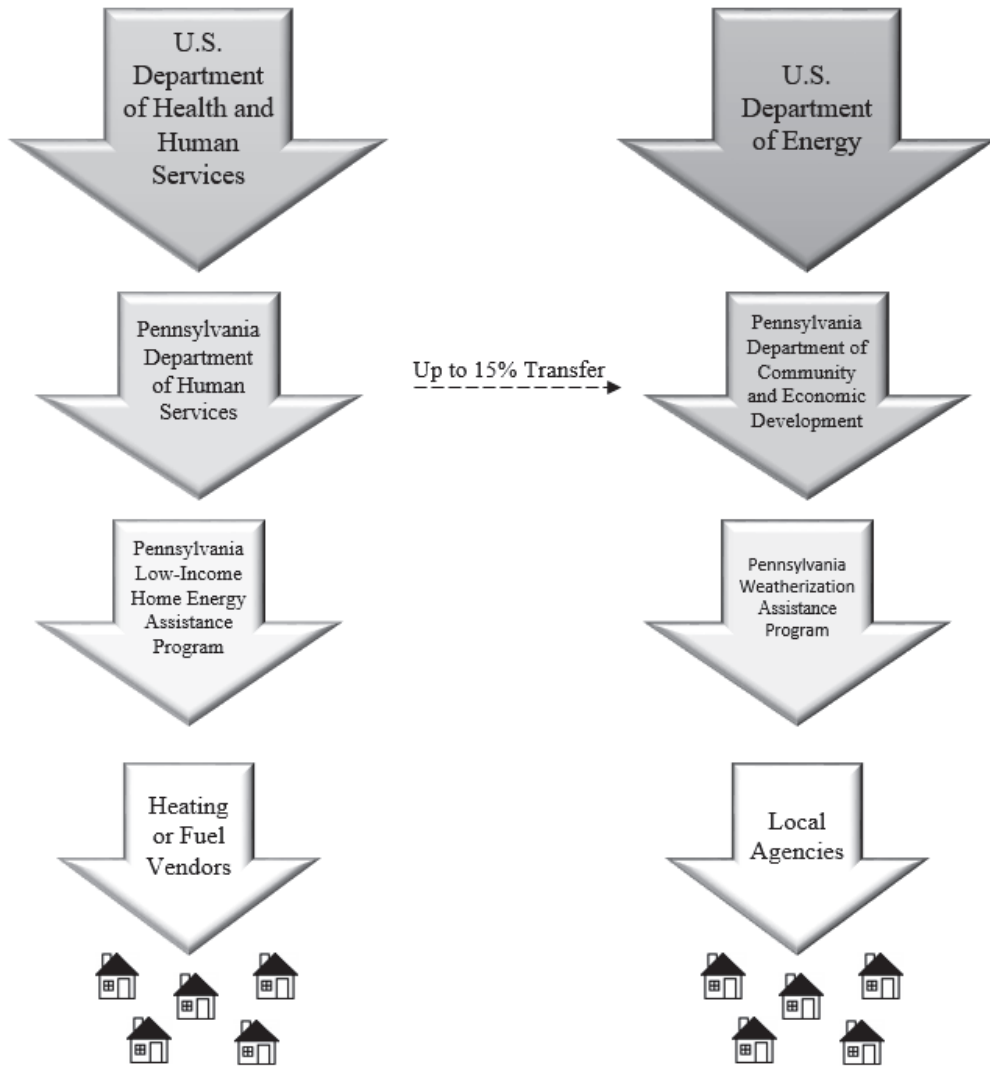
\$182,170,381 from U.S. DHHS; DHS transferred \$30,522,765 of their federal grant to DCED. For the same program year, DCED received \$12,320,702 from U.S. DOE. The following graphic shows how the money flows from the federal government through the state government to vendors/contractors to assist clients:

**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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LIHEAP and WAP Funding Flow



*Source: Developed by Department of the Auditor General Staff*



### A Performance Audit

Department of Human Services  
 Department of Community and Economic Development  
 Energy Conservation and Assistance Programs  
 (LIHEAP and Weatherization)

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**Finding 1 – The monitoring of LIHEAP by DHS appears to be effective, but improvements in determining the proper benefit amounts are needed.**

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The Department of Human Services (DHS) administers the federally-funded Low-Income Home Energy Assistance Program (LIHEAP). LIHEAP provides assistance to low-income families each LIHEAP season through cash payments (up to \$1,000) to help with home-heating costs and crisis payments (up to \$500) to resolve household energy-related emergencies.

An individual permanently living in Pennsylvania, who is a U.S. citizen (or qualified noncitizen), is eligible for LIHEAP if his/her household meets the income guidelines set by the United States Department of Health and Human Services and are responsible for their main source of heat.<sup>19</sup>

The amount of cash benefits issued varies based on the county in which the household resides, the household's total income, the type of heating source, and the number of members in the household.<sup>20</sup> All members of a household, regardless of their relationship, are counted when determining the household size.<sup>21</sup> A LIHEAP household may only receive one cash payment per LIHEAP season based on the household composition at the time of application. If an individual who has not received LIHEAP moves into a household and that household already has received a cash payment, the individual is not eligible for a cash payment.<sup>22</sup>

In addition to cash benefits, LIHEAP provides for crisis benefits on an as needed basis. The amount of a crisis benefit is the amount needed to resolve the home-heating emergency, subject to the \$500 maximum.<sup>23</sup> A household can receive more than one crisis benefit within the same season, as long as the total payments do not exceed the \$500 maximum.<sup>24</sup>

LIHEAP applications are processed through a network of 67 County Assistance Offices (CAOs), 3 regional processing centers, 6 statewide processing centers, and two crisis contractors. DHS,

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<sup>19</sup> Commonwealth of Pennsylvania LIHEAP Final State Plan Fiscal Year 2016 (LIHEAP State Plan), Section 601.31 General eligibility requirements, pp. B - 6 to B - 9. Note: The current fiscal year 2017-2018 LIHEAP State Plan can be found at <[http://www.dhs.pa.gov/cs/groups/webcontent/documents/document/c\\_266106.pdf](http://www.dhs.pa.gov/cs/groups/webcontent/documents/document/c_266106.pdf)>.

<sup>20</sup> 42 U.S.C. § 8624(b)(5).

<sup>21</sup> Pennsylvania Department of Human Resources LIHEAP Handbook (LIHEAP Handbook), Section 610.11. Note: The current fiscal year 2017-2018 LIHEAP Handbook can be found at <[http://services.dpw.state.pa.us/oimpolicymanuals/liheap/LIHEAP\\_Handbook.htm](http://services.dpw.state.pa.us/oimpolicymanuals/liheap/LIHEAP_Handbook.htm)>.

<sup>22</sup> LIHEAP Handbook, Section 605.15. See also 55 Pa. Code § 601.41(a)(1). See <https://www.pacode.com/secure/data/055/chapter601/s601.41.html>.

<sup>23</sup> LIHEAP State Plan, Program Parameters, p. ii and Section 601.61, p. B-14.

<sup>24</sup> LIHEAP State Plan, Section 601.63, p. B-16.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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through this network, processed over 1.1 million applications<sup>25</sup> and issued nearly \$150 million in LIHEAP benefits during the 2015-2016 LIHEAP season, which lasted approximately five months from November 2, 2015 to April 1, 2016.<sup>26</sup>

The need to process more than one million applications within a short time frame is challenging for DHS. Due to limited resources, it is not feasible for supervisors within the offices/centers to verify that the caseworkers accurately processed every application. Similarly, DHS cannot subsequently monitor every application and payment processed for purposes of identifying every error. According to DHS management, in response to these challenges, DHS has focused its oversight efforts on areas of higher risk at both the CAO and state agency levels. DHS contracts with a third party (contractor) to monitor LIHEAP activities as discussed later in this finding. DHS continuously monitors application and benefit processing throughout the season and is able to respond to any emerging trends in real-time. One example of this is the LIHEAP Knowledge Reinforcement Sessions (LKRSs). All CAO and processing center staff members that process applications and determine LIHEAP eligibility must participate in weekly LKRSs. The LKRSs reinforce any policy or procedures that were found to be more error prone during the monitoring process.

Based on our audit procedures, we identified several errors regarding the issuance of proper LIHEAP payments. As noted below, we performed data analytics and purposefully selected cases that appeared to have potential errors. As a result, these errors should not be projected over, nor are they representative of, the entire population.

**DHS properly determined applicant eligibility; however, we found some benefit payments were inaccurately calculated and some households improperly received two cash payments.**

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In order to evaluate whether DHS properly determined eligibility for LIHEAP applicants and authorized the correct cash or crisis benefit payments, we selected 75 cases involving 137 LIHEAP payments (127 cash payments and 10 crisis payments) and reviewed the client files related to each payment.<sup>27</sup> We selected these payments through an analysis of statewide and county-specific data as described below:

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<sup>25</sup> This number is based on the total entries into DHS's case management system, and includes the individual records for all LIHEAP applicants no matter if benefits were approved or rejected.

<sup>26</sup> LIHEAP State Plan, Program Parameters, p. ii.

<sup>27</sup> A single case reviewed may involve multiple payments.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

#### Statewide Data

We selected 35 cases involving 66 LIHEAP payments from across the state using data analytics software to focus our testing to specific areas we considered to be of higher risk, as noted in the following chart.

Focus Area	Total No. of Payments in Focus Area	No. of Cases Reviewed	No. of Payments Reviewed
Cash Payment with Household Income > \$50,000	345,245	3	3
Crisis Payment with Household Income > \$50,000	119,409	3	3
Total Cash Payments Exceeding \$1,000 Maximum	8	4	8
Total Crisis Payments Exceeding \$500 Maximum	7	3	7
Multiple Cash Payments to a Client	26	13	26
Multiple Cash Payments to an Address	3,166	9	19
<b>Total</b>	<b>467,861</b>	<b>35</b>	<b>66</b>

Source: DHS's data file of LIHEAP client records.

#### County-Specific Data

We selected seven CAOs that were selected for monitoring by the third-party contractor (three large, two medium, and two small, based on the amount of application processing performed in the prior LIHEAP season) and manually reviewed a listing of all the cash payments within these counties. Specifically, we looked for multiple cash payments to clients with the same or similar Social Security numbers (SSNs), names, and/or addresses and selected the following records to review in detail.

Targeted Category	No. of Cases Reviewed	No. of Payments Reviewed
Multiple Cash Payments to the Same/Similar SSNs/Names	26	52
Multiple Cash Payments to the Same Address	5	10
Suspicious Addresses	9	9
<b>Total</b>	<b>40</b>	<b>71</b>

Source: DHS's data file of LIHEAP client records.

For all 75 cases (137 payments) we reviewed, we found DHS's client files contained a completed LIHEAP application, CAO staff signature evidencing approval of benefits, and documentation that was used to determine whether the clients were eligible. Additionally, all of the crisis files reviewed had documentation evidencing a home heating crisis existed and that the CAO contacted the energy provider to resolve the crisis in a timely manner. However, we found 25

**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

cases where an error was made that resulted in an incorrect payment or an improper second cash payment, which netted to \$6,200 in LIHEAP benefit overpayments.

<b>Type of Error</b>	<b>No. of Cases With Incorrect Payments</b>	<b>Total Dollar Effect</b>	<b>DHS Management's Explanation</b>
Multiple cash payments to the same household	15	Overpayment of \$4,773 cash benefits	Within the eCIS, alerts are generated when there are other records with a matching address. These errors are most likely due to CAO staff not noticing or investigating the matching address alerts.
Inaccurate household size	5	Underpayment of \$25 cash benefits and overpayment of \$9 cash benefits	CAO staff are trained to be alert for underreporting of household members. Generally, it is not apparent that the household composition was inaccurately reported until the additional application is submitted for the same address, at which point these errors should have been identified.
Duplicate cash and crisis payments to the same individual	1	Overpayment of \$100 cash benefits and \$500 crisis benefits	There was misinformation on the original application and an error was made by the CAO staff in attempting to cancel the payments.
Inaccurate SSNs	2	Overpayment of \$321 cash benefits	DHS has procedures to verify SSNs using a data exchange with the Social Security Administration (SSA). The CAO staff did not investigate why the exchange was unsuccessful in verifying the SSN with the SSA. Therefore, a second cash payment was issued to the same individual under a different SSN.
Total crisis payments exceeded \$500 maximum	2	Overpayment of \$522 cash benefits	In one situation, the DHS LIHEAP Vendor Unit gave incorrect information to the CAO staff and the second crisis payment should not have been authorized. The second situation involved a system error that allowed

**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

			the vendor to claim a dollar amount that exceeded the \$500 maximum. DHS had already found this system error prior to the auditors review and it is scheduled to be fixed.
<b>Total</b>	<b>25</b>	<b>\$6,200</b>	

*Source: Compiled by Department of the Auditor General staff based on information provided by DHS.*

As previously noted, the occurrence of the errors noted above cannot be projected to the population of all LIHEAP payments since we focused our review on high-risk areas. According to DHS management, since the errors were caused by DHS or CAO staff, DHS did not attempt to recoup the overpayments. Although a small amount of errors in such a large program is inevitable, DHS must continuously improve its application processing and benefit determination processes to minimize the amount of errors, especially those that result in inaccurate benefit payments.

Of the 75 cases we reviewed, 6 had been reviewed by DHS’ contractor who reached the same conclusions we did. As explained in the next section, DHS’ contractor focused on alternate high-risk areas.

**DHS’ monitoring of applicant eligibility, proper benefit authorizations, and energy providers appears to be comprehensive and effective.**

The federal LIHEAP Act of 1981, as reauthorized by the Energy Policy Act of 2005, requires that the DHS assure the proper disbursement of LIHEAP payments, which includes monitoring the payments.<sup>28</sup>

DHS outlines its planned monitoring procedures each year in the LIHEAP State Plan, which is approved by the U.S. Department of Health and Human Services.<sup>29</sup> Additionally, DHS maintains an internal LIHEAP Monitoring Plan and Procedures that specifies the monitoring procedures in more detail, including which CAOs and processing centers will be monitored in the current LIHEAP season, the methodology for selecting client files to review, and the procedures to be performed.

<sup>28</sup> 42 U.S.C. §§ 8621-8630. *See* also 42 U.S.C. § 2605(b)(10), as amended.

<<https://www.acf.hhs.gov/ocs/resource/liheap-statute-and-regulations#Section2605>> (accessed April 3, 2018).

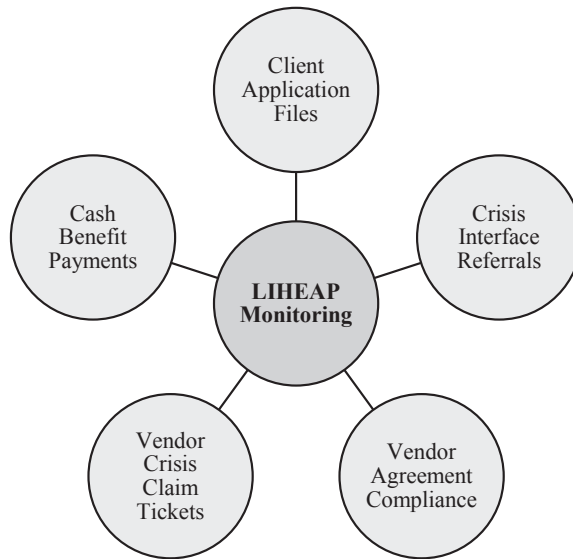
<sup>29</sup> Commonwealth of Pennsylvania Low-Income Home Energy Assistance Program Fiscal Year 2016 Final State Plan, pp. 5-8.

**A Performance Audit**

**Department of Human Services  
 Department of Community and Economic Development  
 Energy Conservation and Assistance Programs  
 (LIHEAP and Weatherization)**

The Bureau of Program Evaluation (BPE) within DHS has the overall responsibility to monitor the program. For the period July 1, 2015 through June 30, 2016, DHS utilized a contractor to perform its LIHEAP monitoring procedures.<sup>30</sup> DHS, in conjunction with the contractor, plan the detailed monitoring procedures to be performed at the beginning of each LIHEAP season. After the monitoring is completed, BPE issues the results and performs follow-up procedures to ensure any issues identified are addressed. We focused our audit procedures on the monitoring of client eligibility, the authorization of correct cash and crisis benefits, the timeliness of vendor delivery of crisis services, and the proper pricing of vendor services. The contractor performed five types of monitoring aimed at addressing these program aspects which are depicted in the following chart and explained below.

