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# Maine State Housing Authority, 2013

Maine State Legislature

Office of Program Evaluation and Government Accountability

Beth Ashcroft

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## Maine State Housing Authority: Energy Assistance Programs LIHEAP and WAP– Programs Administered Well Overall; LIHEAP Controls Should be Improved and Ongoing Efforts to Strengthen WAP Program Operations Should be Continued

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Report No. SR-MSHA-11

### Issues OPEGA noted during this review:

- System of controls for minimizing abuse of LIHEAP fuel assistance is weak. (pg. 30)
- Guidance, practices and oversight for procuring weatherization goods and services inadequate for consistently obtaining best combination of price and quality across the WAP program. (pg. 34)
- MaineHousing lacks outcomes-based performance measures and data for monitoring WAP program performance on a comprehensive basis. (pg. 35)
- Continuing performance and quality concerns exist in local level implementation of WAP program. (pg. 37)

a report to the  
**Government Oversight Committee**  
from the  
**Office of Program Evaluation & Government Accountability**  
of the **Maine State Legislature**

July  
2013

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## Acronyms Used in This Report

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ACF	Administration for Children and Families (federal)	FFY	Federal Fiscal Year
ARRA	American Recovery and Reinvestment Act	GOC	Government Oversight Committee
CAA	Community Action Agency	H&S	Health and Safety Measures
CHIP	Central Heating Improvement Program	HHS	Health and Human Services (federal)
CSR	Client Service Ratio	IR	Incidental Repairs
CY	Calendar Year	LIHEAP	Low-Income Home Energy Assistance Program
DHHS	Department of Health & Human Services (Maine)	MaineHousing	Maine State Housing Authority
DHLC	Design Heat Load Calculation	MERAC	Maine Energy Assistance and Conservation
DOE	Department of Energy (federal)	PUA	Per Unit Average
ECIP	Energy Crisis Intervention Programs	SIR	Savings-to-Investment Ratio
ECOS	Energy Conservation Online System	TSS	Technical Service Specialist (MaineHousing)
EHS	Energy and Housing Services (MaineHousing)	WAP	Weatherization Assistance Program

## Commonly Used Terms

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Energy Auditor	An employee of a contracted Community Action Agency who holds certification in the field of energy auditing and who performs either the initial energy audit of potential households or the final inspection on weatherized households.
Energy Burden	The expenditures of the household for home energy divided by the income of the household.
High Energy Burden	A low-income household whose residential energy burden exceeds the median level of energy burden for all low-income households in the State.
High User List	The spreadsheet provided by MaineHousing to each Community Action Agency that lists the previous year's LIHEAP recipients. The list is used as a tool by the Community Action Agencies in selecting which households to weatherize.
Hypothermia Vulnerable	A household member who is over 60 years, under 24 months, or otherwise "hypothermia vulnerable" as designated by a medical doctor.
Low-Income Household or LIHEAP Eligible Household	Households that are below 150% of the Federal Poverty Line OR Households that contain a disabled or hypothermia vulnerable member and are below 170% of the Federal Poverty Line.

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# Maine State Housing Authority: Energy Assistance Programs LIHEAP and WAP– Programs Administered Well Overall; LIHEAP Controls Should be Improved and Ongoing Efforts to Strengthen WAP Program Operations Should Continue

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## Introduction

The Maine Legislature’s Office of Program Evaluation and Government Accountability (OPEGA) has completed a review of the Maine State Housing Authority’s (MaineHousing) Low-Income Home Energy Assistance (LIHEAP) and Weatherization Assistance Programs (WAP). This review was performed at the direction of the Government Oversight Committee (GOC) for the 125<sup>th</sup> Legislature and is the latter of two reviews of the agency within the past two years.

MaineHousing is a quasi-independent State agency established under 30-A MRSA, Chapter 201. It is empowered to issue bonds as needed and to act as the public agency of the State for the purpose of accepting federal funds for various federal housing and energy programs. MaineHousing defines its mission as assisting “Maine people to obtain and maintain decent, safe, affordable housing and services suitable to their unique housing needs.” According to MaineHousing, it currently administers over 30 different federally or other funded programs and uses numerous business partners from both the private and non-profit sectors to deliver its programs. Two of these programs are LIHEAP and WAP.

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MaineHousing’s LIHEAP and WAP programs assist low-income Mainers with their home-heating needs.

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Both LIHEAP and WAP are federally funded programs which enable states to help low-income households, particularly those with members susceptible to hypothermia, meet their home heating needs. MaineHousing implements these programs through a network of Community Action Agencies (CAA), who offer complementary services to the same client base.

LIHEAP primarily provides fuel assistance and in the period of federal fiscal years (FFY) 2008 through 2012, a total of \$227,245,393 in fuel assistance benefits were paid. An annual average of 58,650 households received LIHEAP assistance. WAP provides assistance through the installation of weatherization measures in eligible households. From calendar years (CY) 2010 – 2012, the program spent \$64.5 million in the weatherization of over 6,250 low-income households – a record amount due to an influx of federal Recovery Act funding during this time frame.

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OPEGA focused on whether LIHEAP was administered effectively and efficiently and whether WAP produced satisfactory results.

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The focus of OPEGA’s review differed for the two energy assistance programs. The portion related to LIHEAP was focused on effective and efficient administration of the program, while the focus of the WAP portion was on the results being achieved. The specific questions addressed by OPEGA were approved by the GOC prior to the review’s initiation. See Appendix A for complete scope and methods.

## Questions, Answers and Issues

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1. Is the LIHEAP Program being administered effectively and efficiently such that LIHEAP funds are providing assistance to as many eligible homeowners as possible?

see page 10-19 for more on this point

OPEGA concluded that overall MaineHousing administers the LIHEAP program in an effective and efficient manner. The program operates in alignment with federal expectations and MaineHousing attempts to maximize benefits and clients served within the parameters of those expectations. MaineHousing also spends LIHEAP administrative funds appropriately.

OPEGA did note, however, that controls to prevent and detect abuse of LIHEAP benefits were weak, allowing for potential abuse to occur and go undetected. Although only a small percentage of records analyzed by OPEGA were flagged as potential issues, the control weaknesses should be addressed to the extent possible.

2. Is the WAP Program achieving satisfactory results? If not, why not? If so, what are the primary factors contributing to its success?

see page 19-29 for more on this point

OPEGA concluded that the WAP program generally produces satisfactory results, though there are certain steps that MaineHousing can take to strengthen program performance. MaineHousing had already begun these actions during the time of this review. Overall, the program is well operated and in alignment with federal expectations. The households that are weatherized reflect program priorities and requirements. Weatherization projects are generally completed to program specifications and clients are very satisfied with the services received. Finally, policies and fiscal benchmarks are in place to ensure that funds are spent on actual weatherization services and, in particular, those services that produce greater energy savings than they cost.

OPEGA identified the following issues during the course of this review. See pages 30-38 for further discussion and our recommendations.

- System of controls for minimizing abuse of LIHEAP fuel assistance is weak.
- Guidance, practices and oversight for procuring weatherization goods and services inadequate for consistently obtaining best combination of price and quality across the WAP program.
- MaineHousing lacks outcomes-based performance measures and data for monitoring WAP program performance on a comprehensive basis.
- Continuing performance and quality concerns exist in local level implementation of WAP program.

## In Summary

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MaineHousing, in partnership with contracted Community Action Agencies throughout the State, administers two predominately federally funded programs that aim to keep low-income Mainers warm.

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Although the programs have common purposes, they are administered differently; LIHEAP provides fuel assistance while WAP provides weatherization measures that enable the house to be more energy efficient.

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OPEGA found that MaineHousing administers both programs in alignment with federal expectations and they are generally well-run.

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The LIHEAP and WAP programs are administered by the Energy and Housing Services (EHS) Division within MaineHousing. The outputs of the programs are different – LIHEAP provides fuel assistance while WAP assists with home weatherization measures – but the outcomes are similar in that both programs assist with keeping low-income Mainers warm throughout the colder months. MaineHousing contracts with CAAs throughout the State for local-level implementation of these programs.

LIHEAP is funded through an annual federal grant from the US Department of Health and Human Services (HHS). These grant funds can be used for three types of assistance for eligible, low-income households: cash benefits to help pay for home-heating fuel; crisis payments, if needed, to resolve household energy-related emergencies; and weatherization efforts to improve energy efficiency. Over the five year period that was the scope of OPEGA’s LIHEAP review, a total of \$227,245,393 was spent on fuel assistance and crisis payments for an average of 58,650 households annually. LIHEAP grant funds dedicated to weatherization efforts were used as a source of funding for WAP.

WAP is also supported by an annual federal grant from the US Department of Energy (DOE). During the time period encompassed by OPEGA’s review, WAP received significant federal funding under the American Recovery and Reinvestment Act (ARRA) as well. Additionally, in the past two calendar years, MaineHousing has dedicated internal funds to the program.

WAP provides “weatherization measures”- such measures as insulation, air sealing and weatherstripping - to make households more energy efficient and comfortable, thereby reducing the need for costly fuel in future years. Providing WAP services requires technical skill both in the energy assessment and home improvement process. The program involves modifying individuals’ private property and, consequently, requires significant administrative oversight to ensure that appropriate and satisfactory services are delivered. From CY 2010 – 2012, a total of \$64,507,737 from all sources, including LIHEAP, was spent through WAP to weatherize 6,254 households. This production level was significantly greater than normal due to additional federal funds from ARRA. Pre-ARRA levels were roughly 1,300 households per year.

OPEGA found that MaineHousing’s administration of the LIHEAP program was largely effective and efficient. OPEGA reviewed MaineHousing’s LIHEAP program goals, target populations, tiered benefit calculation, service delivery network, fund allocations and uses and found all to be aligned with federal and State requirements. MaineHousing also attempts to maximize the number of households served by the fuel assistance portion of the program to the degree possible within the federal parameters.