**LIHEAP Monitoring Topics**



*Source: Created by Department of the Auditor General staff.*

<sup>30</sup> WIPFLi CPAs and Consultants. Purchase orders against the Consulting Services ITQ Contract 4400008138 were awarded to Elko & Associates LTD since 2012. Elko & Associates LTD joined WIPFLi on December 31, 2014. For the fiscal year ended June 30, 2016, WIPFLi was paid \$327,200.

### **A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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#### **Client Application Files**

The contractor monitors each CAO and crisis contractor at least every two years. For the 2015-2016 LIHEAP season, the contractor monitored and performed targeted cash and crisis file reviews for both crisis contractors and the following 40 CAOs and processing centers:

- 31 of 67 County Assistance Offices.
- All 3 Regional Processing Centers.
- All 6 Statewide Processing Centers.

At all of the crisis contractors and CAOs/processing centers monitored, the contractor selected between 25 and 75 client files to review based on the volume of applications processed in the prior season. In total, the contractor reviewed approximately 2,500 targeted client files that had the following higher risk characteristics:

- Benefit amounts over \$699.
- Zero income.
- Household members that are on more than one application.
- Direct payments to the client in lieu of a payment to the vendor.
- Household members that are deceased.
- Rejected applications.
- Benefit payments when the client had been previously rejected for benefits in the past.

In addition to the contractor reviewing client files, the CAO supervisors perform targeted reviews of client files using the same method outlined above. The contractor assigns a minimum number of case files that the CAO supervisors must review. As part of the contractor's monitoring of the CAO, it verifies the CAO supervisors completed a sufficient amount of client reviews. This process is independent of the contractor's client file review.

We selected 7 of the 40 CAOs/processing centers monitored by the contractor and reviewed the monitoring documents, reports, and resolution to issues identified. This was done to ensure that the monitoring was completed as planned, adequately performed, and sufficiently documented. We also verified whether the CAO supervisors reviewed the minimum amount of client files required by the contractor. We did not identify any deficiencies during this review.

For the remaining monitoring topics, we reviewed the 2015-2016 LIHEAP State Plan, DHS' Monitoring Plan and Procedures, and the final monitoring report issued by the contractor detailing the results of all the monitoring procedures performed. This was done to determine

### **A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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whether the planned monitoring procedures appeared adequate, the monitoring procedures were implemented in accordance with the monitoring plan, and the monitoring procedures and results were sufficiently documented in the final report.

#### **Cash Benefit Payments**

The contractor selected a statistical sample of all approved cash benefit amounts processed across the state as of December 31, 2015. The contractor reviewed approximately 600 approved client applications to verify the accuracy of the LIHEAP cash benefit payment. The contractor found 106 payment errors that resulted in a gross overpayment of \$3,646 and a gross underpayment of \$3,766. According to DHS management, DHS and the contractor discuss any errors identified with the CAO management and identify potential corrective actions.

#### **Crisis Interface Referrals**

If a client is experiencing a weatherization emergency, such as broken heating equipment, the client is referred to a weatherization local agency. The contractor monitored 5 of the 37 weatherization local agencies for compliance with the LIHEAP Crisis Weatherization Policy. Specifically, the contractor reviewed the timeliness of addressing the crisis interface referral and contacting the client, client file documentation retained, and compliance with LIHEAP service and administrative policies. Three of the weatherization local agencies had one or more crisis interface referrals where evidence did not exist to demonstrate that the timeliness guidelines were met. According to DHS management, DHS and the contractor discuss these results with the Department of Community and Economic Development (DCED) who administers the Weatherization Assistance Program (WAP).

#### **Vendor Crisis Claim Tickets**

The contractor also reviewed 100 crisis client files from across the state where the vendors were paid through the PROMISe™ system.<sup>31</sup> As part of this review, the contractor determined whether the crisis was resolved by the vendor within 48 hours from when the request was received. For the 2015-2016 LIHEAP season, no errors related to vendor crisis timeliness were found.

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<sup>31</sup> The PROMISe™ system, or Provider Reimbursement and Operations Management Information System, is a web-based application that processes human services claims and manages information for numerous commonwealth human services programs, including activities of the Offices of Medical Assistance Programs, Mental Health and Substance Abuse Services and Developmental Programs. In addition, PROMISe™ processes some claims for the Departments of Aging and Education. Source: <http://www.dhs.pa.gov/learnaboutdhs/dpwonlineservices/index.htm> (accessed April 3, 2018).



### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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#### Vendor Agreement Compliance

The contractor conducted reviews of the LIHEAP vendors to ensure compliance with the DHS LIHEAP Vendor Agreement and LIHEAP policy, focusing on the timeliness of crisis deliveries, applying the proper LIHEAP benefit to the client's account, vendor refunds, and record retention. The contractor reviewed approximately 1,000 crisis payments and found seven crisis timeliness issues with three vendors. Additionally, the contractor found two situations where the full amount was not charged to the customer's account and seven situations where the LIHEAP customer was charged more than a non-LIHEAP customer. According to DHS management, these vendors returned the pricing differences to DHS.

Based on our review, it appears DHS' approach to monitoring is adequate, comprehensive, and emphasizes DHS management's commitment to identifying and resolving issues within the program. Although it appears DHS' monitoring is adequate, DHS should improve its application processing and benefit determination procedures to eliminate potential errors prior to issuing benefits.

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#### **Recommendations for Finding 1**

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We recommend that DHS:

1. Consider strengthening its policy for supervisory review procedures at the CAO level.
2. Evaluate possible enhancements to the DHS computer systems used in LIHEAP to reduce the potential for errors, especially as related to issuing multiple LIHEAP benefits to the same address (household).
3. Reinforce the following topics within the DHS and CAO staff training sessions:
  - Determination of household size/composition.
  - Verification of SSNs.
  - Identification of potential multiple cash payments to the same individual or the same address (household).
  - Cancellation of payments.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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#### Status of Prior Audit Findings

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Our prior audit of the Low-Income Home Energy Assistance Program (LIHEAP) administered by the Department of Human Services (formerly the Department of Public Welfare) dated August 10, 2011 covered the period July 1, 2006 through December 31, 2010, and contained three findings and ten recommendations (outlined below). Based on our current audit procedures, we verified that all of the prior audit findings were incorporated into the Department of the Auditor General's Single Audit as four findings for the fiscal year ended June 30, 2010, and determined to be resolved through the annual Single Audit process in subsequent fiscal years. As a result, no further follow-up was considered necessary.

**Finding 1 – Widespread weaknesses within LIHEAP applications**

**Finding 2 – Potential waste associated with excessive contract expenditures**

**Finding 3 – Inadequate monitoring**

We recommended that the Department of Public Welfare (DPW):

1. *Seek recipient reimbursement for all overpayments due to potential fraud or administrative error.*
2. *Terminate the use of the sole source contract as soon as permitted by the terms of the contract and shift the law firm's monitoring duties to DPW employees. Contracts should be competitively bid and defined in detail. The contract process should not be circumvented through a law firm to a subcontractor.*
3. *Ensure that appropriate edit checks are developed immediately to detect irregularities or potential fraud and abuse on applications submitted with similar addresses, names, and Social Security numbers (SSN).*
4. *Immediately improve the electronic Client Information System controls to ensure that every SSN entered into the system is valid and associated with a legitimate individual and to prevent applicants from being awarded two cash benefits and/or receiving crisis benefits that exceed maximum limits.*
5. *Ensure that each County Assistance Office (CAO)/crisis contractor is properly utilizing the data exchanges.*
6. *Conduct additional monitoring procedures to look for fraudulent, suspicious, and questionable transactions, including performing data analysis as well as comparing*

**A Performance Audit****Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

*LIHEAP information to exchange data for applicants who are incarcerated, deceased, receiving high wages, etc.*

- 7. Institute adequate supervisory oversight to ensure workers comply with policy and procedures, including requesting and obtaining statements from applicants when zero income is reported, and requesting and obtaining income from all adult household members for the entire 90-day look-back period.*
- 8. Maintain detailed documentation to support justification of sole source procurement and payment of expenditures, and to substantiate services rendered.*
- 9. Strengthen the monitoring process by improving each monitor's documentation, developing written procedures to follow-up on issues noted within the on-site monitoring process, and requiring that the monitors' documentation of on-site monitoring be reviewed and approved by a supervisor to ensure that procedures performed were adequate and well documented and that the conclusions reached were reasonable and properly supported.*
- 10. Strengthen internal controls by utilizing the implemented corrective measures of continued training of CAO personnel, revisions to the LIHEAP Manual and Handbook, safeguarding of assets and guidance on the control environment, and verification that the related controls in this system are operating effectively.*

**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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**Agency's Response and Auditor's Conclusions**

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We provided copies of our draft audit finding and status of prior findings and related recommendations to the Department of Human Services (DHS) for its review. On the pages that follow, we included DHS' response in its entirety. Following the agency's response are our auditor's conclusions.

## A Performance Audit

Department of Human Services  
 Department of Community and Economic Development  
 Energy Conservation and Assistance Programs  
 (LIHEAP and Weatherization)

### Audit Response from the Department of Human Services



COMMONWEALTH OF PENNSYLVANIA  
 DEPARTMENT OF HUMAN SERVICES  
 JUN 05 2018

The Honorable Eugene A. DePasquale  
 Auditor General  
 Department of the Auditor General  
 229 Finance Building  
 Harrisburg, Pennsylvania 17120

Dear Mr. DePasquale:

Thank you for providing the draft background section and draft finding of the audit report titled Department of Human Services Energy Conservation and Assistance Program (LIHEAP).

The finding and three recommendations along with the Department of Human Services' (DHS') response are listed below:

**Finding 1: The monitoring of LIHEAP by DHS appears to be effective, but improvements in determining the proper benefit amounts are needed.**

**DHS Response:** DHS agrees with this finding.

**Recommendations for Finding 1:**

We recommend that DHS:

1. Consider strengthening its policy for supervisory review procedures at the CAO level.
2. Evaluate possible enhancements to the DHS computer systems used in LIHEAP to reduce the potential for errors, especially as related to issuing multiple LIHEAP benefits to the same address (household).
3. Reinforce the following topics with the DHS and CAO staff training sessions.
  - Determination of household size composition
  - Verification SSNs
  - Identification of potential multiple cash payments to the same individual or the same address (household).
  - Cancellation of payments

Deputy Secretary for Administration  
 P.O. Box 2675 | Harrisburg, PA 17105 | 717.787.3422 | Fax 717.772.2490 | www.dhs.pa.gov

**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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The Honorable Eugene A. DePasquale 2

**DHS Response:** We will review the supervisory review procedures and make any adjustments necessary to strengthen the process. We are implementing some system updates in June for the 2018-2019 LIHEAP season. DHS is evaluating the best way to address the issuance of multiple benefits to LIHEAP households and is planning to monitor for these in the coming LIHEAP season. Finally, we will reinforce the topics listed above in training for the coming LIHEAP season.

Thank you for the opportunity to respond to this draft audit report. Please contact Mr. David R. Bryan, Manager, Audit Resolution Section, Bureau of Financial Operations at (717) 783-7217, or via email at [davbryan@pa.gov](mailto:davbryan@pa.gov) if you have any questions regarding this matter.

Sincerely,



Carolyn K. Ellison  
Deputy Secretary for Administration  
Shared Services for Health and Human Services

c: Mr. John M. Lori  
Ms. Janet B. Ciccocioppo  
Ms. Denise Wimberly  
Mr. David R. Bryan, Manager, Audit Resolution Section

**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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**Auditor's Conclusions to the Department of Human Services' Response to the LIHEAP Finding**

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The Department of Human Services (DHS) agreed with our finding and is committed to implementing our suggested recommendations. We commend DHS for proactively addressing these issues. We will follow up at an appropriate time to determine whether and to what extent all recommendations have been properly implemented.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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

The U.S. Department of Energy (U.S. DOE) grant awards for the Weatherization Assistance Program (WAP) typically cover a three-year period, with funding being released to states each year.<sup>32</sup> However, in the application instructions for the 2016-2017 program year, issued in December 2015, U.S. DOE announced that the WAP awards originally issued in the 2013-2014 program year and expiring at the end of the 2015-2016 program year would be extended one additional year to the 2016-2017 program year.<sup>33</sup>

Despite this additional year to expend the federal funds, the Pennsylvania Department of Community and Economic Development (DCED) failed to spend \$5,449,093 of its four-year grant award, including approximately \$4.74 million of program funds that could have been used to weatherize homes of Pennsylvanians. The remaining \$710,000 of unspent funds was allocated for state and local administrative purposes.<sup>34</sup> The below table details the program funds that remained unspent as of June 30, 2017.

Program Year	Total Program Funds Available	Amount of Program Funds Expended	Amount of Program Funds Not Expended	% of Program Funds Not Expended	No. of Statewide Units Completed	Statewide Average Cost Per Unit	Estimated No. of Units with Unexpended Funds
2013-2014	\$2,333,175	\$2,222,630	\$110,545	4.7%	369	\$6,023	18
2014-2015	\$7,799,031	\$7,467,484	\$331,547	4.2%	1,054	\$7,084	46
2015-2016	\$12,609,238	\$12,279,875	\$329,363	2.6%	1,444	\$8,504	38
2016-2017	\$12,149,847	\$8,182,473	\$3,967,374	32.6%	877	\$9,330	425
Total	\$34,891,291	\$30,152,462	\$4,738,829	13.6%	3,744	-	527

Source: Compiled by Department of the Auditor General staff from DCED's Production and Expenditure Reports for the four consecutive fiscal years ended June 30, 2017.

<sup>32</sup> It should be noted that the federal funding returned discussed in this finding only applies to DCED's funding received from U.S. DOE; this area of the finding does not apply to DCED's funding related to the Low-Income Home Energy Assistance Program, transferred by the Pennsylvania Department of Human Services.

<sup>33</sup> U.S. Department of Energy Weatherization Assistance Program for Low-Income Persons Application Instructions, dated December 2015, <<https://www.energy.gov/sites/prod/files/2016/01/f28/2016%20WAP%20Application%20Instructions%20Final.pdf>> (accessed April 11, 2018).

<sup>34</sup> For example, administrative costs may include personnel costs, legal costs, or liability insurance.



### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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We calculated the statewide average per unit based on DCED's amount of households weatherized during this time period and the amount of program funds expended. Accordingly, we estimated that the returned funding had the potential to cover weatherization services for more than 500 additional households across Pennsylvania. Furthermore, as described in Finding 2, there were thousands of additional households interested in weatherization services.

While DCED had to address challenging events during this period, including a state budget impasse and newly effective federal quality work standards (discussed further in the next section), we found DCED lacked strategic planning during this crucial time for the program.

Additionally, DCED already had several control weaknesses throughout its administration of the program which may have impaired its abilities to handle these events, including:

- DCED lacked an appropriate methodology to allocate program funds to local agencies.
- DCED lacked adequate monitoring of local agencies' productivity in providing weatherization services.
- DCED's process to prioritize weatherization services to at-risk citizens is flawed, poorly administered, and creates an opportunity for local agencies to abuse the process. (See Finding 2)

#### **DCED lacked strategic planning during a crucial time for the program.**

DCED management cited the 2015-2016 state budget impasse as the main reason \$5.4 million of U.S. DOE grant funds were not spent as of June 30, 2017. The Pennsylvania state budget operates on a July 1 through June 30 fiscal year, and as a result, it must be passed by the General Assembly and signed by the Governor by June 30 each year if it is to be considered timely. Without signing the budget into law, many items in the state budget could not be paid, including weatherization services. The state budget for the July 1, 2015 through June 30, 2016 fiscal year was not partially signed until December 29, 2015, which included the authorization to spend U.S. DOE funding by DCED. According to DCED management, funding was not released to the WAP local agencies until February 2016. This funding delay led to local agencies having to spend roughly two years' worth of funding in a seventeen-month period (February 2016 through June 2017).

While DCED, like other state agencies, had no control over a budget impasse, it lacked a proactive approach during this time period.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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When we asked DCED if any analysis was done while awaiting passage of the state budget, after the state budget was passed, or before the start of the 2016-2017 program year in order to determine how to best spend the U.S. DOE funding before the close of the grant on June 30, 2017, DCED responded that no analysis was conducted during this time period. Of specific importance is the fact that DCED knew there was an issue of unspent funds at the time of determining the 2016-2017 allocations but made no attempts to reallocate funding among agencies so that funds could better be spent to maximize the number of at-risk citizens receiving critical weatherization services. According to DCED management, there was no tangible way to measure or appropriately assess the performance of the 37 local agencies when agencies only had a few months (February to June) to spend the 2015-2016 program year funding before the 2016-2017 program year began. While that may be accurate, DCED did not make productive use of this time to better plan for the final program year of the grant period.

In January 2017, however, DCED created a new risk assessment process in response to changes in the Code of Federal Regulations, which now requires DCED to evaluate each local agency's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward, in order to determine the appropriate level or type of local agency monitoring.<sup>35</sup> DCED also used the results of these risk assessments to assist in its decision-making to determine whether local agencies could handle additional funding for the fiscal year ending on June 30, 2017, but at this point there was less than six months left to spend the money.

DCED management indicated that there was no particular risk assessment score or factors that determined whether a local agency was offered additional funding. Instead, DCED management stated that they made subjective decisions based on various factors such as overall risk assessment results, production numbers, Quality Control Inspection results, and average job cost. DCED further added that they had to be confident that the agency could spend the money. DCED decided to offer additional funding to only 3 of the 37 local agencies, and all 3 accepted this additional funding ranging between \$20,000 and \$50,000.<sup>36</sup>

DCED did not document the methodology and decision-making for the selection of the three local agencies to which they offered additional funding. Maintaining written documentation of DCED's methodology and decision-making processes is a crucial component of DCED's grant monitoring responsibilities. Despite knowing there was going to be millions of dollars in unspent funding, DCED did not offer any of the other local agencies additional funding. Based on production reports produced after the fiscal year ending June 30, 2017, there were 11 additional local agencies that spent all of their allocations and, at least in theory, could have possibly spent

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<sup>35</sup> 2 C.F.R. § 200.331(b). <<https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-part200-subpartD.pdf>> (accessed April 11, 2018).

<sup>36</sup> By June 30, 2017, two agencies spent all of their 2016-2017 allocation, including the additional funding; and the other agency returned around \$2,500 of their 2016-2017 allocation, including the additional funding.

### **A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

additional funds weatherizing homes but were never offered the opportunity for additional funding from DCED. Had DCED offered all of the local agencies additional funding, it is possible less would have remained unspent.

Utilizing the risk assessments established for local agency monitoring, for the purpose of attempting to address the unspent funding issues, and then only offering funding to three local agencies, was too little, too late. DCED was aware of the state budget impasse prior to June 30, 2015, and did not take the initiative to address the undeniable impending spending issues until January 2017, over a year and a half later.

In speaking with DCED management during our audit, it noted its inability to spend \$5.4 million of the U.S. DOE grant was caused by the state budget impasse in combination with new federal quality work standards which became effective for the same year. These new standards strengthened the specifications for work quality, workforce training, and the qualifications required for individuals performing inspections of WAP work, which also made it more difficult to spend these funds timely.<sup>37</sup> According to DCED management, it was challenging to engage new subcontractors with the higher quality standards. However, management indicated that Pennsylvania was ahead of other states in getting the weatherization program up to the newly required quality standards until the state budget impasse halted the progress. Due to the U.S. DOE funds being frozen at the state level, weatherization work was not being completed, and therefore, full implementation of the new standards was postponed.

While we acknowledge that DCED faced challenges toward the end of the U.S. DOE grant period, the fact remains that millions of dollars in federal funding was left unspent even though thousands of Pennsylvanians had contacted local agencies about weatherization services. The unspent funds could have been used to provide weatherization services to possibly more than 500 state taxpayers' dwellings that did not receive such services as of June 30, 2017. The unfortunate timing highlights the irreparable harm that a state budget impasse causes on everyday lives, leaving citizens without greatly needed services.

The lack of the provision of weatherization services could have been devastating to those who needed the weatherization services, especially Pennsylvania's most vulnerable citizens. Pennsylvania's winters do not take a break because of a budget impasse. The average winter temperatures during the U.S. DOE grant period confirm the need to optimize the delivery of

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<sup>37</sup> Department of Energy Weatherization Program Notice 14-4, <[https://www.energy.gov/sites/prod/files/2014/02/f7/wpn14\\_4.pdf](https://www.energy.gov/sites/prod/files/2014/02/f7/wpn14_4.pdf)> (accessed April 11, 2018).

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

weatherization services. For example, during the four-year grant period, Pennsylvania had average winter temperatures ranging from 40 degrees down to 12 degrees.<sup>38</sup>

DCED would have been in a much stronger position to respond proactively to funding issues created during the budget impasse had the management weaknesses noted above not been so pervasive. DCED should have done more to get funds to the local agencies whose clients were dependent upon the weatherization funds, especially when considering the number of citizens who expressed a need for help.

### **DCED lacked an appropriate methodology to allocate program funds to local agencies.**

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Prior to the start of each program year, DCED calculates how it will allocate the U.S. DOE WAP grant and the LIHEAP transfer from the Pennsylvania Department of Human Services among the local agencies. These allocation processes are as follows:

#### **U.S. DOE WAP Grant Local Agency Allocation Process**

For the period July 1, 2013 through June 30, 2017, DCED's State Plans approved by U.S. DOE outlined the following funding formula used to determine the allocation to each local agency:<sup>39</sup>

- 50% of each local agency's percentage of low-income population to the state total low-income population at 200% of the Federal Poverty Guidelines.
- 30% of each local agency's percentage of heating degree days to the state total.<sup>40</sup>
- 20% of each local agency's percentage of current funding level to the state total.

We recalculated this formula for each of the four fiscal years and determined that DCED performed the calculations correctly. Although the formula takes into consideration the

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<sup>38</sup> Average temperatures for the months of December, January, and February, presented in degrees Fahrenheit, Pennsylvania State Climatologist, <<http://climate.psu.edu/data/state/regional/php>> (accessed April 12, 2018).

<sup>39</sup> The most recent DCED-WAP State Plan can be found at <https://dced.pa.gov/library/?wpdmc=weatherization-assistance-program-wap>.

<sup>40</sup> According to the U.S. Energy Information Administration: "Degree days are measures of how cold or warm a location is. A degree day compares the mean (the average of the high and low) outdoor temperatures recorded for a location to a standard temperate, usually 65°Fahrenheit in the United States... Heating degree days (HDD) are a measure of how cold the temperature was on a given day or over a period of days." Source: <[https://www.eia.gov/Energyexplained/index.cfm?page=about\\_degree\\_days](https://www.eia.gov/Energyexplained/index.cfm?page=about_degree_days)> (accessed April 17, 2018).

### **A Performance Audit**

#### **Department of Human Services Department of Community and Economic Development Energy Conservation and Assistance Programs (LIHEAP and Weatherization)**

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current funding level of the local agency, it does not reflect the actual funds spent or the potential amount of funds a local agency could spend. Given the amount of funds that remained unspent at the end of the grant period and the number of citizens on waiting lists who had indicated a need for weatherization services (discussed in finding 2), DCED is remiss in not taking the productivity of local agencies into account when allocating funding.

Further, we found that DCED used outdated information to perform these calculations. For this four-year time period, DCED's documentation indicates that low-income population and heating degree days data were used from the 2009-2010 program year. Additionally, DCED's documentation indicates that the "current" funding level used in the calculations were the funding levels from 2007. Due to the fact that the figures were several years outdated, DCED management was also unable to provide supporting documentation for the underlying data used. Consequently, we could not determine the extent to which the allocation amounts would change if current data were used.

According to DCED management, in June 2012, it proposed updating the data used in the allocation formulas to the PA WAP Policy Advisory Council (PAC). At that meeting, the PAC voted to keep the formula and data the same, but stated a sub-committee would be formed to research the matter. However, this sub-committee was never formed and DCED did not further pursue the matter.

#### **LIHEAP Local Agency Allocation Process**

LIHEAP funds are prorated to local agencies based on the percentage of the local agencies' actual expenditures from the prior year to the total state expenditures. However, this allocation methodology is not documented in a DCED policy. According to DCED management, the LIHEAP allocation methodology is not included in the State Plan (or other written policy) because it is not required.

We found the design of DCED's methodology in allocating LIHEAP funds to local agencies to be reasonable. The majority of LIHEAP funds are spent on crisis services, which are of the highest priority, and local agencies are able to request additional crisis funding if needed. Therefore, having the LIHEAP allocation based on prior year expenditures appears logical. Yet we still found errors or unsupported data used in the calculations for two of the four program years we recalculated, as summarized below:

- For the 2013-2014 program year, DCED did not have adequate supporting data files for the prior year's expenditures. DCED management stated that at that time local agencies were able to change data in the Hancock Energy System (HES) after reporting data to DCED, and they were experiencing issues with report functionality

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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within HES. Therefore, the data that was in HES and provided to us during our audit differed from the data used in the allocations.

- For the 2016-2017 program year, DCED mistakenly used the prior year's allocation totals instead of the prior year's actual expenditures when calculating this year's allocation. According to DCED management, this was an oversight. The allocation figures and expenditure amounts were relatively close and therefore, it does not appear this oversight would have significantly affected the allocation amounts. Nevertheless, the error shows that there was a lack of supervisory review during that period.
- For the 2014-2015 and 2015-2016 program years, DCED accurately calculated the local agencies allocations and the allocations were adequately supported.

DCED does not have written standard operating procedures for performing the U.S. DOE and LIHEAP allocations to detail how, when, and who will perform the allocations, nor does it outline any type of supervisory review. DCED management stated it has been their desire to create such a document, but due to staff cuts and the constant changes in the program over the past years, they have not had the time to do so. Notably, the issues that DCED management cites are the main reasons why written policies and standard operating procedures are so important. With staff turnover and an ever-changing environment, it is integral to document key procedures in writing so they are accurately and consistently applied from year-to-year. According to the Standards for Internal Control in the Federal Government, commonly known as the Green Book:<sup>41</sup>

[E]ffective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.<sup>42</sup>

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<sup>41</sup> The PA Governor's Office issued Management Directive 325.12, effective July 1, 2015, adopted these standards for the Commonwealth agencies. <[http://www.oa.pa.gov/Policies/md/Documents/325\\_12.pdf](http://www.oa.pa.gov/Policies/md/Documents/325_12.pdf)> (accessed April 9, 2018).

<sup>42</sup> United States Government Accountability Office Standards for the Internal Control in the Federal Government by the Comptroller General of the United States dated September 2014, page 29, <<https://www.gao.gov/assets/670/665712.pdf>> (accessed April 9, 2018).

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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#### **DCED lacked adequate monitoring of local agencies' productivity in providing weatherization services.**

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Pursuant to the Code of Federal Regulations, DCED is responsible to monitor and evaluate the operation of projects carried out by local agencies receiving financial assistance through on-site inspections, or other means, in order to ensure the effective delivery of weatherization assistance for the dwelling units<sup>43</sup> of low-income persons.<sup>44</sup> In accordance with the scope of our monitoring objective, we limited our monitoring audit procedures to only the 2015-2016 program year.

According to DCED management, in the 2014-2015 program year, DCED completed full agency reviews of each local agency. These reviews included sections for evaluating whether the local agency was meeting their production goals and, if not, determining the reason for their failure. Additionally, the review included evaluating how many people were on the weatherization service list, the call (waiting) list, and how long it takes a client placed on the list to receive services.

DCED management stated they did not perform the full agency reviews during the 2015-2016 program year because they were implementing the new quality work standards and were focused on the Quality Control Inspections (see Finding 3). Then in the 2016-2017 program year, DCED conducted risk assessments on local agencies for the first time. The risk assessments considered whether the local agency was meeting its production goals, but they did not address weatherization service lists. As part of the Commonwealth's Single Audit, the Department of the Auditor General staff evaluated these risk assessments and found them to be inadequately documented and no formal report was issued to the local agencies.<sup>45</sup> DCED management stated the results were inconsistent and not an accurate representation of the local agencies' actual risk.

The 2015-2016 program year was an essential time for DCED to ensure the local agencies were operating at peak capacity and serving as many households as possible. However, during the 2015-2016 program year, DCED failed to formally evaluate how many households were indicating a need for weatherization services within the areas served by each of the 37 local

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<sup>43</sup> Dwelling unit is defined as a house, including a stationary mobile home, an apartment, a group of rooms, or a single room occupied as separate living quarters. Source: U.S. Department of Energy Weatherization Assistance Program Glossary, p. XI-4, <[http://waptac.org/data/files/Website\\_Docs/Briefing\\_Book/11\\_Glossary\\_050306.pdf](http://waptac.org/data/files/Website_Docs/Briefing_Book/11_Glossary_050306.pdf)> (accessed April 20, 2018).

<sup>44</sup> 10 C.F.R. § 440.23(a), <<https://www.gpo.gov/fdsys/pkg/CFR-2011-title10-vol3/pdf/CFR-2011-title10-vol3-part440.pdf>> (accessed December 21, 2017).

<sup>45</sup> Commonwealth of Pennsylvania Single Audit Report for the fiscal year ended June 30, 2017, pp. 67-72, <<http://www.budget.pa.gov/PublicationsAndReports/Documents/SingleAuditReports/june-30-2017-single-audit-report.pdf>> (accessed April 27, 2018).

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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agencies and determine what could be done to alleviate this situation on a statewide basis. Without performing these procedures, DCED had no way of knowing how efficient the local agencies were performing and if more households could have been served if corrections had been made.

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### Recommendations for Finding 1

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We recommend that the Governor and General Assembly:

1. Place in state statute a continuing requirement that any available federal funding that promotes the safety and welfare of at-risk Pennsylvania citizens needing weatherization services must be released to state agencies as of July 1 of each year in the unfortunate event of the state fiscal budget not being passed by June 30.

We recommend that DCED:

2. Immediately begin strategic planning to address local agency funding issues if a state budget impasse appears imminent, including a special review of the allocations, in order to avoid returning any of the U.S. DOE funding. This planning should also include, but not be limited to, the following:
  - a. Formally documenting its decision-making process and factors used to allocate funding to local agencies to evidence the fair and consistent treatment of all local agencies.
  - b. Contacting all local agencies and documenting all communications regarding funding allocations.
3. Formally document the methodology of allocating LIHEAP funds to local agencies in a written policy.
4. Formally document standard operating procedures for annually calculating the U.S. DOE WAP and LIHEAP funds allocations to local agencies. The procedures should include, but not be limited to, the following:
  - a. The formula used to determine the allocations and the need to maintain the source documents to support the data used.



**A Performance Audit****Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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- b. Supervisory review of the allocation process to ensure management oversight.
5. Consider revising the U.S. DOE fund allocation to local agencies to incorporate prior year expenditures and/or the local agencies' ability to spend funds.
6. Utilize current low-income, heating degree days, and funding data for the U.S. DOE WAP allocation formula and maintain documentation to support this data.
7. Monitor the local agencies' productivity annually to assist in evaluating the local agencies' ability to spend program funds and reduce waiting lists.

### A Performance Audit

Department of Human Services  
 Department of Community and Economic Development  
 Energy Conservation and Assistance Programs  
 (LIHEAP and Weatherization)

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

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Pursuant to the Code of Federal Regulations, priority must be given to identifying and providing weatherization assistance to elderly persons, persons with disabilities, families with children, high residential energy users, and households with a high energy burden.<sup>46</sup> The Department of Community and Economic Development (DCED) is responsible for designing procedures to ensure compliance with those requirements and to include a description of these procedures within its annual state plan submitted to the U.S. Department of Energy (U.S. DOE). Based on our audit procedures, we found that DCED’s process of assigning priority to at-risk citizens was flawed, poorly administered, and created an opportunity for local agencies to abuse the process. Additionally, the current procedures do not necessarily ensure that priority is given to the most at-risk and vulnerable citizens.

According to DCED management, prior to the 2010-2011 program year, its policy required local agencies to maintain a single waiting list for weatherization services in order of highest to lowest priority. Eligible applicants were added to the waiting list based on their level of priority. This caused eligible applicants with a lower priority to be constantly pushed down on the waiting list and resulted in some clients waiting up to nine years to receive assistance, as reported in our 2007 performance audit of WAP. In response to our prior audit, DCED management revised its prioritization policy; however, in so doing, DCED’s waiting list procedures became overly convoluted. The result of which is that DCED is entirely unaware of the number of eligible applicants waiting for weatherization services and how long these at-risk citizens have been waiting.