There are, however, control weaknesses in the LIHEAP application process and the related computer system that create potential for abuse of the program. OPEGA noted that, while applicant provided income is verified with third parties in some situations, there is potential that unclaimed income will not be identified. In addition, some information provided by the applicant and used for determining



eligibility and the level of fuel assistance benefit, as well as preventing duplicate benefits for a household, is generally not independently verified against third party sources. The process control weaknesses are compounded by deficiencies in the computer application used by MaineHousing and the CAAs to manage the LIHEAP program. Although only a small percentage of LIHEAP benefit records analyzed by OPEGA were flagged as potential issues, we recommend strengthening controls to minimize the risk of abuse.

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There are certain steps that MaineHousing can take to improve the overall implementation of the programs. In the case of WAP, MaineHousing had already begun taking action during the course of the review.

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OPEGA also found that the WAP program is generally well run and produces satisfactory results. MaineHousing and the CAAs are in alignment with both federal and State expectations. Weatherization projects are generally completed to the expected standards, and the program is structured to prioritize those households with the greatest need. OPEGA did identify several areas where MaineHousing could take steps to improve program operations and enhance program performance, all of which MaineHousing had already begun addressing. These areas, for which we have made recommendations, include procurement, MaineHousing’s oversight and support of the CAAs, and use of outcome-based performance measures and data for monitoring the program.

As part of assessing satisfactory results for WAP, OPEGA also considered the extent to which funds were targeted to priority populations on a program-wide basis, as well as the extent to which energy efficiency gains and/or the numbers of households served are maximized. OPEGA noted two policy-decisions MaineHousing has made that impact these potential outcome measures.

First, based on DOE requirements, MaineHousing advises CAAs to prioritize those households that have a high energy burden and/or contain an individual vulnerable to hypothermia. Yet these priorities are not fully reflected in the way MaineHousing allocates available WAP funds. MaineHousing allocates WAP funds to

<p><b>Energy Burden</b> – The expenditures of the household for home energy divided by the income of the household.</p> <p><b>High Energy Burden</b> – A low-income household whose residential energy burden exceeds the median level of energy burden for all low-income.</p>
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CAAs based on the percentage of LIHEAP recipients each CAA served in the previous year. This allocation method is administratively efficient and makes sense given that there are many more houses in need of weatherization than funds can currently support. However, it does not factor in whether particular CAA service areas contain a disproportionate amount of “prioritized” households, or conditions which may affect these populations, such as climate and poverty rates in a region.

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OPEGA identified some WAP policy-level decisions that might be reconsidered in the future to ensure that the most clients, and the neediest clients, are served to the degree possible and allowable.

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Second, MaineHousing has a comprehensive policy that directs CAAs to install all weatherization measures in a household that result in energy savings at least equal to cost, which is all those that have a savings-to-investment ratio (SIR) of at least one. MaineHousing’s approach is reasonable given that federal requirements dictate that houses receiving weatherization services under the program cannot be re-weatherized by the program. Consequently, MaineHousing is choosing to implement everything that is cost-effective during the one opportunity to do so. OPEGA’s analyses of SIRs versus costs, however, suggest that setting a higher SIR threshold for measures to be installed may maximize both energy savings and number of households served to a greater extent than the current policy.

OPEGA makes no specific recommendation for action in regard to these WAP policy decisions at this time. It is uncertain, given the current state of need in Maine, whether different policies would result in substantially greater outcomes and MaineHousing does not currently have the data that would facilitate such an assessment. However, we do suggest that at some point in the future MaineHousing, in collaboration with the CAAs and in a data-informed manner, may want to consider whether these policies still best serve the needs of low-income Mainers.

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MaineHousing and Efficiency Maine Trust coordinate to ensure that weatherization efforts are not duplicated.

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Lastly, in the course of this review, OPEGA explored to what extent MaineHousing's weatherization efforts were coordinated with other entities providing weatherization programs – particularly those of the quasi-State agency Efficiency Maine Trust (EMT). EMT's enabling statute contains certain specific requirements with regard to MaineHousing that are being met, and the two agencies are coordinating enough to ensure there is no duplication among their respective programs.

## Overview of Programs, Structure and Funding

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MaineHousing's EHS Division administers LIHEAP and WAP. These two programs constitute the majority of effort within EHS.

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The EHS Division within MaineHousing administers the LIHEAP and the WAP programs. The Division is the primary grantee for both of these federally funded programs that are intended to assist with the heating needs of low-income Mainers. Eligible recipients for both programs are households that are below 150% of the Federal Poverty Line or households that contain a disabled or hypothermia vulnerable member and are below 170% of the Federal Poverty Line. "Hypothermia vulnerable member" is defined as an individual over 60 years, under 24 months, or otherwise "hypothermia vulnerable" as designated by a medical doctor.

**Low-income Household -**  
Households that are below 150% of the Federal Poverty Line or are below 170% of the Federal Poverty Line and contain an individual vulnerable to hypothermia.

**Hypothermia Vulnerable -**  
An individual over 60 years, under 24 months, or otherwise designated hypothermia vulnerable by a medical doctor.

LIHEAP primarily provides fuel assistance to households, with the amount of assistance provided determined based on the heating costs and financial status of the household. WAP provides for the installation of home weatherization measures, and incidental home improvement measures as allowed, in order to keep the house warmer and thereby decrease the need for fuel in the future. The amount of WAP services provided depends on the weatherization needs of each house and is limited by certain fiscal thresholds and allowable uses of funds under the program. In order to receive WAP and other energy services administered by EHS, households must be certified as LIHEAP-eligible and are generally identified from a list of the prior year's LIHEAP recipients.

**LIHEAP Goal:** To provide fuel assistance to low-income households in the State of Maine, and to respond to energy-related crises affecting those households.

**WAP Goal:** To provide weatherization assistance which increases the energy efficiency of dwellings owned or occupied by low-income persons, reduce their total residential energy expenditures, and improve their health and safety, especially low-income persons who are particularly vulnerable such as the elderly, the handicapped, and children.

*Source: MaineHousing*

LIHEAP and WAP constitute the majority of effort within EHS although the Division also administers programs related to home repair, lead abatement and assistance with electric utility bills among others. Of the two programs, WAP is the more administratively burdensome program for EHS to manage. WAP is much more complex and requires EHS to perform a complete technical, programmatic and fiscal review of all weatherization jobs, including field inspections on a portion of jobs. In comparison, intake and processing for LIHEAP is fairly standardized and utilizes a computer system to calculate the benefit amount. Thus, only minimal on-going EHS oversight of LIHEAP activities at the local level is necessary.

### Implementation Network

MaineHousing contracts with CAAs for the local-level administration and implementation of both LIHEAP and WAP. This structure is based on federal expectations that grantees should contract with local public or non-profit agencies, in particular CAAs, so long as these sub-grantees are selected on the basis of public comment.

CAAs were established as either private corporations or public agencies pursuant to the Economic Opportunity Act of 1964, Pub. L 88-452, which authorizes them to administer funds received from federal, State, local or private funding entities to assess, design, operate, finance and oversee antipoverty programs. Although each one is unique in terms of the portfolio of programs offered, many offer community coordination, emergency and education services.

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MaineHousing contracts with nine Community Action Agencies (CAAs) for local-level implementation of both programs. Collectively, these agencies ensure that all counties and eligible families are served.

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In Maine, there are ten CAAs located throughout the State that serve all residents, traditionally along county-based service areas. MaineHousing currently contracts with nine of the ten CAAs for the implementation of both LIHEAP and WAP at the local-level. In the past, MaineHousing has terminated relations with CAAs based on poor performance; in these instances, neighboring CAAs have been selected to serve the newly available area through a competitive process. Appendix B is a map of the service areas for CAAs currently contracted to provide LIHEAP and WAP services. Table 1 includes the names of each CAA, their service areas, and the respective populations.

<b>Community Action Agency</b>	<b>Abbrev.</b>	<b>Counties Served</b>	<b>Service Area Population</b>
Aroostook County Action Program, Inc.	ACAP	Aroostook	70,868
Community Concepts, Inc.	CCI	Androscoggin Oxford	165,090
Kennebec Valley Community Action Program	KVCAP	Somerset Kennebec Sagadahoc Lincoln	243,134
The Opportunity Alliance	OA	Cumberland	283,921
Penquis Community Action Program	PCAP	Penobscot Piscataquis Knox	210,704
Waldo Community Action Partners	WCAP	Waldo	38,820
Washington Hancock Community Agency	WHCA	Washington Hancock	87,020
Western Maine Community Action	WMCA	Franklin	30,630
York County Community Action Corporation	YCCAC	York	199,005
Source: MaineHousing documents and US Census Data – 2012 Estimate			

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The CAAs are responsible for the outreach and enrollment of low-income households in the LIHEAP program and for procurement and oversight of weatherization services for the WAP program.

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The CAAs' implementation of LIHEAP involves outreach to the low-income population and enrollment of said individuals. MaineHousing contracts with vendors throughout the State who agree to provide fuel to LIHEAP households at a discounted price. Because fuel contracts are established and administered by MaineHousing, CAAs are not responsible for oversight of fuel provision to LIHEAP recipients.

In contrast, CAAs are responsible for the procurement of weatherization services as part of their implementation of WAP. They primarily procure these services, which include weatherization materials, from construction contractors skilled in installation of weatherization measures. These contractors are selected through an annual bid process conducted by the CAAs. The CAAs establish and administer these contracts, including overseeing the contractors' work and performance.

### **Program Funding and Allocations**

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LIHEAP and WAP are primarily funded by two annual federal grants.

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LIHEAP and WAP are predominately funded through two annual federal grant awards from different federal agencies. The grants have well-defined criteria on allowable uses of funds, but also allow grantees flexibility in determining how they will support program operations. MaineHousing submits an annual application for each of these grants which are reviewed and approved by the federal agencies before grant awards are made. The applications describe how MaineHousing will implement the respective programs and MaineHousing is expected to be in compliance with approved applications and any amendments to them.

Within the parameters of the federal programs associated with these grants, MaineHousing determines how the grant funds will be allocated, both in terms of use of funds and how much is allotted to each CAA. The vast majority of the grant funds are spent on direct client benefits.

Federal requirements for both LIHEAP and WAP allow for up to 10% of funds to be collectively used by MaineHousing and the CAAs for administrative purposes.

Both MaineHousing and the CAAs are restricted in the amount of funds that can be used for administrative purposes – for both grants, no more than 10% of funds can be utilized for such a purpose. This 10% must include costs for MaineHousing and the CAAs. MaineHousing allocates the 10% differently across the two programs. For LIHEAP, MaineHousing retains only 3.5% of the grant funds for its own administrative costs, but for WAP it retains 5%. The remaining allowed administrative expense allocation for both grants is directed to the CAAs.

LIHEAP

The annual LIHEAP grant is awarded by the US Department of Health and Human Services (HHS). LIHEAP grant funds are often dispersed to Maine in two types of awards: an initial base award and a supplemental award(s) of additional funds usually released in the midst of the heating season. The amount of the supplemental award(s) varies significantly on a yearly basis. Table 2 shows the amounts of the base and supplemental LIHEAP grant awards received for the FFYs within the scope of this review.

Sources	FFY 08	FFY 09	FFY 10	FFY 11	FFY 12
LIHEAP Base Grant Award	\$25,546,902	\$47,649,042	\$52,324,193	\$28,668,332	\$38,520,365
Supplemental LIHEAP Awards	\$19,288,554	\$28,643,659	\$5,895,401	\$25,688,631	\$0
Leveraging Award	\$333,866	\$189,894	\$0	\$0	\$178,307
<b>Total LIHEAP Funding</b>	<b>\$45,169,322</b>	<b>\$76,482,595</b>	<b>\$58,219,594</b>	<b>\$54,356,963</b>	<b>\$38,698,672</b>

Source: OPEGA analysis of MaineHousing fiscal information

LIHEAP funds are used for fuel purchases, including emergency fuel purchases. Grantees are also allowed to dedicate LIHEAP funds for weatherization services and MaineHousing chooses to do this.

Allowable uses of the base LIHEAP grant award for eligible households include administrative and outreach expenses, standard LIHEAP fuel purchases, emergency fuel purchases and repairs, central heating improvements and weatherization measures. Unlike the base award, supplemental LIHEAP grant funds are usually restricted to standard fuel purchases. The supplemental grants also allow a specified percentage to be used for administrative expenses.

One use that LIHEAP grant funds are allocated for is the installation of weatherization measures in eligible, low-income households. These funds are directed to, and used as a funding source for, WAP.

WAP

Federal WAP funds must be used only for weatherization and related program administration.

In addition to funding from the LIHEAP grant, WAP is also funded through an annual grant award from the US Department of Energy (DOE). The grant funds from this WAP base award must solely be used to support weatherization activities and program administration. While the total amount of funding WAP receives from the LIHEAP grant is actually greater than the base award from DOE, MaineHousing uses the program rules and expectations governed by DOE across both funding sources.

WAP was also supported by additional funding from DOE under the American Recovery and Reinvestment Act of 2009 (ARRA) during calendar years (CY) 2009-2012. The Act appropriated an additional \$5 billion over three years for the federal

The WAP program received a significant increase in funding as part of the American Reinvestment and Recovery Act of 2009. MaineHousing exceeded its production estimates for this funding.

Weatherization Assistance Program, which represented a significant increase for a program that had received about \$225 million per year in recent years. In total, Maine received \$48,897,064 under ARRA. Maine was one of a few states to expend all of its allocated funds during the time period allowed and exceeded production estimates. Moreover, Maine was one of 31 states who received regular DOE funding in CY 2012; such funding was only provided to states that had expended their ARRA allocation. The remaining 19 states operated on ARRA carry-over for the current program year. ARRA also changed multiple existing provisions for weatherization. Of these changes, the only lasting provision related to the statewide average allowable assistance level per home, which increased significantly from \$2,500 to about \$6,500.

Lastly, WAP is supported by some internal funds that MaineHousing allocates to the WAP program for additional weatherization work at the local-level. MaineHousing refers to this funding source as Weatherization Supplemental.

OPEGA’s review of WAP encompassed a period of three CYs – 2010-2012. This time period was chosen based on two primary factors. First, the funding cycles for the various funding sources are different and we needed one consistent time period to facilitate our analyses. The fact that each of the funding sources covers different time periods adds complexity to the fiscal management and reporting on this program. Second, this time period was during and after the initiation of ARRA funding. As noted, program rules were significantly modified under ARRA and a review of prior years may have confounded potential issues.

Table 3 shows the amount of expended WAP funds from all sources for each calendar year of the review, noting again that the funding sources have differing program years.

OPEGA reviewed WAP expenditures for a three-year period. During this time, MaineHousing expended over \$64 million dollars on weatherization services.

	2010	2011	2012	TOTAL
DOE	\$1,904,765	\$2,626,149	\$2,341,586	\$6,872,500
LIHEAP (1)	\$2,993,959	\$5,488,404	\$1,808,374	\$10,290,737
ARRA	\$19,105,228	\$16,187,784	\$9,257,775	\$44,550,786
Weatherization Supplemental	\$0	\$1,517,931	\$1,275,212	\$2,793,144
<b>TOTAL</b>	<b>\$24,003,952</b>	<b>\$25,820,269</b>	<b>\$14,682,947</b>	<b>\$64,507,168</b>

Source: OPEGA analysis of MaineHousing fiscal spreadsheets  
 (1) Excludes expenses related to Central Home Improvement Program

### Program Monitoring

Under federal expectations for both programs, MaineHousing is required to monitor the CAAs, as sub-grantees of federal funds, for proper expenditure of funds and compliance with program rules. MaineHousing submits monitoring plans as part of its federal grant applications for the LIHEAP and WAP programs. The monitoring plans describe the specific mechanisms MaineHousing uses to fulfill its sub-grantee monitoring responsibilities.

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Federal expectations for both programs include performance monitoring of the CAAs. MaineHousing partially implements this through an annual site visit to each CAA. In calendar year 2012, MaineHousing did not perform all of the required site visits.

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One monitoring mechanism MaineHousing uses for both programs is an on-site annual monitoring visit. The Grant Management Compliance Specialist in MaineHousing's EHS Division visits each CAA every year and reviews procedures and records to address the following areas: financial/fiscal accountability; procurement of weatherization and heating improvement services; recordkeeping; work plans and budget; reports; WAP program requirements; and the sub-grantee's annual audit. These visits conclude with an exit interview and MaineHousing is subsequently required to provide a written report summarizing the visit and identifying issues that need corrective action.

OPEGA reviewed the reports and follow-up documentation from MaineHousing's monitoring visits for CYs 2010-2012 and noted that MaineHousing visited only three of the nine contracted CAAs in CY 2012, due to staff turnover. OPEGA also noted opportunities to strengthen this monitoring mechanism, some of which MaineHousing is currently in the midst of addressing. (See Recommendation 4.)

In addition to this annual site visit for both programs, CAAs are required to provide the result of their annual independent financial audits. MaineHousing employs other monitoring mechanisms specific to each program. These are described in the LIHEAP and WAP sections of this report.

## LIHEAP Assessment

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### OPEGA's Approach

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OPEGA assessed the effectiveness and efficiency of LIHEAP administration with a focus on four criteria.

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OPEGA sought to determine whether the LIHEAP program was administered effectively and efficiently. We focused on assessing whether the following four criteria, important to program effectiveness and efficient use of funds, were met:

- The program is administered in alignment with federal expectations.
- Funds used for the administration of the program are appropriate.
- Fuel assistance funds are expended in a manner that maximizes benefits and clients served.
- Process and system controls are adequate to ensure that only eligible applicants receive fuel assistance benefits and that benefit amounts are appropriate.

In making this assessment, OPEGA reviewed federal and State requirements, program rules and procedures, the use of LIHEAP funds, and the processes and practices used at MaineHousing and the CAAs for LIHEAP fuel assistance benefits. We also gained an understanding of MERAC (Maine Energy Assistance and Conservation) and analyzed 620,297 records of data from MERAC on 293,862 LIHEAP fuel assistance recipients for the five year period 2008 to 2012.<sup>1</sup> MERAC is a centralized, networked computer application used by MaineHousing and the CAAs to manage the LIHEAP program, which features include client intake, some certification, vendor management and payment, accounting, and social security income validation.

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<sup>1</sup>Recipient households with more than one household member had multiple records.

## LIHEAP Administered in Alignment with Federal Expectations

The LIHEAP program is a federal HHS Block Grant program established under 45 CFR 96 and also subject to requirements in 42 USC 94. At the federal level, LIHEAP is administered by the Administration for Children and Families (ACF). Grantees must submit an annual application which describes how they will implement the LIHEAP program within their state.

From a State perspective, LIHEAP is governed modestly by statute Title 30-A Chapter 201, but more predominately by MaineHousing Rules Chapter 24, which is specific to LIHEAP, and the annual plan developed by MaineHousing and submitted to ACF as part of the annual grant application. In addition to federal and State rules and regulations which dictate program operations, MaineHousing provides a program handbook to the CAAs as a resource and guide for the administration of LIHEAP. The handbook is designed to specify the procedures for operating the program and to be used in conjunction with MaineHousing Rules Chapter 24.

### Program Goals, Target Population and Implementation Network

The federal authorizing statute for LIHEAP notes that the grants are provided to states to assist low-income households, particularly those with the lowest incomes that pay a high proportion of household income in meeting their immediate home energy needs. Grantees are allowed to utilize administrative agencies to implement local-level activities under 42 USC 94 and MaineHousing establishes its right to do so both in Chapter 24 of the MaineHousing Rules and Title 30-A Chapter 201 of Maine State Statute.