DCED management indicated that the total number of people waiting for weatherization services is of little use because no matter which method they use, they cannot provide services to every single eligible person who wants their homes weatherized and there will always be citizens waiting for services. We disagree. DCED needs to constantly oversee the amount of at-risk citizens waiting for weatherization services and do everything in its power to assist local agencies in weatherizing the homes of as many eligible citizens as possible in a fair and equitable manner. DCED’s lack of understanding of how pervasive the waiting lists potentially are is quite concerning, given local agencies had unspent funds each year during our audit period. This resulted in DCED losing \$5.4 million of unspent federal funds. (See Finding 1 for further details.)

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<sup>46</sup> 10 C.F.R. § 440.16(b), <<https://www.gpo.gov/fdsys/pkg/CFR-2011-title10-vol3/pdf/CFR-2011-title10-vol3-part440.pdf>> (accessed December 21, 2017).

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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DCED provides weatherization services through a network of 37 contracted local agencies (Appendix B). For each program year, DCED allows each local agency to select which dwelling units<sup>47</sup> (units) the agency will weatherize. According to DCED management, to determine the estimated number of units that can be weatherized by a local agency, each local agency will utilize the amount of federal funds allocated to it for a program year by DCED (see Finding 1) and divide it by the local agency's average cost to weatherize a unit.<sup>48</sup> Generally, after the estimated number of units is determined, the local agency will verify the eligibility for approximately the same number of applicants (one applicant per unit) and will enter their information into the Hancock Energy System (HES).<sup>49</sup> The HES assigns points to the applicant (client) based on the following high-risk factors:

- Households with any member under 19 years of age.
- Households with any member over 60 years of age.
- Households with any member who are "Persons with Disabilities."
- Households with high energy use.
- Households with high energy burden as greater than or equal to 10% or 25% of the household's annual income.
- Participants in a utility company's Customer Assistance Program and/or receiving a LIHEAP Crisis grant.
- Client's annual income is either under 50%, 51% to 100%, or 101% to 150% of the federal poverty levels.<sup>50</sup>

DCED's written directive provided to local agencies explains this priority points system used to prioritize clients and defines a Weatherization Service List (WSL). Specifically, the directive states that clients deemed eligible may be added to the WSL and the local agency cannot create a WSL that contains more clients than are reasonably necessary to conduct weatherization services for each program year without running out of clients or funding. However, the directive does not explain:

- Which applicants should be selected to be placed on the WSL?
- How to calculate the number of applicants to place on the WSL?

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<sup>47</sup> Dwelling unit is defined as a house, including a stationary mobile home, an apartment, a group of rooms, or a single room occupied as separate living quarters. Source: U.S. Department of Energy Weatherization Assistance Program Glossary, p. XI-4, <[http://waptac.org/data/files/Website\\_Docs/Briefing\\_Book/11\\_Glossary\\_050306.pdf](http://waptac.org/data/files/Website_Docs/Briefing_Book/11_Glossary_050306.pdf)> (accessed April 20, 2018).

<sup>48</sup> For example, \$1 million divided by \$10,000 (average cost to weatherize) equates to being able to weatherize 100 units that program year.

<sup>49</sup> DCED and the local agencies use the Hancock Energy System to maintain client information and documentation to support the weatherization services provided.

<sup>50</sup> Excerpted from Wx Master File 2016 – V.3. Client Prioritization.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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- What procedures should be followed if the local agency services all the applicants on the WSL?
- What procedures should be followed if the local agency runs out of funding before serving all applicants on the WSL?

According to DCED management, the HES will prioritize eligible clients based on the number of priority points assigned to create a WSL for each agency. The WSL is maintained in the HES. The more points clients are assigned, the higher they are placed on the WSL. Each local agency will provide weatherization services to the client at the top of the list first and then will work down the list in sequential order until either funds are exhausted or all the clients on the WSL have been serviced. If money runs out before all the clients on the WSL have received services, the remaining clients will be serviced first with the next program year's funding. If the local agency has serviced everyone on the WSL and there is still money left over, the local agency will add additional eligible clients to the HES, which will prioritize these clients and add them to the WSL.

To put this into perspective, local agencies are allowed to place anyone on the WSL of their choosing as long as the client is eligible. Local agencies may pull from a "call" list as discussed in the next paragraph or place neighbors or friends or family directly on the WSL. There is no prioritization performed until the clients are placed on the WSL. Not providing specific policy on how local agencies should choose to place clients on the WSL is a specific example of DCED's flawed process. This lack of policy creates an opportunity for local agencies to potentially circumvent the program's intent. This flawed process is further seen by DCED's lack of guidance regarding "call" lists.

DCED's directive further states that it may be necessary for local agencies to maintain a separate list of weatherization inquiries or eligible applicants to contact once its WSL has been depleted.<sup>51</sup> DCED refers to this list as a "call" list, which is simply a list of individuals who have contacted a local agency to inquire about weatherization services. The directive also states that individuals who have not been deemed eligible and who cannot be provided services with the current funding are not considered to be on the WSL, a waiting list, or any other list officially maintained by a local agency.<sup>52</sup> In other words, DCED specifically does not want local agencies to develop or track an official waiting list beyond what clients will be serviced that current program year. It appears that DCED is trying to avoid knowing or tracking the realization of how many potential clients are waiting for weatherization services. According to DCED, the directive does not address the following questions because of the use of "call" lists are not required:

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<sup>51</sup> DCED Center for Community Services Directive W2014-8, Eligibility, Client Prioritization, and the Weatherization Service List, effective September 4, 2014, page 15.

<sup>52</sup> Ibid.

### **A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

- What applicant information is to be tracked on the call list?
- When to remove applicants from the call list?
- What to do if a local agency has no call list?
- What to do if a local agency has a significant amount of applicants on its call list?

DCED does not specify in its directive to the local agencies whether or not the agencies should determine the eligibility of individuals on the call list. According to DCED management, the individuals on the call list may or may not have been evaluated to determine whether they are eligible for the program. Again, DCED's failure to provide this instruction to the local agencies allows local agencies to create call lists at their own discretion and do so in any manner they see fit, which will be discussed later. Therefore, DCED and the local agencies are unaware of how many people are truly waiting for weatherization services, how long those individuals have been waiting, and whether they are serving the neediest, most vulnerable citizens. Further, having a consistent, standardized method to create and maintain these lists would assist DCED in evaluating the program on a statewide level to determine how to best divide resources among the local agencies to serve the most amount of citizens in need.

The call lists are cumulative. Local agencies continue to add names to the bottom of the list year after year. In theory, at the beginning of a program year, if the local agency uses a call list, the group of clients at the top of the call list will be evaluated for program eligibility and moved to the WSL. Similarly, if there is additional funding leftover after all of the clients on the WSL have been serviced, additional clients at the top of the call list will be evaluated for program eligibility, prioritized using the same point system, and placed at the end of the WSL. However, as previously discussed, there is no requirement for local agencies to use a call list, nor are there parameters defining the manner in which names are pulled from call lists. As discussed later, most local agencies maintain call lists and some have thousands of names on them as of June 30, 2017.

**A Performance Audit**

**Department of Human Services  
 Department of Community and Economic Development  
 Energy Conservation and Assistance Programs  
 (LIHEAP and Weatherization)**

**Call List vs. Weatherization Service List  
 For the period July 1, 2013 through June 30, 2017**

Call List	Weatherization Service List
<ul style="list-style-type: none"> <li>• Not an “official” list</li> <li>• May contain ineligible applicants</li> <li>• Local agencies are not required to use</li> <li>• No standardized tracking method</li> <li>• No prioritization</li> </ul>	<ul style="list-style-type: none"> <li>• Official list</li> <li>• Contains only eligible applicants</li> <li>• Local Agencies must use</li> <li>• Tracked in the Hancock Energy System</li> <li>• Prioritized using point system</li> </ul>
<b>Over 30,000 applicants</b>	<b>8,306 applicants</b>

*Source: The number of applicants on the Weatherization Service Lists is from DCED’s Production and Expenditure Reports for July 1, 2013 through June 30, 2017. The number of applicants on the call lists were provided by the local agencies; therefore, this data is of undetermined reliability as noted in Appendix A. However, this data is the best available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings and conclusions.*

As explained above, DCED only uses the priority point system to determine the order in which weatherization services will be performed for the group of eligible clients selected to be placed on the WSL. This means that a high-risk household could express interest in weatherization services and be placed at the bottom of the call list while the WSL serves households with a lower risk merely because they contacted the local agency first.

To make matters worse, DCED failed to oversee how the local agencies create and maintain these lists. Pursuant to the Code of Federal Regulations, DCED is responsible for monitoring and evaluating the operation of projects carried out by local agencies receiving financial assistance to ensure the effective delivery of weatherization assistance.<sup>53</sup> Furthermore, the U.S. DOE Weatherization Program Notice (WPN) 16-4 states that DCED must conduct “comprehensive monitoring” of each local agency at least once a year.<sup>54</sup> DCED management was inconsistent in their explanation of what its monitors do to oversee the prioritization of clients; however, during our test procedures to review the Quality Control Inspections (detailed in Finding 3), we saw no evidence that WSLs or call lists were monitored. It is clear that DCED does not place significance on the process used by local agencies to select and prioritize which applicants receive weatherization services. While this practice may be related to concerns about taking

<sup>53</sup> 10 C.F.R. § 440.23(a), <<https://www.gpo.gov/fdsys/pkg/CFR-2011-title10-vol3/pdf/CFR-2011-title10-vol3-part440.pdf>> (accessed December 21, 2017).

<sup>54</sup> Department of Energy WPN 16-4, <[http://www.waptac.org/data/files/Website\\_docs/Government/Guidance/2015/WPN-16-4.pdf](http://www.waptac.org/data/files/Website_docs/Government/Guidance/2015/WPN-16-4.pdf)> (accessed December 21, 2017).

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

away the control of the local agencies, DCED has a duty to ensure that the vulnerable citizens for whom the WAP was created are getting the services they need in a timely and effective manner.

As part of our audit procedures, we requested the call lists from all 37 local agencies for the period July 1, 2013 through June 30, 2017. We received call lists from 33 agencies. Three local agencies confirmed they did not use a call list during this time period and one local agency did not respond to our repeated requests.

In reviewing these call lists, we found that no two lists were the same. Each list contained different information with varying degrees of detail. For instance, one local agency only recorded the name and address of the person; whereas another local agency recorded the name, address, county, date the application was requested, type of property, contact phone number, and notes to describe the basic intake information regarding eligibility (income, energy provider, etc.). The amount of inquiries on the call lists, as reported by the 33 local agencies, ranged between 15 and 6,882 inquiries. As shown in the below table, 13 of the 33 local agencies, or 40 percent, reported over 1,000 inquiries were received between July 1, 2013 and June 30, 2017.

Number of Inquiries Received	Number of Local Agencies
1-100	5
101-500	8
501-1,000	7
Over 1,000	13

*Source: Created by Department of the Auditor General staff based on information reported by local agencies. This data is of undetermined reliability as noted in Appendix A. However, this data is the best available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings and conclusions.*

Collectively, the 33 local agencies recorded more than 30,000 applicants on call lists over the four-year period. The approximate 30,000 applicants consist of individuals who at a bare minimum expressed interest in weatherization services to one of the 33 local agencies. The applicants on these call lists may or may not have been determined to be eligible for the program. Additionally, there could potentially be duplicated individuals on the call lists if the individual called the local agency on several occasions. DCED management emphasized that the call lists are overstated and the majority of individuals on the call lists are likely not eligible for the program. In essence, DCED management admits these lists do not accurately represent the

**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

households waiting for weatherization services, but they have not done anything to improve this process.

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**Recommendations for Finding 2**

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We recommend that DCED:

1. Revise its client prioritization policy to require local agencies to determine eligibility of applicants at the time of first contact and in a manner that will ensure vulnerable citizens are not waiting for weatherization services for long periods of time.
2. Consider adding a high-risk factor that takes into account the length of time the client has been waiting for services.
3. Revise its client prioritization directive to local agencies so that it requires all local agencies to use the same uniform process to maintain WSLs and call lists, including what information should be recorded on call lists.
4. Implement and document procedures for DCED to monitor the local agencies use of WSLs and call lists to ensure they are in compliance with DCED's policies.
5. Evaluate the local agency call lists on a regular basis to determine if redistribution of program resources on a statewide level could more efficiently or effectively serve citizens in need of weatherization services.



### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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#### **Finding 3 – DCED failed to adequately perform, document, and track its monitoring of local agencies.**

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The Department of Community and Economic Development (DCED) administers the federally-funded Weatherization Assistance Program (WAP). DCED receives funds directly from the U.S. Department of Energy (U.S. DOE) and indirectly from the U.S. Department of Health and Human Services, which provides Low-Income Home Energy Assistance Program (LIHEAP) funding to Department of Human Services (DHS). DHS transferred 15% of LIHEAP funding to DCED to address both standard and crisis weatherization for LIHEAP clients for the 2015-2016 program year.

The Code of Federal Regulations sets forth the requirements for DCED to monitor the local agencies that perform services under WAP. Additionally, U.S. DOE issues Weatherization Program Notices (WPN) outlining further guidance for local agency monitoring procedures.

For the 2015-2016 program year, DCED performed three types of monitoring over its local agencies, including Quality Control Inspections (QCIs),<sup>55</sup> LIHEAP crisis reviews,<sup>56</sup> and local agency financial reviews. Based on our review of DCED's monitoring procedures, we found that DCED's monitoring of services completed by local agencies for July 1, 2015 through June 30, 2016, was mostly conducted in compliance with its internal monitoring policies and procedures. However, we noted several internal control weaknesses that threaten DCED's ability to adequately oversee the program, including:

- DCED failed to adequately track its U.S. DOE QCIs, LIHEAP QCIs, and LIHEAP crisis reviews.
- DCED failed to complete a financial review for one local agency, but financial reviews tested were adequately performed.
- DCED lacked adequate written procedures for all monitoring of local agencies.

These weaknesses are described in detail in the following sections.

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<sup>55</sup> A QCI is an on-site inspection of a WAP job to ensure that all work completed meets the minimum specifications outlined in the Standard Work Specification in accordance with 10 C.F.R. § 440.

<sup>56</sup> A LIHEAP crisis review is an on-site or desk review (at DCED via the use the Hancock Energy System) to ensure the crisis work was completed as it was invoiced.

### **A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

#### **DCED failed to adequately track its U.S. DOE QCIs, LIHEAP QCIs, and LIHEAP crisis reviews.**

U.S. DOE requires state agencies to develop a tracking record to track the monitoring of local agencies to final resolution.<sup>57</sup> DCED administrative staff maintains logs to track the U.S. DOE QCIs, LIHEAP QCIs, and LIHEAP crisis reviews performed by the DCED monitors. The logs include the following dates:

- Monitoring was performed.
- Results letter/final report was sent to the local agency.
- Local agency corrective action plan was due.
- Local agency corrective action plan was received.
- Local agency corrective action plan approval letter was sent.

We requested and reviewed the logs for the 2015-2016 program year from DCED. In answer to our follow-up questions and concerns, DCED management acknowledged the logs were not fully complete or accurate. DCED management explained that monitors did not consistently inform the administrative staff of the dates to record in the logs. Generally, the administrative staff will search for these dates within the monitors' electronic files, but the monitoring files are not consistently saved in a centralized location and the administrative staff may have misinterpreted what a file signifies due to a lack of understanding of the monitoring process. DCED management agreed this was an issue and stated it is currently working on fixing the problem.

In lieu of having complete and accurate logs, DCED management provided auditors with lists of completed QCIs and LIHEAP crisis reviews by compiling the information from the Hancock Energy System (HES). However, we found additional errors on these compiled lists while completing our testing. Consequently, the lists of QCIs and LIHEAP crisis reviews completed, as provided by DCED, are not sufficiently reliable for completeness and accuracy. Our testing of these areas is limited to our review of 39 QCIs and 8 LIHEAP crisis reviews selected for testing as discussed below and should not be projected to the entire population of monitoring reports.

#### **U.S. DOE QCIs and LIHEAP QCIs**

U.S. DOE Weatherization Program Notice 15-4 (effective October 21, 2014), required state agencies to develop monitoring procedures by July 1, 2015, so that every U.S. DOE WAP dwelling unit reported as a "completed unit" must receive a final inspection ensuring that all

<sup>57</sup> Department of Energy WPN 16-4, <[http://www.waptac.org/data/files/Website\\_docs/Government/Guidance/2015/WPN-16-4.pdf](http://www.waptac.org/data/files/Website_docs/Government/Guidance/2015/WPN-16-4.pdf)> (accessed December 21, 2017).