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OPEGA found that MaineHousing was in alignment with federal expectations for program goals, target populations and implementation network.

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OPEGA reviewed MaineHousing's LIHEAP program goals, target populations, and implementation network which are described on pages five through six. We found all to be consistent and sufficiently aligned with federal and State requirements. We also noted that the combination of MaineHousing's LIHEAP rules and the program handbook provides sufficient guidance to help ensure CAAs implement the program in compliance with federal expectations.

### Use of LIHEAP Funds

Funds from the annual federal LIHEAP grant are typically received in two types of awards, a base award and subsequent supplemental award(s). Federal regulations (42 USC 94) prescribe several allowable uses of the base award and maximum percentages of the award that may be spent on each. Allowable uses of supplemental award funds may be more restricted and are specified when the supplemental awards are issued.

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OPEGA also found that MaineHousing allocated funds appropriately within the parameters of the federal grant.

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As described below, OPEGA found that MaineHousing's allocation of base award funds to program uses falls within the percentages prescribed by federal regulations. The total funds spent on each allowable LIHEAP use from all LIHEAP fund sources in the program years covered in this review are shown in Table 4.<sup>2</sup>

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<sup>2</sup> In addition to the LIHEAP base and supplemental grant awards, MaineHousing received leveraging awards in several of the years OPEGA reviewed.



Use Category	FFY 08	FFY 09	FFY 10	FFY 11	FFY 12
Fuel Expenses	\$38,455,775	\$56,742,342	\$54,362,758	\$51,286,906	\$26,397,612
Standard LIHEAP Fuel Assistance (LIHEAP)	\$36,696,161	\$55,015,634	\$52,845,302	\$49,670,028	\$24,994,752
Energy Crisis Intervention Program(ECIP)	\$1,759,614	\$1,726,708	\$1,517,456	\$1,616,878	\$1,402,860
Weatherization and Heating Improvement Expenses (WAP and CHIP)	\$4,475,723	\$6,694,274	\$6,646,156	\$7,802,067	\$2,940,452
Administrative Expenses	\$3,268,968	\$4,510,990	\$4,616,829	\$5,471,397	\$3,852,037
MaineHousing Administration (1)	\$939,417	\$1,700,636	\$1,636,698	\$2,036,465	\$1,222,663
CAA Administration	\$2,329,551	\$2,810,354	\$2,980,131	\$3,434,932	\$2,629,374
Other Expenses	\$394,340	\$543,329	\$337,418	\$258,024	\$337,338
<b>Total All Uses</b>	<b>\$46,594,806</b>	<b>\$68,490,935</b>	<b>\$65,963,161</b>	<b>\$64,818,394</b>	<b>\$33,527,439</b>

Source: MaineHousing's 2012 LIHEAP Annual Report 17 Year Summary  
(1) MaineHousing administrative expense totals include LIHEAP funds spent on computer systems supporting LIHEAP and WAP.

**Fuel Expenses.** Based on the maximum percentage limits set for the other allowable use categories, grantees must use a minimum of 70% of the grant funds in the base award for the fuel expenses category. This category includes the fuel purchases for low-income households that are the standard LIHEAP fuel assistance benefit. It also includes emergency fuel purchases and heating system repairs for low-income households associated with MaineHousing's Energy Crisis Intervention Program (ECIP). A household is eligible for ECIP if it is experiencing an energy-related crisis which poses a health and safety threat, meets the income eligibility for one of several time periods or is eligible for LIHEAP (whichever allows income eligibility), and has demonstrated a good faith effort to avert the energy crisis before applying for ECIP.

In recent years, MaineHousing has allocated 74% of the base LIHEAP grant award for fuel expenses. These funds are retained by MaineHousing and, in most cases, paid out as fuel assistance benefits directly to the vendors serving LIHEAP recipients. MaineHousing reserves a certain portion of this allocation specifically for the ECIP program. An average of about \$1.6 million per year has been spent in ECIP benefits over the past five years.

**Weatherization and Heating Improvement Expenses.** A maximum of 15% of the base grant award can be spent on weatherization and heating improvement expenses. This category includes expenses for installation of traditional household weatherization measures associated with MaineHousing's WAP program. Additionally, it covers expenses for improvements to central heating systems for eligible low-income households associated with MaineHousing's Central Heat Improvement Program (CHIP). Such improvements include cleaning, tuning, evaluating, repairing, and replacing heating systems; other measures necessary to fix heating systems or bring them up to code; and some other heating-related measures (e.g. chimney cleaning, thermostat replacement).

MaineHousing typically allocates the full 15% allowed for weatherization and heating improvements to those purposes. The funds are allotted among the nine CAAs to support the WAP and CHIP efforts. The allotments are based on the number of certified eligible LIHEAP applications taken by the CAA in the previous year. MaineHousing requires that each CAA use at least 25% of their allotment for CHIP. However, the CAAs may dedicate more of the funding to CHIP if they desire and they have chosen to do so. For the past three LIHEAP program years, CAAs have spent an average of 42% of their allotted funds for this category on CHIP, with an individual CAA low of 26.8% and high of 52.0%.

**Administrative Expenses.** A maximum of 10% of the grant award can be spent on this category of expenses which includes outreach activities; salaries and fringe associated with program administration/operation; required contract and consulting fees; travel costs; equipment/office supplies; and charges such as rent, telephone, and technology charges. Administrative costs for all programs funded with LIHEAP grant funds are an allowable use in this category, including weatherization.

MaineHousing typically allocates the full 10% allowed in the base award to administrative expenses, allocating 3.5% for its own administrative costs and the other 6.5% to the CAAs for their administrative costs. The 6.5% is allotted among the nine CAAs based on the number of certified eligible LIHEAP applications taken by the CAA in the previous year.

**Other Expenses.** A maximum of 5% of the grant award can be spent in this miscellaneous expense category for other efforts to address home energy needs. Such efforts include budget counseling, energy education for clients, outreach, payment arrangement assistance, and home visits. MaineHousing has only been allocating 1% of the base award to this purpose in recent years. These funds are also allotted among the CAAs based on the number of certified eligible LIHEAP applications taken by the CAA in the previous year.

#### Program Monitoring

Under 45 CFR 96, MaineHousing is required to monitor the CAAs to assure the proper disbursement and accounting of federal funds, as well as compliance with program rules. MaineHousing implements this through two annual site visits to each CAA. One annual monitoring visit, described on pages nine through ten, focuses on the financial and fiscal accountability and recordkeeping for LIHEAP and WAP, as well as compliance with programmatic aspects of WAP. MaineHousing also does a separate site visit to each CAA that is focused on compliance with the programmatic aspects of LIHEAP. This monitoring visit includes a review of application files and applicant data to assess whether CAAs are making appropriate client eligibility and benefit determinations.

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MaineHousing's monitoring plan for LIHEAP was also generally in alignment with federal expectations.

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OPEGA found that MaineHousing's monitoring plan for LIHEAP is in alignment with federal expectations for oversight of the program and that all of the program compliance monitoring visits for LIHEAP had been completed in FFY12. However, we noted that only three of the nine annual monitoring visits covering the fiscal and accounting aspects of the program had been completed in FFY12. (See Recommendation 4.)

## Funds Used for Administrative Expenses Appropriate

There are two layers of administrative activity and costs associated with the LIHEAP program: those at MaineHousing and those at the CAAs. The amount of LIHEAP funds available and used for administration expenses varies in total from year to year in accordance with the total grant award as shown in Table 4. Consequently, OPEGA sought to verify that LIHEAP administrative funds were used only for the purposes of administering fuel assistance, weatherization and other allowable program uses under the grant and were not subsidizing any other MaineHousing or CAA activities.

### CAA Administration

CAAs, in general, use their administrative funds to take and process LIHEAP fuel assistance applications, as well as to run the WAP, CHIP and ECIP programs. CAAs self-report their administrative costs to MaineHousing using categories defined by MaineHousing. These reports allow for tracking how the CAAs' allotments of LIHEAP administrative funds were spent. However, they do not capture any LIHEAP-related administrative expenses that may be covered by other funding sources at the CAA level.

OPEGA surveyed the CAAs as to whether they were using other funds to subsidize the administration of LIHEAP fuel assistance program. All nine CAAs responded with eight of the nine describing how they did subsidize administration of LIHEAP in one way or another. In light of these responses, and other factors, OPEGA determined it was unlikely CAAs were using LIHEAP administrative funds for unallowable uses and that further detailed analysis of CAA administrative expenses for the purposes of OPEGA's review would be of little value.

### MaineHousing Administration

MaineHousing is also able to use its LIHEAP administrative funds for expenses related to administering any of the programs funded through the LIHEAP grant. To assess MaineHousing's use of LIHEAP administrative funds, OPEGA reviewed the CY13 budget for the EHS Division and gauged whether the portion of budgeted expenses intended to be covered with LIHEAP funds seemed appropriate and reasonable.

OPEGA noted that salaries and related benefits were the largest budgeted expense for EHS in CY13, representing 53.7% of the total budget. We also noted that 58.4% of those salary and benefit expenses (totaling \$757,674) were budgeted to be funded by LIHEAP administrative funds. OPEGA reviewed the job description, salary, and percent of salary to be charged to LIHEAP administration for each of the 16 relevant positions. We determined that all positions were legitimately related to the administration of LIHEAP fuel assistance and WAP and were funded at appropriate levels by LIHEAP given the position responsibilities. In fact, it appeared that the percentages of some salaries funded by LIHEAP could even be legitimately higher.

The EHS Division CY13 budget had other LIHEAP funded expenses, which were also reviewed by OPEGA. These included allocated payroll expenses, allocated overhead expenses, and operating expenses. When applicable, the methodologies

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OPEGA reviewed the use of LIHEAP administrative funds by the CAAs and by MaineHousing and found those uses appropriate.

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for the expense allocations were also reviewed. We found all of these expenses to be within the allowable uses for LIHEAP administrative funds and assessed them to be reasonable given the level of EHS activity associated with LIHEAP and WAP.

Based on this review, OPEGA estimated MaineHousing's appropriate and reasonable total administrative costs associated with LIHEAP-funded programs for CY13. We compared that figure to MaineHousing's annual reported and allowed LIHEAP-funded administrative costs for several past years, with similar LIHEAP and WAP activity levels, and found them to be comparable. Consequently, OPEGA finds it likely that LIHEAP administrative funds have been used for appropriate LIHEAP-related purposes and not for funding other MaineHousing activities, even though the total amount of LIHEAP administrative funds available and reported as spent fluctuates greatly from year to year.

### **MaineHousing Makes Effort to Maximize Benefits and Clients Served**

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MaineHousing also makes efforts to maximize the benefits and clients served by the LIHEAP fuel assistance program within the parameters of the federal award.

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The major expenditure of LIHEAP is fuel assistance, particularly home heating oil. OPEGA reviewed how MaineHousing calculates the fuel assistance benefit amounts for eligible households. We determined that the methodology used directs the highest benefit amounts to those with the highest need in alignment with federal expectations. We also noted that MaineHousing makes efforts to maximize the amount of LIHEAP grant funds available for fuel assistance, and to make those dollars go farther by obtaining fuel discounts from vendors.

#### Calculation of LIHEAP Fuel Assistance Benefits

LIHEAP fuel assistance benefits are intended to help defray the cost of heat for low-income households, but are not intended to pay a household's entire winter or annual heating cost. Eligible households are limited to one standard fuel assistance benefit award per heating season, with the possibility of a household applying for ECIP benefits if the household encounters an emergency heating situation.

The program provides a fixed benefit based on household income, household size, and energy consumption from the base LIHEAP award. A supplemental benefit, calculated in the same manner as the initial benefit and applied to all eligible households in the program year, is provided if and when supplemental grants are issued to the states. In most cases, benefit payments are issued directly to recipient-selected vendors once households have been determined eligible for assistance. Vendors apply these payments to recipient accounts.

Once the base LIHEAP grant award amount for each year is known, MaineHousing establishes a benefit per point dollar value that will be used in calculating the benefit amounts for eligible households. The dollar per point value is based on the amount of the federal grant, the number of eligible households served in the previous year, the average energy cost for an eligible household in the previous year, any anticipated changes in the federal grant to be received in the current year, and any anticipated increase or decrease in average benefit payments or the number of eligible households. OPEGA observed that in recent years MaineHousing has dedicated more than the minimum percentage of the federal grant to fuel assistance, signaling an effort to maximize fuel assistance benefits.

The efforts include maximizing the allocation of LIHEAP funds to fuel assistance, directing the highest level of benefits to those with the greatest need, and obtaining discounts from fuel vendors.

The intent of the program is that the greatest benefits will go to those eligible households with the lowest income and the highest energy cost in relation to income, taking into account family size. To accomplish this, the dollar amount of fuel assistance an individual household qualifies for is determined via a calculation that weighs both household fuel consumption (in dollars) and poverty (as a percentage of poverty level). The calculation assigns an increasing number of points as fuel consumption increases and a decreasing percentage of those points as income, as a percentage of poverty level, increases. The resulting adjusted points total is multiplied by the dollar per point value established by MaineHousing.

MERAC performs the calculation to determine the appropriate level of benefit based on client data entered to the system. Examples illustrating this calculation are shown in Table 5.

**Table 5. Examples of LIHEAP Fuel Assistance Benefit Calculation**

Income Level Determinations						Consumption Determinations			Final Calculation		
Household Size	Household Income	Poverty Level	% of Poverty Level	Range	% of Points	Fuel Cost	Range	Points	Adjusted Points	Benefit Per Point	Benefit Award
3	\$28,000	\$19,090	147%	126% - 150%	80%	\$1,500	\$1,201 - \$1,600	20	16	\$36	\$576
4	\$28,000	\$23,050	121%	101% - 125%	90%	\$2,200	\$2,001 - \$2,500	30	27	\$36	\$972

Source: OPEGA's calculations based on formula published in MaineHousing's program handbook.

The fuel consumption figure used in the benefit calculation is based on actual fuel purchases if the household received LIHEAP assistance during the previous program year, or if the household used only one fuel source purchased from a single vendor such that actual fuel cost can be readily determined and documented. In all other cases, including when heat is included in a household's rent, the Design Heat Load Calculation (DHLC) is used to determine the energy consumption of the household. The DHLC converts the applicant's described dimensions of the residence into an estimated fuel cost.

Typically, tenants in subsidized housing with heat included would not be eligible for any fuel assistance benefits under LIHEAP. However, as allowed under the federal program, a maximum benefit of \$5 in fuel assistance is given for households in these circumstances. This benefit allows an applicant to claim LIHEAP assistance in his/her application for food assistance, which then allows the household to use the Full Standard Utility Allowance in its food assistance application. This has the effect of decreasing the applicant's income and, in turn, increasing the food assistance benefit received.

Fuel Discounts

MaineHousing uses the buying leverage of the LIHEAP program to achieve savings for LIHEAP recipients by requiring participating fuel dealers to price oil and kerosene at a discount. In the past, dealers had a choice of how those discounts were calculated and selected either a margin over rack price or a discount off retail price.

During its most recent rule-making proceeding, MaineHousing eliminated the less popular margin over rack pricing option and now mandates a discount off retail of \$0.07 per gallon from participating vendors. The discount applies not only to the fuel purchased with LIHEAP funds, but also to all oil and kerosene purchases paid for directly by LIHEAP recipients.

An additional benefit of the bulk vendor discounts is that it is a countable activity for the LIHEAP Leveraging, which was created to encourage grantees to look for ways to add non-federal dollars or other resources to their LIHEAP programs. Countable leveraged dollars or other resources are reported to the U.S. Department of Health and Human Services and the grantee is awarded additional LIHEAP funds. In the most recent year, FFY 2012, MaineHousing received a leveraging award of \$178,000.

### Controls to Prevent/Detect Abuse of LIHEAP Benefits Are Weak

CAAs process applications and determine eligibility for LIHEAP fuel assistance benefits from potential recipients within their respective service areas. It is a detailed but standardized process that CAAs conduct in accordance with the Program Handbook issued by MaineHousing and supported by MERAC.

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CAAs process thousands of applications for LIHEAP fuel assistance in a short period of time.

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CAAs routinely process thousands of LIHEAP applications during a short period of time. Prospective clients go to their respective CAA and meet with an intake worker, who collects necessary information line-by-line on the application, counsels the applicant, and collects the necessary documentation provided by the applicant to support the information given.

For households that were served in the prior year, CAAs may use a telephone with mail-out application process. CAA employees must verify that there have been no changes to the household that would affect its benefit level (deceased, additional income, etc.). Once the telephone application process is completed, the CAA will mail the application and reminder form to the applicant to verify the information and sign the documents.

Information collected for the LIHEAP application includes:

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Information needed to determine eligibility and fuel assistance benefit levels is collected from applicants.

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- Names, dates of birth, social security numbers, and addresses for the primary applicant and all other household members. Applicants should be prepared to provide names of all persons living in the household, as well as social security numbers for all those over two years old. Applicants should provide proof of present address.
- Specifics on the dwelling including whether the applicant rents or owns, the type of dwelling (modular, stick-built, mobile home or apartment), number of rooms and how many are heated, whether the heat is included in rent, whether the housing is subsidized, and the type of heating system and whether it is working.
- Number of vendors the applicant purchased fuel from in the previous heating season, the monthly allowances for utilities/heat (applies to subsidized housing only), and landlord information (if renting). Applicants should provide recent copies of energy and utility bills.

- Gross household income for the last three or twelve months and the sources of that income including: gross wages; income from roomers or boarders; unemployment; alimony and child support; military pay; self-employment income; Social Security, Supplemental Security Income and Social Security Disability; Temporary Assistance for Needy Families and certain other assistance programs provided through the Maine Department of Health and Human Services (DHHS). Applicants are expected to provide documentation of the income reported. If an applicant claims to have had no income in the selected time period, the CAA must require the submission of additional documentation, such as current tax forms, bank statements (showing withdrawals to see how expenses are being met) and copies of overdue bills or collection notices.

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There are some controls within the process and the MERAC system to help ensure applicants provide accurate and complete information.

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Once the application is complete, it is reviewed by a second CAA employee during a certification process. LIHEAP procedures call for the certifier to take several steps meant to ensure that applicants provide accurate and complete information used in the eligibility and benefit level determinations. These controls include:

- a check of certain information on the application, primarily income and heating expenses, against supporting required documentation;
- an automated check through MERAC against systems at Maine DHHS to verify applicant-declared social security income and disability payments by matching social security numbers, name and date of birth;
- a check with the Maine Department of Labor for potential unemployment income for applicants over 18 years of age that report having zero income;
- a reasonableness check on reported income in relation to basic household expenses; and
- a check for whether another LIHEAP application for the household has already been processed.

MERAC calculates whether applicants are income-eligible based on information entered in the system. MERAC also calculates the level of fuel assistance benefit eligible households qualify for in accordance with an established methodology described on page 15.

In addition to the controls described above, MaineHousing also relies on an automated control within MERAC to check for duplicate social security numbers entered to the system. This is the primary control for preventing multiple benefits to the same applicant or household within a program year. It should also serve to identify individuals that are being claimed as household members on more than one application.

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However, OPEGA found that, overall, the system of controls for preventing or detecting potential abuse within the fuel assistance program is weak.