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

work meets the minimum specifications outlined in the Standard Work Specifications. This notice also requires states to perform QCIs on at least 5 percent of all completed units.<sup>58</sup>

The 2015-2016 LIHEAP State Plan states that the U.S. DOE State Plan “establishes the number of homes to be weatherized within the limits of available resources, the specific energy conservation measures to be undertaken, eligibility requirements, projected energy savings, program implementation strategies and other program requirements. These requirements will apply to the LIHEAP portion of the Weatherization Assistance Program.”<sup>59</sup>

Accordingly, DCED management established an internal policy to monitor the LIHEAP funds by performing QCIs on at least 2% of the completed units for LIHEAP standard weatherization and desk reviews or onsite monitoring for at least 3% of completed LIHEAP crisis units (LIHEAP crisis reviews are discussed in the next section).

During the 2015-2016 program year, DCED weatherized 1,444 units with U.S. DOE funds and 1,074 units with LIHEAP funds. As a result, DCED needed to complete the QCI process on at least 73 U.S. DOE units and 22 LIHEAP units. According to DCED management, its monitors completed the QCI process for 114 and 27 units, respectively. However, as discussed above, these numbers are not sufficiently reliable for completeness or accuracy. Therefore, we cannot determine if DCED performed the minimum number of inspections in compliance with the federal regulations.

<b>Program</b>	<b>Total Units Completed</b>	<b>Minimum % DCED Must Inspect</b>	<b>Minimum No. of Units DCED Must Inspect</b>
U.S. DOE Standard Weatherization	1,444	5%	73
LIHEAP Standard Weatherization	1,074	2%	22

*Source: The units completed are from DCED's 2015-2016 Production and Expenditure Report.*

Out of the total 141 QCIs (114 U.S. DOE units and 27 LIHEAP units) DCED claims to have completed, we judgmentally selected 39 to test based on the cost of the unit, location, issues

<sup>58</sup> Department of Energy W PN 15-4, <[https://www.energy.gov/sites/prod/files/2014/10/f18/wpn\\_15\\_4.pdf](https://www.energy.gov/sites/prod/files/2014/10/f18/wpn_15_4.pdf)> (accessed December 21, 2017).

<sup>59</sup> Commonwealth of Pennsylvania Low-Income Home Energy Assistance Program Fiscal Year 2016 Final State Plan, page C-6.

### **A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

identified, and completion time. For each of the QCIs selected, we reviewed the QCI checklist, monitoring summary, results letter sent to the local agency, the local agency's corrective action plan (CAP), the CAP approval letter, and data within the Hancock Energy System (HES). We ensured these monitoring documents were complete and any issues identified were addressed with and resolved by the local agency. Additionally, we ensured the results letter was signed by the Weatherization Specialist Supervisor, which DCED uses as evidence that a supervisory review was performed on the QCI results.

We found, for all 39 items reviewed, DCED adequately completed a QCI. However, we found one results letter/final report and three corrective action plan approval letters were never sent to the local agency until after the auditors found these documents to be missing. DCED management sent these letters after the conclusion of our testing, which ended up being 16-18 months after the inspection was completed. Therefore, DCED did not timely provide monitoring results, which could have delayed the local agencies in implementing their corrective actions plans. DCED management indicated that these oversights were due to the inadequate tracking of the QCIs as noted above.

#### **LIHEAP Crisis Reviews**

The majority of LIHEAP crisis funds used within WAP are to repair/replace heating systems; therefore, the QCI process used to evaluate weatherization work is not applicable. Per DCED's internal policy, the monitors must verify that the work was completed, either by an on-site visit or a desk review of photos within HES, for at least 3% of repaired/replaced heating systems. The reviews are documented on a LIHEAP Crisis Checklist.

For the 2015-2016 program year, local agencies repaired/replaced 6,719 heating systems,<sup>60</sup> which means the DCED monitors needed to perform a LIHEAP crisis review for 202 heating systems. DCED management stated that the required amount of LIHEAP crisis reviews were performed; however, only 28 were formally documented. This particular issue of completing an inadequate amount of LIHEAP crisis reviews based on only 28 being documented was already issued in a finding by the Department of the Auditor General in the Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 2016.<sup>61</sup> It is integral that DCED begin to formally document these LIHEAP crisis reviews as evidence that they are in compliance with federal regulation and its internal policies.

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<sup>60</sup> This figure is from the DCED 2015-2016 Production and Expenditure Report.

<sup>61</sup> Single Audit of the Commonwealth of Pennsylvania for the Fiscal Year Ended June 30, 2016, Finding 2016-011, pages 79-82, <<http://www.budget.pa.gov/PublicationsAndReports/Documents/SingleAuditReports/june-30-2016-single-audit-report.pdf>> (accessed October 12, 2017).

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

We reviewed 8 of the 28 documented LIHEAP crisis reviews to verify that for each review the checklist was completed, the results of the monitoring were sent to the local agency, and any issues identified were resolved by the local agency. All eight LIHEAP crisis reviews had completed checklists. For four of the eight LIHEAP crisis reviews, DCED sent the results to the local agencies and adequately followed-up on any deficiencies noted. In the remaining four LIHEAP crisis reviews tested, we found DCED did not send the results to the local agencies until 21-23 months after the review was completed. DCED management stated the monitoring staff struggles with timeliness, which was especially the case after the state budget impasse and the implementation of the new QCI process.

### **DCED failed to complete a financial review for one local agency, but those completed financial reviews that were tested were adequately performed.**

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Pursuant to the Code of Federal Regulations, DCED must monitor the activities of the local agencies to ensure the funds are used for authorized purposes, in compliance with federal statutes and regulations, the terms and conditions, and that performance goals are achieved.<sup>62</sup> Further, the U.S DOE. Weatherization Program Notice 16-4 states that DCED must conduct “monitoring of each subgrantee at least once a year.”<sup>63</sup>

For the 2015-2016 program year, DCED completed fiscal reviews for 36 of the 37 local agencies. According to DCED management, they did not monitor the remaining local agency due to extensive monitoring that took place during the 2014-2015 program year, which included a review of every invoice submitted by the local agency prior to payment. We disagree with DCED management’s logic that in-depth financial monitoring performed in the prior year negates the requirement for financial monitoring in the current year. Not only does this not comply with federal guidance, but it creates the opportunity for local agency internal control deficiencies and financial errors to remain undetected for over a year.

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<sup>62</sup> 2 C.F.R. § 200.331(d), <<https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-part200-subpartD.pdf>> (accessed December 21, 2017).

<sup>63</sup> Department of Energy Weatherization Program Notice 16-4, <[http://www.waptac.org/data/files/Website\\_docs/Government/Guidance/2015/WPN-16-4.pdf](http://www.waptac.org/data/files/Website_docs/Government/Guidance/2015/WPN-16-4.pdf)> (accessed December 21, 2017).

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

Out of the 36 fiscal reviews performed, we judgmentally selected four items to test based on those local agencies with higher expenditures and deficiencies identified during financial monitoring. We wanted to verify that DCED's forms used in financial monitoring were properly completed, including the:

- Fiscal Monitoring Questionnaire
- Internal Control Checklist
- Fiscal Management and Cash Management Checklist
- Payroll testing Checklist
- Expenditure Testing Checklist
- Fiscal Monitoring Checklist

For all four items tested, we found that DCED had sufficient source documents on file to support the results of the financial reviews, followed all identified deficiencies through to resolution, and had proper evidence of supervisory review. Therefore, other than the decision to not complete the financial monitoring for one local agency, it appears DCED's financial monitoring procedures over local agencies were adequate.

### **DCED lacked adequate written procedures for monitoring all local agencies.**

DCED's Center for Community Services has a directive that outlines its U.S. DOE QCI, LIHEAP QCI, LIHEAP crisis review, and local agency financial review monitoring policies and references DCED's WAP Monitoring Guidelines and Procedures, which describes the monitoring procedures to perform. However, DCED does not have written standard operating procedures, such as a desk manual documenting in detail the specific monitoring procedures to be performed by DCED staff and supervisors. For instance, DCED does not have a written methodology explaining how the monitors determine which dwelling units to inspect, nor do they possess instructions for how to complete the monitoring checklists. Also, there are no written procedures for the supervisory review process of monitoring or tracking the monitoring process.

When asked how monitoring staff select specific units to inspect, DCED management stated it is a combination of different factors, such as high costs, type of service, higher risk projects identified in the HES system, and a mix of rental and owned properties. Additionally, DCED management stated that at times it allows the local agencies to select the units to be inspected if DCED monitoring staff need to limit travel because the local agencies have a better understanding of which households are in close proximity to one another. DCED management

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

indicated that the selection process is not in its monitoring procedures since it is based on the monitors' professional judgment and not specific, measurable factors.

Without having detailed written operating procedures, however, there is a potential for procedures to be inconsistently applied or inaccurately performed by staff. Additionally, written operating procedures create a stable, memorialized process that remains in place during times of staff turnover. According to the Standards for Internal Control for Federal Governments, commonly known as the Green Book:<sup>64</sup>

[E]ffective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.<sup>65</sup>

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### Recommendations for Finding 3

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We recommend that DCED:

1. Establish written standard operating procedures for monitoring, detailing the procedures used to monitor local agencies, including the following:
  - a. The selection process for determining which dwelling units to conduct the Quality Control Inspection. This would include not allowing the local agency to make that determination for the DCED monitors.
  - b. The selection process for determining which crisis-related jobs should be selected to verify the work was completed (LIHEAP crisis review).
  - c. The monitoring tracking process.
  - d. The supervisory review processes to ensure that the monitoring results are accurate and the tracking logs are complete and accurate.

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<sup>64</sup> The PA Governor's Office issued Management Directive 325.12, effective July 1, 2015, adopted these standards for the Commonwealth agencies. <[http://www.oa.pa.gov/Policies/md/Documents/325\\_12.pdf](http://www.oa.pa.gov/Policies/md/Documents/325_12.pdf)> (accessed April 9, 2018).

<sup>65</sup> United States Government Accountability Office Standards for the Internal Control in the Federal Government by the Comptroller General of the United States dated September 2014, page 29, <<https://www.gao.gov/assets/670/665712.pdf>> (accessed April 9, 2018).

**A Performance Audit****Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

2. Maintain a log to track all monitoring of local agencies, including key dates, to ensure the monitoring process is complete through finding resolution and all result letters and corrective action plan approval letters are timely sent to local agencies.
3. Provide training to staff responsible for maintaining the monitoring tracking logs to ensure complete and accurate information is recorded.
4. Ensure information entered into the Hancock Energy System is complete and accurate.
5. Document all reviews, both on-site and desk reviews, of the LIHEAP crisis units completed.
6. Conduct annual monitoring of all local agencies to ensure they are functioning at full capacity and serving as many needy Pennsylvanians as possible.
7. Conduct annual fiscal monitoring of all local agencies in accordance with federal regulations.
8. Ensure the minimum number of U.S. DOE Quality Control Inspections, LIHEAP Quality Control Inspections, and LIHEAP crisis reviews are completed in compliance with federal regulations and DCED policies.



### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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#### Status of Prior Audit Findings

Our prior performance audit of the Weatherization Assistance Program (WAP) administered by the Department of Community and Economic Development (DCED) dated August 1, 2007, covered the period July 1, 2001 through June 30, 2006, and contained 10 findings with 24 recommendations. Based on our current performance audit procedures, we verified that five of the prior audit findings with 15 recommendations were incorporated into the Department of the Auditor General's Single Audit as five findings for the fiscal year ended June 30, 2006, and determined to be resolved through the annual Single Audit process in subsequent fiscal years. The following section lists the five prior findings with the related recommendations that were incorporated into the Single Audit. For the remaining five prior audit findings with nine recommendations, we also provide the status of these findings and offer additional recommendations, when applicable, to eliminate the deficiencies currently identified.

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#### Prior findings incorporated into the Single Audit

##### **Finding 1 – Control weaknesses and potential abuse found in administering the Weatherization Assistance Program. (Resolved)**

*We recommended that DCED strengthen its controls over the administration and oversight of WAP by developing written policies and procedures for its local agencies. For example, DCED should require local agencies to adequately document their oversight to ensure that crisis situations were resolved timely or temporary measures were provided when delays occurred. Also, DCED should take a proactive stance to determine the 12-month income eligibility of all WAP applicants regardless of their Low-Income Home Energy Assistance Program (LIHEAP) eligibility. For clients in crisis situations referred to local agencies through the LIHEAP Crisis Weatherization Interface, we recommended that DCED develop policies and procedures to verify income eligibility based on actual income for the 12 months preceding the date referred, while maintaining the health and safety of these clients. DCED should also require that subcontractors submit detailed invoices with the labor and materials breakout to avoid the potential of subcontractor overbillings. Finally, DCED should improve its monitoring of the local agencies to ensure consistency and compliance of WAP requirements.*

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

#### **Finding 2 – Two local agencies wasted \$94,081 providing weatherization services to the same dwellings in Philadelphia. (Resolved)**

*We recommended that DCED, with cooperation from the two Philadelphia agencies, should immediately create a system to ensure re-weatherization services are not provided to ineligible dwellings as required by the U.S. Department of Energy (U.S. DOE) regulations so 1) more eligible clients will be served and the period they are waiting for services will be shortened and 2) the potential for fraud and abuse will be minimized.*

#### **Finding 3 – DCED does not adequately review Weatherization Assistance Program expenditures for accuracy prior to approving local agency grant payments. (Resolved)**

*We recommended that DCED develop policies and procedures to ensure expenditures reported by the local agencies are valid and properly supported. We also recommend that DCED develop procedures that adequately instruct monitors on how to document and support the results of their reviews. Also, DCED should periodically reconcile local agency grant payments with reported expenditures to reduce the risk of local agencies overcharging DCED and reduce the risk of fraud, waste, and abuse of WAP funds.*

#### **Finding 4 – Weaknesses in contracting for services exist at local agencies. (Resolved)**

*We recommended that DCED adequately monitor local agency contracting procedures and provide guidance to ensure WAP dollars are efficiently utilized and weatherization services are maximized. We also recommended that the agency in Lancaster submit the furnace work out for competitive bidding. In addition, we recommended that the Dauphin agency document if bidding procedures are not feasible and document alternative procedures when obtaining two or more quotes from local furnace repair shops. The bidding criteria at the Philadelphia agency we visited should include labor costs to be evaluated for competitive bidding. Finally, all local agencies should immediately obtain written authorization and approval from DCED regarding respective contracting/procurement procedures.*

#### **Finding 9 – DCED failed to adequately monitor local agencies. (Resolved)**

*We recommended that DCED develop written policies and procedures to ensure local agencies are properly monitored and at-risk citizens and other applicants are receiving assistance in a timely manner. These policies and procedures should include, but not be limited to:*

- *Assessing internal controls.*

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

- *Developing a sampling methodology that ensures a representative number of client files are reviewed.*
- *Ensuring application documentation in client files is complete and accurate.*
- *Compiling the monitors' results into a summary report of all local agencies.*

**Prior Finding 5 – The most vulnerable and needy Pennsylvanians do not always receive priority and could wait up to nine years to receive weatherization services. (Not Resolved)**

In our prior audit, DCED management indicated that it only required local agencies to give priority to households with elderly residents or persons with disabilities, and that the local agencies were not always following this policy. At that time, DCED had to request information from the local agencies in order to report that over 9,000 applicants were waiting for weatherization services. Additionally, we found that DCED did not have any policies and procedures in place for maintaining waiting lists.

We recommended that DCED should monitor the local agencies to ensure that the most at-risk and needy Pennsylvanians are the first to receive weatherization services. Because some agencies have longer waiting lists than others, DCED should take into consideration the length of an agency's waiting list when allocating the federal grant monies among the 37 local agencies (formerly 42 local agencies). In addition, DCED should consider requesting additional LIHEAP funds from Pennsylvania Department of Human Services (DHS) (formerly the Department of Public Welfare). DCED should also develop policies and procedures to instruct local agencies on how to maintain and prioritize weatherization service waiting lists.

This topic was also addressed in the special report of WAP released in February 2012. The status of the special report recommendations are included in the next section of this report.