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OPEGA's analysis of LIHEAP recipient data identified records with data anomalies in the social security number and date of birth fields that would impact the effectiveness of the automated controls. The analyses also identified situations that appear to indicate the MERAC check for duplicate social security numbers and other process controls are not functioning as intended. Overall, OPEGA found the system of controls for preventing and detecting potential abuse within the LIHEAP fuel assistance program to be weak. (See Recommendation 1.)

# WAP Assessment

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## OPEGA's Approach

The focus of OPEGA's review of the WAP program was to determine whether the program was producing satisfactory results. In order to define "satisfactory results," OPEGA reviewed the official goal for the program as well as MaineHousing's internal goals for the program. OPEGA also reviewed national literature on WAP performance benchmarks. The federal funder, DOE, notes that the single most important metric in regard to program performance is the number of units that are weatherized. DOE monitors the program to ensure that grantees meet Federal regulations including cost, but these fiscal benchmarks do not address the impact or outcomes of the program and few such evaluations have been performed.

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OPEGA reviewed whether WAP was producing satisfactory results with a focus on four criteria.

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OPEGA developed the following four criteria to use in assessing satisfactory results. These criteria represent a hybrid of the stated goals for the program, information that is available, as well as OPEGA's own perspective about what enables a program to produce satisfactory results. The criteria are:

- The program is operated in alignment with federal expectations with a system in place to ensure proper alignment.
- Weatherized households are consistent with the program's priorities and requirements.
- Weatherized households are technically well-done and to clients' satisfaction.
- MaineHousing and the CAAs maximize energy savings and clients served.

To gauge MaineHousing performance in relation to these criteria, OPEGA gained an understanding of the WAP process, related computer systems, and MaineHousing's coordination with EMT. We also reviewed MaineHousing's contracts and supporting documentation, grant related information, internal databases, and performance monitoring information.

### Weatherization Process

The process of weatherizing individual households includes multiple steps.

#### Step One: Household Selection

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Households with a high energy burden and contain an individual who is hypothermia vulnerable are prioritized to receive weatherization services.

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CAAs identify households by reviewing the High User List – a list comprised of the previous year's LIHEAP recipients. Households with a high energy burden and/or containing a member of a hypothermia vulnerable population are prioritized. Households are ineligible for weatherization service if they have already received weatherization services in prior years or are otherwise structurally unfit.



### Step Two: Energy Audit

A certified energy auditor employed by a CAA performs an energy audit to identify what weatherization measures should be completed. The energy auditor works with the household members to obtain consent for service, provide education, and verify homeownership.

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A CAA-employed certified energy auditor determines the appropriate weatherization measures for each household and oversees the installation process.

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### Step Three: Weatherization Work Order

A work order is produced using MaineHousing software; the various possible measures are sorted based on potential energy savings. All measures with an SIR of greater than one are installed.

### Step Four: Household Weatherization

A CAA assigns the weatherization job to either an independent contractor who was selected through a competitive procurement process or an in-house crew. The assigned professional(s) performs the weatherization measures in accordance with the work order. The CAA's energy auditor oversees the process and dictates or approves any changes.

### Step Five: Final Inspection

A certified energy auditor employed by the respective CAA performs a final inspection. The energy auditor must be different from the individual who performed the initial energy audit. The final inspection includes a review of all measures to ensure they were completed as prescribed in the work order, a general inspection of the house to ensure there was no damage or materials and/or waste left behind, and a sign-off by the client.

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A final inspection by a CAA-employed, certified energy auditor different than the individual who performed the initial audit is conducted and the client signs off on the job.

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### Step Six: Administrative Processing

On a monthly basis, CAAs submit billing packets to MaineHousing for reimbursement; billing packets are comprised of individual job packets for each household weatherized. All job packets receive a fiscal, technical and programmatic review by MaineHousing staff. Once all job packets have been approved, MaineHousing remits payment to the CAA on the entire billing packet.

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MaineHousing also oversees the quality of completed jobs through a three-tiered review of each job packet, potentially including an on-site visit, and independently soliciting client feedback.

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### Step Seven: Quality Control

MaineHousing Technical Service Specialists perform inspections on units that are either completed (pre-arranged visit) or still in-progress ("surprise" visit). MaineHousing is federally required to inspect at least 5% of completed units, but the Agency aims to inspect 10% of units. After the job packet for a household is processed by MaineHousing, a feedback card is sent to household members inquiring about overall experience, education provided and quality of service.

### Computer Systems

Until recently, MaineHousing has not had a comprehensive data system to facilitate program management. The two systems that it has supported – MEAFF and MEADOW – were decentralized, meaning that MaineHousing could not gain access to CAA files or run queries easily. The systems were intended to produce paperwork to support the energy audit process but were not for managing the program as a whole – either from the CAA or MaineHousing perspective.

Historically, MaineHousing has cobbled together various systems or databases to use for different areas of program operations. For example, the data needed in support of this report (relating solely to WAP) was maintained in four separate databases. As a result of the limited data systems, OPEGA encountered difficulty in determining the accurate program reach rate, demographic make-up of clients served, and total fiscal amounts spent on houses where CAAs were able to leverage funds. (See Recommendation 3.)

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In late 2012, MaineHousing began the transition to a new data system that should allow for enhanced program management and data capacity.

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This issue was identified by MaineHousing and one of the impetuses for the development of a new data system. In late 2012, MaineHousing began to transition to the new system, Energy Conservation Online System (ECOS), and at the time of this report, is winding down the first phase of implementation. A service release to be implemented in August 2013 will allow the CAAs to utilize ECOS from the first (audit) to final (billing) stages of a weatherization project. The second phase of implementation will begin in the fall of 2013 and will feature routine data queries to assist in program management and oversight.

Also in late 2012, MaineHousing commissioned an independent audit of its information technology consulting services, including ECOS. This audit was intended to assess whether ECOS meets MaineHousing's energy program management, operational and compliance needs and MaineHousing's options in regard to ongoing maintenance and support of the ECOS system. The final report from this review has recently been submitted to MaineHousing.

### Efficiency Maine Trust

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Efficiency Maine Trust is required by statute to review MaineHousing's weatherization efforts as well as report on them to the Legislature. MaineHousing's director is also a member of EMT's Board.

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Efficiency Maine Trust was created by the Maine Legislature in 2009 with the intent, in part, to consolidate under one agency the funds for Maine's consumer energy efficiency programs and to integrate delivery of electric and thermal efficiency measures. EMT's enabling statute establishes that it must approve MaineHousing plans for weatherization on an annual basis. EMT must also report on activities of the WAP in its annual report to the Legislature. While MaineHousing is the administrator of the WAP, EMT must report to the Legislature on budget, expenses, and units weatherized by MaineHousing using federal WAP and LIHEAP funds.

MaineHousing and EMT meet these requirements on both an executive and programmatic level. The EMT Board also acts as the WAP Policy Advisory Committee for the program, a committee required by the federal funder. It is through this process that MaineHousing submits their annual plan, akin to the annual grant application, to the EMT Board. The relationship is further supported by the presence of MaineHousing's Director on the EMT Board.

EMT and MaineHousing coordinate to ensure they do not duplicate efforts.

MaineHousing does not currently administer any programs for EMT, although it has in the past. Both entities ensure that they do not operate programs that may be duplicative of each other, especially critical in light of EMT's mandate to serve low-income households. MaineHousing and EMT have an agreed upon market segmentation approach which clearly delineates which entity is serving which population.

### **WAP Administered in Alignment with Federal Expectations**

The US DOE Weatherization Assistance for Low-Income Persons program is authorized under 42 USC Chapter 81 Part A, which provides the funding philosophy and high-level requirements relating to programmatic policies and procedures. WAP is also subject to 10 CFR Chapter 2 Part 440 for more detailed program requirements. MaineHousing is authorized to be the recipient of federal funding pertaining to low-income weatherization under MRSA Title 30-A Chapter 201 §4741.15 and governed by Chapter 25 of the MaineHousing Rules.

As the primary grantee of both US DOE and HHS funding (under LIHEAP) dedicated to providing weatherization service for low-income Mainers, MaineHousing is responsible for upholding these federal and State regulations and expectations. As contractors or sub-grantees, the CAAs maintain a responsibility to abide by their contractual expectations as set forth by MaineHousing.

**Primary duties of MaineHousing (Grantee) include:**

- Act as the grantee according to federal regulations;
- Select sub-grantees and allocate funds to them;
- Coordinate the WAP program with LIHEAP;
- Employ sufficient staff to administer the program, monitor compliance, inspect at least 5% of weatherized units, and provide technical assistance/monitoring of sub-grantees;
- Establish requirements regarding expenditure of funds allocated to sub-grantees; and
- Suspend/terminate of the sub-grantee contract if the sub-grantee fails to comply with the provisions of the Weatherization Act.

**Primary duties of CAAs (Sub-grantees) include:**

- Inform the public about the availability of weatherization services, and coordinate outreach activities with fuel assistance programs as applicable;
- Provide application intake, documentation and verification services;
- Make eligibility determinations of all applicants and dwelling units;
- Procure weatherization materials, supplies and services;
- Provide and deliver allowable weatherization services to eligible households for eligible dwelling units; and
- Pursue and coordinate opportunities for leveraging additional funds from other federal and non-federal sources for low income weatherization, energy conservation and housing rehabilitation activities.

OPEGA assessed that MaineHousing is substantially in alignment with its funding expectations for WAP. Moreover, the federal project officer highlighted that Maine is considered a top performer.

OPEGA reviewed the relevant federal and State regulations to assess whether MaineHousing operates WAP in alignment with federal expectations. OPEGA also reviewed audit reports issued from recent DOE site visits and desk audits and spoke with the federal project officer at DOE. All of these sources confirmed that MaineHousing is substantially in alignment with federal expectations. Those issues that did arise during the federal audit process were not substantive and were resolved in a timely fashion. Likewise, the federal project officer noted that MaineHousing's performance is good and that Maine is thought of as one of the better and more progressive states.

OPEGA did note two instances where MaineHousing was not in total compliance with program expectations. The first is in regard to the performance monitoring; the second is in regard to the procurement process undertaken by the individual CAAs for goods and services. (See Recommendations 2 and 4.) Otherwise, MaineHousing was substantially in alignment with federal program expectations.

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MaineHousing has designated fiscal thresholds which govern how CAAs may utilize funds for weatherizing households. These thresholds have occasionally been violated in the past and MaineHousing is currently working to support greater adherence to them.

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MaineHousing also maintains a series of fiscal thresholds and monitors CAA compliance with them to ensure that funds are spent appropriately in accordance with federal spending guidelines. These fiscal thresholds are as follows:

- Per Unit Average (PUA): The total cost of labor and materials for enacted weatherization measures. Total must be less than a certain amount.
- Client Service Ratio (CSR): A ratio determined by the total Direct Client Service cost (materials, direct labor and CAA energy auditor salary and fringe for up to 6 hours per job) divided by the total contract amount. Total must be greater than a certain percentage.
- Health and Safety (H&S): Measures necessary to maintain the physical well-being of both the occupants and/or weatherization workers where actions taken are required to perform work or as a result of work. Total must be less than a certain amount.
- Incidental Repairs (IR): Materials and installation that are deemed necessary for the effectiveness of one or more of the actual weatherization measures. Total must be less than a certain percentage of the Per Unit Average.

All of these thresholds are averages applied to the entire contract term for each CAA. That is, an individual household may go above one of these thresholds but the total households weatherized by the CAA must be within these parameters. PUA is set at the federal level while the other thresholds are set by MaineHousing per DOE guidance. MaineHousing must be in compliance with these thresholds for the program as a whole.

When a CAA is out of compliance with the threshold, the instance will be documented as part of MaineHousing's performance monitoring of the CAAs. Second infractions will result in the CAA needing to fiscally address the concern. MaineHousing has recently implemented a process whereby they send CAAs monthly reports with the fiscal thresholds and spending to date so that these thresholds can be more closely monitored.

OPEGA reviewed these thresholds for the program years within our review period for every CAA and funding source. There were a few instances of non-compliance, most frequently during program year 2011, although these instances never affected the MaineHousing average for a federal funding source. (See Recommendation 4.)

## Weatherized Households Reflect Program Priorities and Requirements

### Priority populations are being served

MaineHousing identifies that the target population for WAP services are households certified as LIHEAP eligible. Every year, MaineHousing requires each CAA to develop and maintain a waiting list consisting of all LIHEAP eligible households that have not previously received weatherization services. The waiting list should rank households in the following order:

- Highest Priority - High Energy Users/Burdened Households.
- 2nd Priority - Households containing disabled and/or hypothermia-vulnerable persons.
- 3rd Priority - Leveraging opportunities (jobs where there are opportunities to leverage other funding sources to pay for additional weatherization-related measures).
- 4th Priority – Length of time household has been on the waiting list.

MaineHousing assists the CAAs in developing waiting lists by providing the High User List to each CAA annually. The list is an excel file which contains thousands of records on LIHEAP recipients from the previous year. Information, such as fuel type, annual energy consumption usage for heat<sup>3</sup>, energy burden, and whether the household contains a disabled or hypothermia vulnerable individual, is provided for each recipient.

In selecting which households will receive weatherization services, CAAs must also consider factors such as whether a house is of sufficient structural integrity, how to balance serving the entire service area, and how to remain within the operating budget and the established fiscal thresholds. Above all, the household must be willing to participate in the program.

OPEGA initially sought to determine whether households being weatherized under WAP were reflective of the stated priorities by cross-referencing the database which contains information on weatherized households with the High User List generated each year. However, we were unable to adequately match these different documents to conclusively determine the demographic characteristics of those served. (See Recommendation 3.) Instead, OPEGA surveyed the CAAs on how they select households to weatherize and reviewed the demographic data on unduplicated household counts that MaineHousing submits annually to HHS.

CAAs generally report that the vast majority of their weatherization clients are either identified through the High User List or the current year's LIHEAP application intake process. MaineHousing's reported demographic data on weatherized households also shows that each year about three in every four households served contains a household member who is disabled or vulnerable to hypothermia.

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CAAs are advised to prioritize those households that are high energy users and contain an individual who is hypothermia vulnerable. To facilitate this, MaineHousing provides a High User List to each CAA on an annual basis which contains LIHEAP-recipients from the previous year.

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In order to be eligible for weatherization services, a house must be of sufficient structural integrity and must not have been previously weatherized.

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OPEGA determined that the majority of households receiving weatherization services are indeed on the High User List and contain a hypothermia-vulnerable member.

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<sup>3</sup> All LIHEAP vendors are required to provide consumption data and clients are asked to provide fuel bills.

Based on these information sources, OPEGA determined that weatherized households generally reflect the program priorities of serving high energy use households that contain a member of hypothermia vulnerable population within each CAA service area. We noted, however, that MaineHousing’s method of allotting WAP funds among CAAs does not necessarily reflect targeting priority populations on a program-wide basis. WAP funds are allotted among CAAs based on the percentage of LIHEAP recipients each CAA served in the prior year. This allocation method does not account for whether particular CAAs may have more priority households within their service area, or conditions such as poverty rates or climate that may affect the priority populations. The allocation method is, however, administratively efficient and reasonable given that there are many more houses in need of weatherization than funds can currently support.

Savings-to Investment Ratio Targets are being Met

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According to DOE and MaineHousing policy, weatherization measures must result in savings in order to be implemented. OPEGA determined that, with very few exceptions, projects completed had a savings-to-investment ratio of greater than one.

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One of the most significant requirements in regard to weatherizing houses is in determining what work to perform. When the initial energy audit is performed, prospective measures are identified in a list sorted in descending order based on estimated energy savings. With some exceptions, each weatherization measure to be installed must have an SIR of greater than one, and the entire job must have a SIR of greater than one.<sup>4</sup> This policy is set at the federal level and maintained by MaineHousing. It is also MaineHousing’s policy to require that all measures with an SIR of greater than one should be installed.

One exception to this is funds used for the elimination of health and safety hazards which are necessary for, or because of, the installation of weatherization measures. The other exception to this is some work that may be done using the weatherization funds from LIHEAP. Although MaineHousing now operates the entire WAP program under federal DOE weatherization policies regardless of funding source, this has not always been the case. In the past, not all measures needed to have an SIR greater than one and waivers were allowed for some measures usually prohibited.

OPEGA examined records of the 6,254 households weatherized from 2010 to 2012 and noted that 50 or only .8% did not have an SIR of greater than one. Some of the lower SIRs were related to the exception described above and others resulted from data entry errors in the file we were reviewing. Consequently, OPEGA determined that MaineHousing is in alignment with the program requirement to only implement weatherization measures that result in long-term fiscal savings.

**Weatherization Projects Generally Well-Done and Clients Satisfied**

MaineHousing provides WAP programmatic guidance through the contracts it establishes with the CAAs and a technical standards manual that addresses the actual weatherization services and measures. The standards manual was updated in 2011 through a collaborative process that included representation from each CAA.

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<sup>4</sup> Savings-to-investment ratio is determined by dividing the calculated value of the weatherization measure by its cost. The equation incorporates variables such as the anticipated life of the measure, fuel savings and inflation.

MaineHousing then monitors whether weatherization projects are technically well-done and to the client's satisfaction through several quality control mechanisms. One mechanism is a customer feedback system whereby survey cards are sent to weatherized households. These cards ask a series of 10 questions and clients respond using a Likert scale of 1-4 (very satisfied - not satisfied at all). Questions assess client involvement and satisfaction with the process, among other things. There is also a place for comments.

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Almost 95% of clients providing feedback to MaineHousing expressed satisfaction with the services received. Moreover, very few of the inspections performed by MaineHousing were due to a client concern.

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OPEGA reviewed the client survey responses received by MaineHousing for 2010-2012, noting that there was a relatively robust survey return-rate of near 50%. We determined that clients generally expressed significant satisfaction with the services, with almost 95% of clients reporting being either satisfied or very satisfied with the services. All questions on the survey individually had very positive responses with over 90% of clients rating each question as satisfied or very satisfied. Moreover, 94% of clients answered very satisfied or satisfied to the question - Is your home more comfortable as a result of the weatherization done to it?

MaineHousing policy dictates that surveys with concerns or poor ratings are turned over to a Technical Service Specialist (TSS), one of three MaineHousing field staff employees who perform technical reviews and inspections, to be addressed. This policy helps to ensure that concerns have some sort of follow-up to address potential deficiencies. Less than 3% of returned survey cards OPEGA reviewed were forwarded to a TSS. Some clients also call MaineHousing directly when there is a concern. These complaints are also turned over to a TSS for follow-up, most frequently in the form of an inspection on the house.

OPEGA reviewed 1,120 inspection records from MaineHousing's database that contains information on all inspections performed. Less than 10% of these inspections (91 cases in total) were conducted at the impetus of the client, either through a negative feedback card or through a direct request. These 91 instances were of a total potential of over 6,000 jobs that occurred during this review period, indicating that about 1.5% of jobs resulted in some level of client concern that rose to the level that MaineHousing became involved.

Based on the survey and inspection data analyzed, OPEGA assesses that there are very high levels of client satisfaction with the weatherization program.

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MaineHousing identified relatively high rates of deficiencies in those households that they inspected, though this rate decreased over time and the highest rate, in 2010, may have been a relic from the increased production demands of ARRA.