### **Status as of this audit**

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One of the objectives in our current performance audit was to determine whether DCED ensures that WAP local agencies properly manage their waiting lists. Our evaluation of this topic and our recommendations can be found in Finding 2 of the current audit report.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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#### **Prior Finding 6 – Local Weatherization Assistance Program agencies do not always verify and inspect the work of their subcontractors and employees. (Resolved)**

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In our prior audit, we found that local agencies did not always perform final inspections after weatherization and heating system improvements were completed at a client’s dwelling. At that time, U.S. DOE regulations required all weatherization projects to be inspected by a local agency energy auditor to verify the work was performed and completed to acceptable standards. DCED required that a signed and dated Quality Inspection Sheet be maintained in each client file. Management personnel at three of the four local agencies reviewed admitted that final inspections were not always performed.

We recommended that DCED develop procedures to ensure final inspections are independently performed. We also recommended that no monies be paid to subcontractors and local agencies for services provided at a client’s home until a final inspection is satisfactorily completed.

#### **Status as of this audit**

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U.S. DOE Weatherization Program Notice 15-4 (effective October 21, 2014), required state agencies to develop monitoring procedures by July 1, 2015, so that every U.S. DOE WAP unit reported as a “completed unit” must receive a final inspection ensuring that all work meets the minimum specifications outlined in the Standard Work Specifications (SWS).<sup>66</sup> The contracts between the local agencies and DCED reiterate these requirements in Appendix C, stating that all energy conservation and weatherization units reported as completed units must receive a final Quality Control Inspection by a certified Quality Control Inspector to ensure the work meets the minimum specifications outlined in the SWS.

Additionally, DCED’s State Plan for 2015-2016, section V.8.3., states in part, “[f]or jobs that have been reported in the Hancock Energy Software System (HES) as complete and do not pass the Department’s quality control inspection” and “the issue cannot be corrected or the timing is such that the corrections cannot be made within the funding release limits, the agency will be charged with disallowed costs, and funds will be returned to the department.”<sup>67</sup>

During our audit period, due to the new U.S. DOE quality control requirements, we found DCED implemented procedures that require the local agencies to perform quality control inspections on all jobs and upload supporting documentation in the HES system. DCED also performed Quality Control Inspections on at least 5% of the completed units as part of its local agency monitoring,

<sup>66</sup> Department of Energy Weatherization Program Notice 15-4, <[https://www.energy.gov/sites/prod/files/2014/10/f18/wpn\\_15\\_4.pdf](https://www.energy.gov/sites/prod/files/2014/10/f18/wpn_15_4.pdf)> (accessed December 21, 2017).

<sup>67</sup> Excerpted from Wx Master File 2016 – V.8.3. Monitoring Activities.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

which includes reviewing the local agency inspections. Therefore, our recommendations have been implemented, and this prior audit finding is resolved. Further discussion of local agency monitoring can be found in Finding 3 of the current audit report.

**Prior Finding 7 – DCED and local agencies do not adequately promote awareness of the Weatherization Assistance Program. (Resolved)**

In our prior audit, we found that DCED and local agencies did not adequately promote awareness of WAP to the public. DCED management stated that it relied on local agencies to promote awareness, as well as DHS as a component of LIHEAP. Management at the local agencies stated that they did not actively promote WAP services. We also found that DCED had no policies or procedures relating to promoting awareness of WAP.

In addition, DCED management stated that there is no need to advertise WAP because there is a waiting period to receive services. Management at the local agencies stated that attracting more applicants through advertising would only lengthen its waiting lists.

We recommended that DCED, in cooperation with the local agencies, should actively promote the program to ensure public awareness of the program so eligible citizens, including the most vulnerable and needy, are provided assistance.

### Status as of this audit

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DCED management stated that local agencies and utility companies promote the program as needed and other state agency websites are linked to DCED's WAP website. Additionally, there is a "Weatherization Day" sponsored by the Governor's Office via a proclamation.

We confirmed there are links to the program on the Pennsylvania Public Utility Commission's website under energy assistance programs, and on Benefits.gov. WAP is advertised in conjunction with other low-income federal assistance programs (such as the Special Supplemental Nutrition Program for Women, Infants, and Children, Children's Health Insurance Program, Medicaid, or LIHEAP).

Additionally, we found that utility companies, such as PPL, PECO, and UGI, reference energy assistance programs on their websites. It appears there is an adequate level of advertising for WAP. Therefore, our recommendation has been implemented, and this prior audit finding has been resolved.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

**Prior Finding 8 – DCED and local agencies do not measure the effectiveness resulting from weatherization efforts. (Resolved)**

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In our prior audit, we found that local agencies did not measure the success or failure of WAP by determining energy savings through the reduction of home heating costs. In addition, DCED failed to provide proper oversight in requiring this information to be reported. DCED management stated that U.S. DOE did not require any analysis of actual savings so none was performed.

We recommended that DCED, in cooperation with local agencies, develop a standard approach to calculate energy and monetary savings. This information could be summarized and reported to allow stakeholders in WAP to better determine WAP's efficiency and effectiveness. In addition, this information could be used for decision making purposes to enhance WAP statewide.

### Status as of this audit

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The Code of Federal Regulations requires that each weatherization material installed must be cost-effective and result in energy cost savings over the lifetime of the measure(s), discounted to present value, that equal or exceed the cost of materials, installation, and on-site supervisory personnel.<sup>68</sup> Per U.S. DOE Weatherization Program Notice 13-5, the measures installed in the house must have a savings-to-investment ratio (SIR) which meets or exceeds 1.0. After the home energy audit is performed on eligible houses, all of the prioritized weatherization measures from the audit that meet the SIR requirement must be installed in the order of cost-effectiveness.<sup>69</sup> This information is tracked in the Hancock Energy System and is reviewed by DCED as part of the Quality Control Inspections.

DCED issued a "Weatherization Program Report on Client Energy Savings" in February 2013 which examined a change in energy consumption for WAP households weatherized between January 2010 and March 2012. It found that the primary predictor of potential energy savings is the amount of energy consumed in the pre-weatherization period. The larger the energy consumption in the pre-period, the greater the potential for savings which support the strategy of prioritizing higher energy users.

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<sup>68</sup> 10 C.F.R. § 440.21(d), <<https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-part200-subpartD.pdf>> (accessed December 21, 2017).

<sup>69</sup> Department of Energy Weatherization Program Notice 13-5, <<https://www.energy.gov/sites/prod/files/2015/12/t27/WAP-WPN-13-5.pdf>> (accessed March 19, 2018).

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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Based on our review, we found that DCED has implemented a standard approach to calculate and track estimated energy savings. Additionally, U.S. DOE performed a retrospective evaluation of energy savings based on the special report on client energy savings issue by DCED. U.S. DOE found WAP to be highly effective in saving energy as well as other benefits. Therefore, our recommendation has been implemented, and this prior finding is resolved.

**Prior Finding 10 – DCED does not have computer system integration capabilities with local agencies to gather, summarize, and access Weatherization Assistance Program information. (Resolved)**

In our prior audit, we found that local agencies sent quarterly reports electronically to DCED which summarized the cumulative number of weatherization projects completed and cumulative expenditures during a calendar quarter. However, DCED did not have a database integrated with the all local agencies to gather, summarize, and track weatherization information on an ongoing basis to assist in continuously monitoring WAP.

We recommended that DCED develop a database, in cooperation with local agencies, to assess the performance of local agencies and determine whether any corrective action is required to improve performance of WAP.

### **Status as of this audit**

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Since the prior audit, DCED has procured software known as the Hancock Energy System (HES) to summarize and track WAP information. DCED requires all local agencies to submit information through HES including client information, energy audit results, Quality Control Inspection documentation, corrective action plans (if applicable), photos of work completed, and various reports. This allows DCED to better monitor the local agencies and provide timely guidance in order to improve the performance of WAP. Therefore, our recommendation has been implemented and this prior finding is resolved.

**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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**Status of Special Report Recommendations**

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Our special report of the Weatherization Assistance Program (WAP) administered by the Department of Community and Economic Development (DCED) dated February 2012 contained 12 recommendations that evolved out of evidence acquired during the annual Single Audit of the Commonwealth of Pennsylvania for the fiscal year ended June 30, 2010, and one recommendation as follow-up to our prior WAP performance audit released in August 2007. In addition to regular weatherization funds, Pennsylvania received \$252 million through the American Recovery and Reinvestment Act, the federal stimulus law enacted in 2009. DCED spent \$80 million of the \$252 million during the fiscal year ended June 30, 2010, and the remaining between July 1, 2010 and June 30, 2014. This significant increase in funding combined with the deficiencies discovered by our auditors necessitated the special report.

As part our current performance audit, we verified that the recommendations stemming from the Single Audit were resolved as part of the annual Single Audit process in subsequent fiscal years and, therefore, we did not perform any additional procedures regarding our recommendations that DCED:

1. Require local agencies to verify the identity of the individuals and their household members applying for weatherization services.
2. Require local agencies to request applicants to inform local agencies when a change in household composition has occurred subsequent to applying, such as a household member dying, and when it occurs to re-determine eligibility prior to starting the weatherization services.
3. Require local agencies to ensure that subcontractors are not paid using a two-tiered billing structure that inflates prices when performing weatherization services.
4. Improve its monitoring of the local agencies to ensure consistency regarding the processing, documenting, and approval of applications, rental forms, support documentation, determination of eligibility, and detection of fraud, waste, and abuse.
5. Ensure that its computerized tracking system (Hancock Energy Software) is fully populated, complete, and accurate.
6. Utilize its computerized tracking system (Hancock Energy Software) to monitor the activities of each local agency by performing data analysis and data mining of



**A Performance Audit****Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

weatherization assistance services to look for fraudulent, suspicious, and questionable transactions, including duplicate services and non-compliance activities.

7. Obtain independent data exchanges such as SSN, death files, and income to verify applicant households are eligible for weatherization.
8. Develop conflict of interest policies and procedures relating to local agencies approving weatherization services for tenants residing in rental properties managed by the same local agency.
9. Monitor and enforce its contract stipulation regarding local agencies identifying and seeking approval by DCED for conflicts of interest between local agencies and subcontractors.
10. Develop policies and procedures relating to applicants' involvement in financial arrangements between related or affiliated parties seeking weatherization services for rental dwellings.
11. Require local agencies to ensure renters seeking weatherization services actually pay rent to the landlord.
12. Require local agencies to contact the Department of Human Services (formerly the Department of Public Welfare) to confirm applicants listed as "Categorically Eligible – LIHEAP" actually received LIHEAP benefits during the current or most recent heating season.

In the 2007 performance audit of WAP, we recommended that DCED monitor the local agencies to ensure that the most at-risk and needy Pennsylvanians are the first to receive weatherization program services (see status of prior audit findings in previous section of this report). However, at the time of the special report, this recommendation had not been implemented. Consequently, the special report recommended that DCED ensure immediate corrective action to ensure the reduction and elimination of the waiting list. One of the objectives in our current performance audit was to determine whether DCED ensures that WAP local agencies properly manage their waiting lists. Our evaluation of this topic and our recommendations can be found in Finding 2 of the current audit report.

**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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**Agency's Response and Auditor's Conclusions**

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We provided copies of our draft audit findings and status of prior findings and related recommendations to the Department of Community and Economic Development (DCED) for its review. On the pages that follow, we included DCED's response in its entirety. Following the agency's response are our auditor's conclusions.

**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

**Audit Response from the Department of Community and Economic Development**



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

May 30, 2018

Janet B. Ciccocioppo  
Director  
Commonwealth of Pennsylvania  
Department of Auditor General  
Bureau of Performance Audits  
Harrisburg, PA 17120-0018

Dear Ms. Ciccocioppo,

We received and reviewed the Department of the Auditor General's Performance Audit Report (Report) of the energy conservation and assistance programs, which include both the Low-Income Home Energy Assistance Program (LIHEAP) and the Low-Income Weatherization Assistance Program (WAP). Please find under separate attachment, our agency's response to the Report's Findings and Recommendations. We appreciate the time and professionalism of your staff.

Sincerely,  
  
Dennis M. Davin  
Secretary

OFFICE OF THE SECRETARY  
400 North Street, 4th Floor | Commonwealth Keystone Building | Harrisburg, PA 17120-0225 | 717.787.3003 | Fax 717.787.8888 | doed.pa.gov

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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

#### Recommendations for Finding 1

We recommend that the Governor and General Assembly:

1. Place in state statute a continuing requirement that any available federal funding that promotes the safety and welfare of at-risk Pennsylvania citizens needing weatherization services must be released to state agencies as of July 1 of each year in the unfortunate event of the state fiscal budget not being passed by June 30.

We recommend that DCED:

2. Immediately begin strategic planning to address local agency funding issues if a state budget impasse appears imminent, including a special review of the allocations, in order to avoid returning any of the U.S. DOE funding. This planning should also include, but not be limited to, the following:
  - a. Formally documenting its decision-making process and factors used to allocate funding to local agencies to evidence the fair and consistent treatment of all local agencies. On April 6, 2018, DCED publicly released the PA Weatherization Assistance Program (WAP) State Plan, which states “DCED recommends a year-long planning strategy in partnership with the WAP agency network and the WAP Policy Advisory Council (PAC) to further analyze the shifting data trends as applied to individual agency capacity to reconsider and recreate a sustainable agency framework for PA.”
  - b. Contacting all local agencies and documenting all communications regarding funding allocations.  
DCED will continue to work with the agency network regarding their funding allocations.
3. Formally document the methodology of allocating LIHEAP funds to local agencies in a written policy.  
A process currently exists and will be documented.
4. Formally document standard operating procedures for annually calculating the U.S. DOE WAP and LIHEAP funds allocations to local agencies. The procedures should include: but not be limited to, the following:
  - a. The formula used to determine the allocations and the need to maintain the source documents to support the data used.  
A process currently exists and will be documented.
  - b. Supervisory review of the allocation process to ensure management oversight.

DCED will increase the level of supervisory review.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

5. **Consider revisiting the U.S. DOE fund allocation to local agencies to incorporate prior year expenditures and/or the local agencies' ability to spend funds.**  
DCED disagrees with this recommendation. The U.S. DOE requirements expect that we evaluate actual weatherization processes and capacity needs of each agency to train and maintain a certified workforce, conduct WAP according to the required Standard Work Specifications and adjust to potential federal funding lapses. For good management of the program, DCED must balance the above factors to ensure smooth operations in the agency network.
6. **Utilize current low-income, heating degree days, and funding data for the U.S. DOE WAP allocation formula and maintain documentation to support this data.**  
DCED disagrees with this recommendation. DCED acknowledged in the 2018-19 proposed state plan, released on April 6, 2018, that our analysis of the funding formula and review of poverty and heating degree days shows shifts in the population needs. We will do further evaluation to determine the impact funding volatility has on network capacity. It is imperative that agency baseline capacity is established in order to run a quality program. Changing allocations from year to year, due to shifting data, would not allow for adequate program management.
7. **Monitor the local agencies' productivity annually to assist in evaluating the local agencies' ability to spend program funds and reduce waiting lists.**  
DCED will continue to work with local agencies regarding their production and waiting lists.

**Finding 2 – DCED's process to prioritize weatherization services to at-risk citizens is flawed, poorly administered, and creates an opportunity for local agencies to abuse the process.**

DCED disagrees with this finding. Not every "at-risk citizen" who asks for weatherization is eligible to receive services. The PA WAP program follows DOE eligibility requirements as well as regulation-based priorities for service. There are federal rules in play that dictate our approach. With the implementation of a standardized audit and national Standard Work Specifications (SWS), many of our PA citizen's homes have to be deferred because of substandard housing that cannot be addressed according to DOE SWS and requirements. For example, a home that is structurally unsound, needs roof replacement or has extensive mold issues beyond remediation cannot be weatherized utilizing DOE or LIHEAP funds. With the advent of the national SWS, the deferral rate for PA WAP increased threefold. DCED will continue to make every attempt to administer the program in the most efficient and most impactful way according to federal DOE requirements.

#### Recommendations for Finding 2

We recommend that DCED:

1. **Revise its client prioritization policy to require local agencies to determine eligibility of applicants at the time of first contact and in a manner that will ensure vulnerable citizens are not waiting for weatherization services for long periods of time.**  
DCED disagrees with this recommendation. Waiting lists of clients asking for services is not a true indication of whether or not weatherization can actually occur. Additional information is often required to determine true eligibility. For example, visible structural issues will prevent weatherization from occurring even if a client is deemed eligible at the time they call in to request services. Weatherization is not an emergency program, therefore, there are no at-risk issues that are being addressed. Weatherization begins with a standardized audit that determines necessary weatherization measures that can be applied in order to create the correct Savings to Investment Ratio (SIR). The sole

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

outcome of weatherization is energy savings for the eligible client. If a home must be deferred, then the WAP agency will refer to other housing remediation programs or streams of funding for such structural issues to be addressed.

2. **Consider adding a high-risk factor that takes into account the length of time the client has been waiting for services.**  
DCED disagrees with this recommendation. We are required to follow the DOE priorities which are *high use, high burden, age and disability*.
3. **Revise its client prioritization directive to local agencies so that it requires all local agencies to use the same uniform process to maintain WSLs and call lists, including what information should be recorded on call lists.**  
DCED agrees with this recommendation.
4. **Implement and document procedures for DCED to monitor the local agencies use of WSLs and call lists to ensure they are in compliance with DCED's policies.**  
DCED agrees with this recommendation.
5. **Evaluate the local agency call lists on a regular basis to determine if redistribution of program resources on a statewide level could more efficiently or effectively serve citizens in need of weatherization services.**  
DCED is considering this in the current strategic planning process.

**Finding 3 – DCED failed to adequately perform, document, and track its monitoring of local agencies.**

DCED acknowledges the importance of adequately performing, documenting and tracking the monitoring of all local agencies and will continue to make all necessary improvements.

#### Recommendations for Finding 3

We recommend that DCED:

1. Establish written standards operating procedures for monitoring, detailing the procedures used to monitor local agencies, including the following:
  - a. The selection process for determining which dwelling units to conduct the Quality Control Inspection (QCI). This would include not allowing the local agency to make that determination for the DCED monitors. DCED disagrees with this recommendation. Jobs are chosen based on a combination of different factors including high costs, type of service, higher risk projects identified in the Hancock Software System, and a mix of rental and owned properties. In addition, the completion timing, such as recently completed units, and/or the overall time spent on the job, client complaints, types of measures, and a mix of site built, or manufactured housing are all also taken into consideration. The local agency can make recommendations to DCED so that travel time and access to client homes can be considered. The local agency, however, does not solely decide what homes are inspected.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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- b. The selection process for determining which Crisis-related jobs should be selected to verify the work was completed (LIHEAP crisis review). DCED agrees with this recommendation.
- c. The monitoring tracking process. A process currently exists and will be documented.
- d. The supervisory review processes to ensure that the monitoring results are accurate, and the tracking logs are complete and accurate. DCED will increase the level of supervisory review.
2. Maintain a log to track all monitoring of local agencies, including key dates, to ensure the monitoring process is complete through finding resolution and all result letters and corrective action plan approval letters are timely sent to local agencies. A monitoring tracking log with all the recommended data points currently exists. A supervisory review process will be documented and followed to ensure that the activities are occurring.
3. Provide training to staff responsible for maintaining the monitoring tracking logs to ensure complete and accurate information is recorded. DCED disagrees with this recommendation. This has been established.
4. Ensure information entered into the Hancock Energy System is complete and accurate. There are 37 agencies; each entering information for up to 10,000 jobs a year. DCED believes it has a strong sampling and review process in place to address data completeness and accuracy. In addition, the Hancock Software System has its own checks and balances to "catch" incomplete records and inaccurate information. The system will not move forward without certain completed data points and jobs are sent in for "state approval" through the system if something is not correct. Checklists completed, while monitoring, document the review of the data entered for each job. If we find issues, the agency is notified via their Monitoring and/or Risk Assessment Reports.
5. Document all reviews, both on-site and desk reviews, of the LIHEAP crisis units completed. DCED agrees with this recommendation.
6. Conduct annual monitoring of all local agencies to ensure they are functioning at full capacity and serving as many needy Pennsylvanians as possible. DCED disagrees with this recommendation. An annual monitoring schedule is established at the beginning of each program year, according to the state and DOE fiscal year. The goal of this monitoring is to ensure that the local agencies are functioning at full capacity and operating according to standards.
7. Conduct annual fiscal monitoring of all local agencies in accordance with federal regulations. DCED agrees with this recommendation.
8. Ensure a minimum number of U.S. DOE Quality Control Inspections, LIHEAP Quality Control Inspections and LIHEAP crisis reviews are completed in compliance with federal regulations and DCED policies. DCED agrees with this recommendation.

**A Performance Audit****Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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We strongly urge that your office consider including the following pertinent information in the report. It does not specifically address any one recommendation, but we feel it outlines important information that impacted program execution during the audit period.

In State Fiscal Year 2016-17, the Governor and Legislature did create a provision for our federal funding streams and released all federal funds before the general state budget was passed. The unexpended funds noted by this report primarily occurred during a period from July 1, 2015 through June 30, 2017 when agencies not only were delayed in receiving their 2015-16 allocation due to the budget impasse and received the additional 2016-17 allocation with a shortened timeline but were also tasked with the implementation of new national Standard Work Specifications (SWS) and Quality Control Inspection (QCI) certification requirements. All funds had to be expended and all requirements had to be put in place by June 30, 2017. A strong focus was put on improving the quality of work, as a direct result of national standardization and outcome expectations of the weatherization work. This entailed changing the operational directions and detail of the weatherization work while funds to the agencies were delayed. Changing the direction of a programmatic "ship" cannot be done with a 180 degree turn, especially when experiencing a perfect storm due to the delay of funds, extension of fund expenditure timeframe for one year of funds, and the extensive work requirements that had to be implemented. In addition, the actual knowledge and technical detail of the process for weatherization work, the training required, and the national certifications required were additional hurdles, when the timeline for expenditure of the funds was limited. DCED focused on the training and technical assistance needs of the workers and agencies in order to implement new Standard Work Specifications and Quality Control Inspections by the advice and recommendation of our WAP funder, the federal Department of Energy during their regular monitoring of the PA WAP in August 2016.



**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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**Auditor's Conclusions to the Department of Community and Economic Development's Response to the WAP Findings**

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Based on the Department of Community and Economic Development's response, it appears that DCED generally agrees with two of the three findings and agrees with approximately half of the recommendations. On the matters in which DCED disagreed, we offer the following conclusions:

**Finding 1**

We maintain that DCED should consider revising its allocation of the U.S. Department of Energy (U.S. DOE) funding to local agencies to incorporate the local agencies' capacity and ability to spend funding. Allocating funding based on population needs is a good foundation; however, DCED must be able to evaluate which local agencies have the ability to provide for the weatherization of additional homes if more funding becomes available. The current process of waiting until the end of the program year to determine whether local agencies are able to spend their funding is not proactively addressing statewide needs and potentially places some of Pennsylvania's most vulnerable citizens at a risk that might otherwise be avoided.

DCED's response states that changing allocations from year-to-year, due to shifting data, would not allow for adequate program management. We disagree. DCED should, at least, evaluate any changes in the data each year to identify whether any significant shifts have occurred and if the data in the formula needs to be updated. DCED's response stated that its analysis of the poverty and heating degree days data showed shifts in the population needs, which reinforces our position. As noted in the finding, using data over ten years old is not acceptable.

**Finding 2**

As we noted in our report, we are aware that not every individual that expresses interest in the program will be eligible for weatherization services. If local agencies asked for basic information upfront, it would help eliminate the redundancies in the current call lists. Additionally, with more accurate information, DCED would have a better, more thorough understanding of demand and local agency needs.

DCED's response states that weatherization is not an emergency program and there are no at-risk issues that are being addressed. We understand that standard weatherization funds are not used in emergency situations; however, Pennsylvania citizens waiting for weatherization services are certainly at-risk. The U.S. DOE describes the low-income households that are significantly

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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disadvantaged with high energy burdens as follows:

*Often, [low-income households] must cut back on healthcare, medicine, groceries, and childcare to pay their energy bills. Weatherization helps alleviate this heavy energy burden through cost-effective building shell improvements... energy-efficient Weatherization measures continue to save money and energy year after year and increase household incomes so funds can go towards key living expenses.<sup>70</sup>*

It is very concerning that DCED management considers low-income households, potentially containing young children, elderly persons, or persons with disabilities or medical conditions, who are unable to afford key living expenses due to high energy costs, to not be at-risk.

We continue to maintain that DCED should consider adding the length of time the client has been waiting for services to its prioritization point system. DCED's response states that it is required to follow the U.S. DOE priorities. We agree that the U.S. DOE priorities must be followed; however, federal regulations offer minimum program requirements. This does not exclude additional criteria from being considered in the prioritization process.<sup>71</sup> DCED's procedures used to prioritize weatherization clients, including both its previous procedures as noted in our prior performance audit and its current procedures noted in this audit, do not ensure the neediest citizens are being serviced in a timely manner.

### **Finding 3**

We continue to maintain that local agencies should not have any influence, to any degree, in selecting which dwelling units DCED inspects using the Quality Control Inspection (QCI) process. In order to maintain an independent QCI process, DCED should not confer with local agencies during the selection of dwelling units. In reference to DCED's response describing the factors used to determine which dwellings are selected for the QCI process, we continue to recommend these considerations be memorialized in written standard operating procedures.

Our review of DCED's monitoring was for the fiscal year ended June 30, 2016. DCED management confirmed that no full local agency monitoring was conducted during that time frame beyond the reviews discussed in the finding. We did not audit any changes DCED may have implemented to its monitoring process after our audit period. Therefore, we cannot verify

<sup>70</sup> Weatherization Works! Factsheet. U.S. Department of Energy, Office of Energy Efficiency & Renewable Energy, <[http://www.energy.gov/sites/prod/files/2018/03/f49/wap-fact-sheet\\_final.pdf](http://www.energy.gov/sites/prod/files/2018/03/f49/wap-fact-sheet_final.pdf)> (accessed May 31, 2018).

<sup>71</sup> 10 C.F.R. § 440.16, <<https://www.gpo.gov/fdsys/pkg/CFR-2011-title10-vol3-part440.pdf>> (accessed December 21, 2017).

**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

DCED's statements that it currently has adequate monitoring of local agencies, adequate procedures to ensure the completeness and accuracy of the information entered into the Hancock Energy System, and that it adequately trained staff to maintain the monitoring logs.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

#### Appendix A

#### Objectives, Scope, and Methodology

The Department of the Auditor General conducted these performance audits pursuant to Section 3016.1 of the Energy Conservation and Assistance Act, 62 P.S. § 3016.1 to assess the administration of the energy conservation and assistance programs, which include both the Low-Income Home Energy Assistance Program (LIHEAP) administered by the Pennsylvania Department of Human Services (DHS) and the Low-Income Weatherization Assistance Program (WAP) administered by the Pennsylvania Department of Economic and Community Development (DCED). We also conducted these audits under the authority of sections 402 and 403 of The Fiscal Code, 72 P.S. §§ 402 and 403.

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

#### Objectives

Our LIHEAP performance audit objectives were as follows:

1. Evaluate whether DHS properly determines eligibility for LIHEAP applicants and authorizes the correct cash or crisis benefit. [See Finding 1]
2. Evaluate the adequacy of DHS' monitoring over LIHEAP eligibility and the authorization of the correct cash or crisis benefit. [See Finding 1]
3. Evaluate the adequacy of how DHS ensures that energy providers timely make deliveries or reconnect the heating source and properly charge DHS for providing the energy to eligible LIHEAP households. [See Finding 1]

We also conducted procedures to determine whether DHS implemented our prior LIHEAP performance audit's findings and recommendations from the report issued in August 2011 (see Status of Prior Audit Findings).

### **A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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Our WAP performance audit objectives were as follows:

1. Determine whether DCED ensures that WAP local agencies properly manage their waiting lists. [See Findings 1 and 2]
2. Determine whether the WAP monitoring activities that occurred during the audit period were in compliance with policies and procedures. [See Findings 1 and 3]

We also conducted procedures to determine whether DCED implemented our prior WAP performance audit's findings and recommendations from the report issued in August 2007 and the recommendations from our special report issued in February 2012 (see Status of Prior Audit Findings and Status of Special Report Recommendations).

### **Scope**

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For the LIHEAP audit, the audit period was July 1, 2015 through June 30, 2016.

For the WAP audit, the audit period varied by audit objective. The audit period was July 1, 2013 through June 30, 2017, for Objective 1 and July 1, 2015 through June 30, 2016, for Objective 2.

DHS and DCED management are responsible for establishing and maintaining effective internal controls to provide reasonable assurance of compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures related to their respective programs.

In conducting our audits, we obtained an understanding of DHS' and DCED's internal controls, including any information system controls, if applicable, that we considered to be significant within the context of our audit objectives.

For those internal controls that we determined to be significant within the context of our audit objectives, we also assessed the effectiveness of the design and implementation of those controls as discussed in the *Methodology* section that follows. Any deficiencies in internal controls that we identified during the conduct of our audits and determined to be significant within the context of our audit objectives are included within the respective audit findings in this report.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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### **Methodology**

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All of the items selected for testing in these audits were based on auditor's professional judgement. Consequently, the results of our testing cannot be projected to, and are not representative of, the corresponding populations.

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

#### LIHEAP AUDIT

- Interviewed DHS management and staff responsible for administering the LIHEAP program in order to gain an understanding of the program and to evaluate whether management controls considered to be significant within the context of the audit objectives were adequately designed.
- Reviewed the federal Low-Income Home Energy Assistance Act of 1981, Title XXVI of the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, as amended, applicable sections of Titles 2 and 45 of the Code of Federal Regulations, the state Energy Conservation and Assistance Act, and other applicable federal and state laws and regulations, to determine legislative and regulatory requirements related to the audit objectives.
- Reviewed the Commonwealth of Pennsylvania LIHEAP Fiscal Year 2016 Final State Plan and Pennsylvania Department of Human Services LIHEAP Handbook and User Manual.
- Obtained a data file of all LIHEAP transactions within DHS' Electronic Client Information System (eCIS) between July 1, 2015 and June 30, 2016, and performed data analytics to assist in identifying high-risk areas within the program. As a result of our data analytics, we judgmentally selected 35 cases involving 66 LIHEAP payments from across the state to focus our testing to specific areas we considered to be of higher risk, including applicants with high income, total cash and crisis payments exceeding the maximum benefit amount of \$1,000 and \$500, respectively, and multiple cash payments to an applicant or address.
- Judgmentally selected 7 of the 40 County Assistance Offices (CAOs) and processing centers that were monitored by DHS's contractor, including three large, two medium, and two small, based on the amount of application processing performed in the prior LIHEAP season), and manually reviewed a listing of all the cash payments within these counties.

**A Performance Audit****Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

We judgmentally selected 40 cases involving 71 payments in which there was a potential for multiple cash payments to applicants with the same or similar Social Security numbers (SSNs), names, and/or addresses.

- For the total 75 cases involving 137 payments selected as described in the prior two bullets, we reviewed the applications for LIHEAP benefits and other source documents maintained within eCIS to verify:
  - The applications were properly completed, including being signed by the applicant and approved by a CAO caseworker/energy assistance worker.
  - The applicant's household income was below 150 percent of the Federal Poverty Income Guidelines as published on January 22, 2015, by the U.S. Department of Health and Human Services.
  - The applicant household was responsible for paying for its main source of heat, either directly to an energy provider or indirectly as an undesignated part of rent.
  - The applicant household permanently lived in Pennsylvania.
- For the 127 cash payments selected, we recalculated the benefit amount to verify that it was proper based on the benefit chart for the appropriate county, income level, fuel type, and number of household members.
- For the 10 crisis payments selected, we verified that a home-heating crisis existed, the CAO approved only the amount needed to keep the utility service from being shut off or to start the utility service again, and the CAO contacted the energy provider within 48 hours (or 18 hours if someone's life was at risk) to make arrangements to resolve the crisis prior to the utility being shut off/running out of fuel.
- Reviewed DHS' monitoring plan for the 2015-2016 program year to determine whether the planned procedures were adequately designed and in compliance with DHS' LIHEAP State Plan.
- For the same seven CAOs/processing centers selected as described in the fifth bullet above, we verified the planned monitoring procedures performed by DHS and its contractor were adequately implemented, and:

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

- Obtained and reviewed the closing meeting minutes/documents, rebuttal letter, and final report to ensure the monitoring was completed, adequate, and sufficiently documented.
- Ensured the CAO submitted an error prevention plan addressing the identified deficiencies and verified DHS approved the plan.
- Verified the CAO supervisor completed the assigned number of case reviews as outlined in the monitoring plan.
- Verified the final report was issued to the CAO by the Bureau of Program Evaluation Director and was accurately recorded on the 2015-2016 Service Tracker as evidence of DHS' review and approval of the monitoring.
- Obtained the monitoring results for the six applicants included in our eligibility testing that were also included in the contractor's applicant monitoring and verified that we reached the same conclusion as the contractor.
- Obtained and reviewed the results of the contractor's statewide statistical sample to ensure it was completed, adequate, and sufficiently documented.
- Obtained and reviewed the results of the contractor's monitoring of the LIHEAP crisis interface with the DCED weatherization local agencies to ensure it was completed, adequate, and sufficiently documented.
- Verified that the contractor completed a final comprehensive report on the monitoring activities and findings statewide, and submitted the report to DHS after concluding the execution of the monitoring plan.
- Reviewed the monitoring procedures over the timeliness of crisis deliveries and determined whether the planned procedures by DHS and its contractor were adequately designed and in compliance with DHS' LIHEAP State Plan.
- Obtained and reviewed the results of the contractor's monitoring of the PROMISE™ system to ensure it was completed, adequate, and sufficiently documented.
- Reviewed the contractor's monitoring procedures to ensure the energy vendors are properly charging DHS to determine whether the planned procedures were adequately designed and in compliance with DHS' LIHEAP State Plan.



### **A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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- Obtained and reviewed the results for the 25 energy vendors monitored by the contractor to ensure it was completed, adequate, and sufficiently documented.

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

- Traced the 10 recommendations (and related deficiencies) from our prior performance audit of LIHEAP to the Department of the Auditor General, Bureau of State and Federal Audits' working papers and findings within the Commonwealth's Single Audit Reports for the three fiscal years ended June 30, 2013, to ensure the findings were resolved and recommendations were implemented.

#### WAP AUDIT

- Interviewed DCED management and staff responsible for administering the WAP program in order to gain a further understanding of the program and to evaluate whether management controls considered to be significant within the context of the audit objectives were adequately designed.
- Reviewed the applicable sections of Titles 2 and 10 of the Code of Federal Regulations, U.S. Department of Energy (U.S. DOE) Weatherization Program Notices (WPN) 15-4 and 16-4, and other applicable federal and state laws and regulations, to determine legislative and regulatory requirements related to the audit objectives.
- Reviewed DCED's 2015-2016 State Plan for WAP, as approved by U.S. DOE, and the Low-Income Home Energy Assistance Program 2015-2016 Final State Plan, Appendix C.
- Reviewed DCED Directives W2016-11 Monitoring Documents (which replaced the Monitoring Guidelines and Procedures) and W2014-08 as related to the Weatherization Service List.
- Evaluated whether DCED's methodology to allocate LIHEAP and DOE funds to local agencies appears reasonable to ensure weatherization funding is available to individuals with the most need.
- Recalculated DCED's allocation of LIHEAP and DOE funds to local agencies for accuracy and compliance with DCED's allocation policy for the four fiscal years ended June 30, 2017.

**A Performance Audit****Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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- Evaluated whether DCED’s policy regarding weatherization service lists and call lists and procedures to monitor the local agencies implementation of the policy are adequately designed to ensure weatherization funding is available to individuals with the most need.
- Obtained the weatherization service list and call list (if applicable) from each local agency for the period July 1, 2013 through June 30, 2017, and determined whether they appear to be operating in compliance with DCED’s policy.
- Evaluated whether DCED’s monitoring procedures are adequately designed to meet program requirements.
- Judgmentally selected 4 of the 36 financial reviews performed for the 2015-2016 program year based on the highest local agency expenditures, highest local agency expenditures with a corrective action plan (CAP), and noted timeliness issues by DCED management.
- For the four financial reviews selected, we:
  - Verified the Fiscal Monitoring Questionnaire was completed by the local agency and reviewed by DCED monitoring staff.
  - Verified the DCED Monitoring staff completed the Internal Control Checklist, Financial Management and Cash Management Checklist, Payroll Testing Checklist, and Expenditure Testing Checklist.
  - Verified the DCED monitoring staff obtained source documents from the local agency to support its results and findings.
  - Verified the DCED monitoring staff completed the monitoring project checklist and initialed/dated the project review docket when complete.
  - Verified the results stated in the Fiscal Monitoring Report issued to the local agency agree to the results on the checklists and that all findings/concerns were reported to the local agency.
  - Verified the Director of the Compliance Monitoring Division within the DCED Financial Management Center reviewed and approved the monitoring as evidenced through initialing the project review docket and signing the Fiscal Monitoring Report.

**A Performance Audit****Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

---

- Reviewed the local agency's CAP, if applicable, and verified it addressed all of the findings/concerns within the Fiscal Monitoring Report.
- Verified DCED reviewed and approved the CAP as evidenced through the CAP acceptance letter signed by the Director of the Compliance Monitoring Division within the DCED Financial Management Center.
- Verified DCED staff/management within the Center for Community Services adequately tracked the program monitoring for the audit period.
- Judgmentally selected 39 Quality Control Inspections (QCI) from a population of 116 inspections conducted during for the 2015-2016 program year. The inspections were selected based on high and low dollar amounts, region, CAPs, and dates of when the job was completed versus the date of the QCI.
- For the 39 Quality Control Inspections selected, we:
  - Verified DCED monitoring staff completed the Quality Control Inspection Checklist and QCI Monitoring Summary.
  - Verified the local agency included documentation of the weatherization services provided and the local agency's QCI checklist within the Hancock Energy System (HES) for the DCED monitoring staff to review.
  - Verified the results stated in the program monitoring report issued to the local agency agree to the results on the checklist/summary and that all findings/concerns were reported to the local agency.
  - Verified the Weatherization Specialist Supervisor reviewed and approved the monitoring as evidenced through signing the report letter issued to the local agency.
  - Reviewed the local agency's CAP, if applicable, and verified it addressed all of the findings/concerns within the program monitoring report.
  - Verified DCED reviewed and approved the CAP as evidenced through the CAP approval date within HES.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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- Judgmentally selected 8 of 28 crisis reviews conducted by DCED staff for the 2015-2016 program year based on high and low dollar amounts, region, CAPs, and dates of when the job was completed versus date of the crisis review.
- For the eight crisis reviews selected, we:
  - Verified DCED monitoring staff completed the LIHEAP Crisis Checklist.
  - Verified the local agency included documentation of the heating unit replacement/repair within HES for the DCED monitoring staff to review.
  - Verified the results stated in the program monitoring report issued to the local agency agree to the results on the checklist and that all findings/concerns were reported to the local agency.
  - Verified the Weatherization Specialist Supervisor reviewed and approved the monitoring as evidenced through signing the report letter issued to the local agency.
  - Reviewed the local agency's CAP, if applicable, and verify it addressed all of the findings/concerns within the program monitoring report.
  - Verified DCED reviewed and approved the CAP as evidenced through the CAP approval date within HES.

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

- Reviewed the Commonwealth's Single Audit reports for the fiscal years ended June 30, 2006 through 2013.
- Reviewed the contracts between local agencies and DCED regarding the requirements for energy conservation and quality control inspections.
- Reviewed information regarding Pennsylvania Weatherization Day and related gubernatorial proclamations.
- Conducted internet research for other state agencies and utility companies that advertise Pennsylvania's weatherization services.

### **A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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- Reviewed the final WAP Quarterly Program Report for the 2015-2016 program year, which records the total annual energy savings for the program.
- Reviewed DCED's Weatherization Program Report on Client Energy Savings, issued in February 2013, which examined the change in energy consumption for WAP household weatherized between January 2010 and March 2012.
- Gained access to the HES to verify DCED's ability to gather, summarize, and track weatherization information in cooperation with local agencies.
- Reviewed DCED's priority point procedures, Wx Master File 2016 – V.3 Client Prioritization, for prioritizing WAP clients.

### **Data Reliability**

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In performing these audits, we used information from DHS' eCIS system for the period July 1, 2015 through June 30, 2016, and its 2015-2016 Service Tracker used for oversight of the monitoring process. Also, we used information from DCED's WAP Production and Expenditure Reports for each of the four fiscal years ended June 30, 2017, and DCED's financial review tracking sheet, QCI tracking sheet, and LIHEAP crisis review tracking sheet for the monitoring conducting for the 2015-2016 program year. Further, we obtained waiting lists from 33 weatherization local agencies covering the period July 1, 2013 through June 30, 2017.

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

#### LIHEAP AUDIT

To assess the completeness and accuracy of the data in the LIHEAP eCIS system, we conducted audit procedures as follows:

- Interviewed DHS management and staff to gain an understanding of eCIS and the information system controls to consider how it may impact our audit objectives.

**A Performance Audit****Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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- Reconciled the total payments in the eCIS data file to the Commonwealth's SAP system, which is an independent source that is evaluated as part of the annual audits of the Commonwealth's Combined Annual Financial Report. These annual audits are conducted jointly by the Department of the Auditor General and a CPA firm.
- For the 137 payments tested, we traced data in eCIS to source documents, such as the LIHEAP application, driver's license, Social Security card, heating bills, etc.

Based on the above procedures, we found no limitations with using the data for our intended purposes. In accordance with *Government Auditing Standards*, we conclude the eCIS data to be sufficiently reliable regarding completeness and accuracy for the purposes of our engagement.

To access the completeness and accuracy of DHS' 2015-2016 Service Tracker, we conducted audit procedures as follows:

- Interviewed DHS management and staff responsible for contractor oversight, as well as management from DHS' contractor, to gain an understanding of the report and how it is created and used within the monitoring process.
- Obtained the 2016-2017 Service Tracker to ensure all CAO's/processing centers were monitored within the two year cycle.
- Traced all the CAOs/processing centers monitored to the final monitoring report issued by the contractor.
- For the seven CAOs/processing centers we tested, we traced data from the Service Tracker to source documents, including the individual monitoring reports sent to the CAOs/processing centers, the rebuttals from the CAOs/processing centers, and the final report issued by the contractor.

Based on the above procedures, we found no limitations with using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded DHS' 2015-2016 Service Tracker to be sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

### A Performance Audit

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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#### WAP AUDIT

To access the completeness and accuracy of the data of the WAP Production and Expenditure Reports for each of the four fiscal years ended June 30, 2017, we conducted audit procedures as follows:

- Interviewed DCED management and staff regarding how the reports are generated in the Hancock Energy System.
- Recalculated the local agency allocations with the formulas used by DCED and traced these allocations to the WAP Production and Expenditure Reports.
- Traced the number of completed weatherized dwellings for five local agencies on the WAP Production and Expenditure Report to the local agency weatherization service lists.
- Traced five local agency weatherization service lists to the number of completed weatherized dwellings on the WAP Production and Expenditure Report.

Based on the above procedures, we found no limitations with using the data for our intended purposes. In accordance with *Government Auditing Standards*, we conclude the WAP Production and Expenditure Reports to be sufficiently reliable regarding completeness and accuracy for the purposes of our engagement.

To access the completeness and accuracy of the data of the WAP financial review tracking sheet for the 2015-2016 program year, we conducted audit procedures as follows:

- Interviewed DCED management who maintains and records information on the financial review tracking sheet.
- Verified all local agencies that were provided funding per the Commonwealth's SAP accounting system were included on the financial review tracking sheet.
- For 4 of the 36 financial reviews, we traced data in the tracking sheet to source documents, including the various questionnaires and reports completed as part of the monitoring reviews.

Based on the above procedures, we found no limitations with using the data for our intended purposes. In accordance with *Government Auditing Standards*, we conclude the WAP financial review tracking sheet to be sufficiently reliable regarding completeness and accuracy for the purposes of our engagement.

**A Performance Audit****Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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The Quality Control Inspection (QCI) and LIHEAP crisis review tracking sheets for the 2015-2016 program year were deemed to be incomplete and inaccurate by DCED management. Consequently, DCED management manually compiled a list of QCIs and LIHEAP crisis reviews completed from the Hancock Energy System. However, during our testing, we found errors on the compiled list regarding both completeness and accuracy. Therefore, we found the WAP QCI and LIHEAP crisis review list to be not sufficiently reliable for the purposes of this engagement. Our testing of these areas is limited to our review of 39 QCIs and 8 LIHEAP crisis reviews selected for testing and should not be projected to the entire population of QCIs and LIHEAP crisis reviews. Any deficiencies noted were based only on the 39 items we tested.

We did not perform procedures to validate the completeness and accuracy of the local agency call lists; however, this is the best data available. As such, we deemed this information to be of undetermined reliability. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings, conclusions, and recommendations.



**A Performance Audit**

**Department of Human Services  
 Department of Community and Economic Development  
 Energy Conservation and Assistance Programs  
 (LIHEAP and Weatherization)**

<b>Appendix B</b>	<b>Weatherization Local Agencies</b>
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The following are the names of the weatherization local agencies that DCED contracted with during our audit period to provide weatherization services and the counties those agencies serviced:

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

**A Performance Audit**

**Department of Human Services  
Department of Community and Economic Development  
Energy Conservation and Assistance Programs  
(LIHEAP and Weatherization)**

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Westmoreland Housing Authority	Westmoreland
York County Weatherization	York
<i>Source: Compiled by Department of the Auditor General staff from information on DCED's website: <a href="https://dced.pa.gov/housing-and-development/weatherization/agency-list/">https://dced.pa.gov/housing-and-development/weatherization/agency-list/</a> (accessed April 25, 2018).</i>	

**A Performance Audit**

**Department of Human Services  
 Department of Community and Economic Development  
 Energy Conservation and Assistance Programs  
 (LIHEAP and Weatherization)**

**Appendix C****Distribution List**

This report was distributed to the following Commonwealth officials:

**The Honorable Tom Wolf**  
 Governor

**The Honorable Teresa Miller**  
 Acting Secretary  
 Pennsylvania Department of  
 Human Services

**Ms. Leesa Allen**  
 Executive Deputy Secretary  
 Pennsylvania Department of  
 Human Services

**Ms. Tina Long**  
 Director, Bureau of Financial Operations  
 Pennsylvania Department of  
 Human Services

**Mr. Alexander Matolyak, CPA**  
 Director, Division of Audit and Review  
 Pennsylvania Department of  
 Human Services

**The Honorable Dennis M. Davin**  
 Secretary  
 Pennsylvania Department of Community  
 and Economic Development

**Mr. Scott Dunkelberger**  
 Executive Deputy Secretary  
 Pennsylvania Department of Community  
 and Economic Development

**The Honorable Randy Albright**  
 Secretary of the Budget  
 Office of the Budget

**The Honorable Joseph M. Torsella**  
 State Treasurer  
 Pennsylvania Treasury Department

**The Honorable Josh Shapiro**  
 Attorney General  
 Office of the Attorney General

**The Honorable Bruce R. Beemer**  
 Inspector General  
 Office of Inspector General

**The Honorable Sharon P. Minnich**  
 Secretary of Administration  
 Office of Administration

**The Honorable Gene DiGirolamo**  
 Majority Chair  
 House Human Services Committee

**The Honorable Angel Cruz**  
 Democratic Chair  
 House Human Services Committee

**The Honorable Lisa Baker**  
 Majority Chair  
 Senate Health and Human Services  
 Committee

**A Performance Audit**

**Department of Human Services  
 Department of Community and Economic Development  
 Energy Conservation and Assistance Programs  
 (LIHEAP and Weatherization)**

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**The Honorable Judy Schwank**  
 Democratic Chair  
 Senate Health and Human Services  
 Committee

**The Honorable Pat Browne**  
 Majority Chair  
 Senate Appropriations Committee

**The Honorable Vincent Hughes**  
 Democratic Chair  
 Senate Appropriations Committee

**The Honorable Stan Saylor**  
 Majority Chair  
 House Appropriations Committee

**The Honorable Joe Markosek**  
 Democratic Chair  
 House Appropriations Committee

**Mr. Brian Lyman, CPA**  
 Director  
 Bureau of Audits  
 Office of Comptroller Operations

**Ms. Mary Spila**  
 Collections/Cataloging  
 State Library of Pennsylvania

*This report is a matter of public record and is available online at [www.PaAuditor.gov](http://www.PaAuditor.gov).  
 Media questions about the report can be directed to the Pennsylvania Department of the Auditor  
 General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to:  
[News@PaAuditor.gov](mailto:News@PaAuditor.gov). Please also note that pursuant to Section 3016.1(c) of the Energy  
 Conservation and Assistance Act, a copy of the performance audit report will be published as a  
 notice in the Pennsylvania Bulletin subsequent to the audits' release. See 62 P.S. § 3016.1(c).*