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On the other hand, there are somewhat high rates of issues identified by MaineHousing through its inspections. Throughout the three-year period OPEGA reviewed, one in every four units MaineHousing inspected had a technical deficiency. This rate significantly improved over the review period, from a high of 33.3% in 2010 to a low of 10.5% in 2012, which seems to indicate that quality has been noticeably increasing over time. It is possible that the high deficiency rate in 2010 is a relic of ARRA, where production demands increased significantly and placed strain on MaineHousing, CAAs, and weatherization technicians alike. OPEGA also observed notable differences between CAAs, however, with a review-period low deficiency rate of 10.1% and a high of 44.1% on inspections conducted by MaineHousing. This indicates that there is notable variation between CAAs, not just in contractor performance, but also the ability of the CAA to "catch" these deficiencies as part of their own oversight processes.

Based on our analysis of MaineHousing inspection deficiency rates, OPEGA assesses that the majority of household weatherization projects are completed to expected technical standards. The quality of work has significantly improved over time, though there may be some CAAs that had poorer performance than others. (See Recommendation 4.)

## **MaineHousing and CAAs Generally Maximize WAP Benefits and Clients Served**

### Client Service Ratio Targets Typically Met

MaineHousing employs two mechanisms to ensure that CAAs are spending funds, to the greatest extent possible, on actual weatherization services for direct client benefit. The first, which is dictated at the federal level, is the amount of funding allowed to be retained for administrative purposes. The second, which MaineHousing dictates, is the Client Service Ratio (CSR) – a fiscal threshold that is a ratio determined in dividing the total a CAA spent on direct client service (i.e., actual weatherization services) by the total amount of its WAP contract.

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CAAs have typically met or exceeded the threshold for Client Service Ratio set by MaineHousing. Based on this ratio, some CAAs appear to be more administratively efficient than others. However, factors such as geographic service area may impact this measure for some CAAs.

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OPEGA reviewed the CSRs and found that CAAs are typically above the specific thresholds set by MaineHousing each year. For example, in 2012 the CSR threshold for LIHEAP funds was set at 53% and all CAAs met or exceeded that target. We also calculated a statewide CSR average and compared each CAA to that. A few CAAs seem to consistently be above the statewide CSR average (i.e. they spend more on direct client service as compared to the contract as a whole) while other CAAs seem to consistently be below it. These differences may indicate that some CAAs are more efficient, administratively, in weatherizing houses than others. However, those CAAs with the lower CSRs are also the more rural CAAs and as such may have other causal factors, such as lengthy travel, that account for these differences. Also, while administrative efficiency is positive in that more funding can be directed to client services, other factors – such as quality oversight – must be considered as part of an entire package of a CAAs performance and expenditure of funds.

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CAAs conduct an annual bid process to procure weatherization goods and services. CAAs must develop their own process that is in alignment with pertinent federal expectations. OPEGA noted that procurement was the most frequently cited concern of MaineHousing’s annual site visits.

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### Competitive Bidding Used to Procure Services but CAAs have Continuing Procurement Issues

One of the contractual responsibilities of the CAAs is to procure weatherization materials, supplies and services. They do this through undertaking an annual procurement process whereby they solicit proposals for such goods and services; awarded individuals are then contracted with throughout the year to implement weatherization services. Two of the nine CAAs employ their own, “in-house” weatherization crews, but both must still rely upon outside contractors for at least a portion of their work. Using a competitive process to select weatherization contractors is in alignment with federal expectations and, when well-structured, serves to help ensure that CAAs obtain the best combination of quality and price for goods and services.



MaineHousing does not maintain its own written procurement guidelines for CAAs, but rather relies upon and directs CAAs to the pertinent federal guidelines. Thus, the procurement process for each CAA is developed in-house and, conceivably, is different across each CAA.

Procurement of weatherization services appears to be at least somewhat problematic for the CAAs. MaineHousing identified procurement concerns as the most frequent issue among CAAs during its annual monitoring visits. OPEGA also heard confusion and frustration from some CAAs in regard to the current system. MaineHousing has taken some steps toward standardizing and improving the competitive procurement process and should continue those efforts. OPEGA also noted potential opportunities to obtain better prices program-wide that could be explored. (See Recommendation 2.)

Weatherization measures installed are cost effective and benefits to individual households are maximized

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MaineHousing's current policies serve to maximize the energy savings and benefits for households that are most in need. Fiscal thresholds CAAs must meet serve to help maximize the number of households receiving benefits.

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As previously discussed, weatherization efforts are being targeted to the priority populations and, with very few exceptions, weatherization projects are meeting the SIR target of greater than one. It is also MaineHousing's policy to require that all measures with an SIR of greater than one should be installed in a household. In part, this is because houses cannot be "re-weatherized" in the future so MaineHousing takes advantage of this one-time opportunity to make as many improvements as possible. Taken together, these policies serve to maximize the energy savings and benefits for households that are in the most need.

However, households with the highest energy burden, which should be prioritized, are sometimes the most costly to weatherize. CAAs must balance the needs of houses, and the work to be done, with the allowable costs and fiscal thresholds that they are also required to adhere to. For example, the PUA threshold limits to some degree how much a CAA can spend on any individual household, even though the PUA is calculated as an average of all households weatherized by the CAA in the program year. By limiting what can be spent on any one household, the fiscal thresholds and allowable uses effectively serve to help maximize the number of households receiving benefits.

The prioritization of certain households and the commitment to maximizing weatherization measures within the home are two core philosophical tenants of the program as dictated by DOE and MaineHousing. They are somewhat counter, though, to a possible philosophy of maximizing total energy savings and total clients served across the entire program. OPEGA conducted an analysis of SIRs and project costs by CAA and found that SIR was inversely related to cost. The higher the PUA is for each CAA, the lower the average SIR. Considering that SIR is calculated by dividing the estimated savings of the anticipated weatherization measures by the cost, it makes sense that lower costs would be associated with a higher SIR. It is notable, however, that the CAA with the highest PUA had the lowest average SIR and the CAA with the lowest PUA had the highest average SIR.

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OPEGA analyses of SIRs to project costs suggest there may be potential for further maximizing energy savings and number of clients served on a program-wide basis by setting a higher SIR for measures to be installed. Although MaineHousing does not currently have data necessary to assess the impact of such a policy change or whether it would be desirable, ECOS will provide that information in the future.

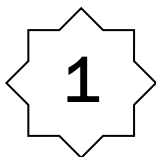
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The inverse relationship between SIR and project costs may be due to factors such as age and general condition of the housing stock eligible for weatherization in each respective CAA service area. A conversation with the federal project officer noted that older houses often produce more energy savings. However, the results of our analysis also suggest that setting a higher SIR threshold for measures to be installed may potentially maximize both energy savings and number of households served across the entire program to a greater extent than the current policy of implementing all measures with SIR greater than one in a single household.

At this time, MaineHousing does not have the data that would facilitate assessing the impact of any policy change and it is uncertain, given the current state of need in Maine, whether changing policies would result in substantially greater outcomes.

## Recommendations

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### ***MaineHousing Should Strengthen LIHEAP Controls to Minimize Potential for Abuse***

Eligibility for a fuel assistance benefit under the LIHEAP program is based on financial status of the household within program minimum and maximum parameters. Under program rules, eligible households are limited to one benefit per program year. The specific benefit amount a household qualifies for is determined through a calculation designed to provide the greatest assistance to those with the greatest need. This calculation, as described on page 15, also factors in income and household size as well as the applicant's home heating costs for the prior year. Applicants for LIHEAP assistance have an incentive to not only meet eligibility requirements, but also to qualify for the highest benefit possible.

OPEGA assessed the adequacy of program integrity controls by reviewing the processes for determining LIHEAP eligibility and benefit levels, and analyzing data from MERAC<sup>5</sup> on the households receiving LIHEAP benefits during our five year review period – an average of 58,650 each year. Specifically, we focused on whether there were sufficient controls to prevent or detect situations where applicants might provide false or incomplete information in order to be found eligible, qualify for a larger benefit amount or obtain multiple benefits. These scenarios included:

- applicants not reporting all their household income;
- applicants claiming more household members than actually live in the household; and
- several variations on two people living in the same household both applying for a benefit for the same household.

As described below, OPEGA determined that few such controls are in place and those that do exist are weak or not functioning as intended.

OPEGA noted that information used to determine eligibility and benefit level is primarily provided by the applicant. The application certifier at the CAA double checks information provided against supporting documentation the applicant is required to provide, such as recent pay stubs or W-2 forms, but there is very limited verification of key information with third party sources. For example:

- Income is subject to third party verification when the applicant declares unemployment benefits (verified through the Maine Department of Labor) or Social Security income or disability benefits (verified through Maine DHHS' ACES benefit system). Additionally, MaineHousing confirms declarations of zero or little income with the Department of Labor. However, one safeguard that MaineHousing has in place to identify instances in which all income may not be declared relies upon the subjective judgment of the certifier. The program handbook states that

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<sup>5</sup> Maine Energy Assistance and Conservation (MERAC) is the computer application used by MaineHousing and the CAAs to manage the LIHEAP program.

certifiers are to compare income to expenses and assess whether the information makes sense - whether there is enough income to meet basic necessities. If the certifier does not believe income could cover basic necessities, then additional information from the applicant is supposed to be requested. The handbook, however, does not provide any clear guidance on what a questionable ratio of income to expenses would be.

- The income verifications described above also help to confirm the applicant's identity. However, there are no mechanisms for confirming identities or validity of SSNs for applicants with third party sources in any other circumstances, and no mechanisms for confirming identities or validity of SSNs for household members at all.
- The handbook states that lease/rent agreements should be obtained from applicants, but signed statements or letters from landlords are sufficient if the lease/rent agreements cannot be obtained. Landlords are not contacted as part of the certification process to confirm addresses, lessee names or number of persons living in the household. The LIHEAP handbook states that application certifiers should verify whether or not any other members of the household have already applied for LIHEAP. However, it appears possible that two or more applicants could each submit a lease or letter for the same household and avoid detection as MERAC does not check for duplicate addresses. OPEGA's analysis of LIHEAP recipient data identified 944 addresses that were used two or more times in a program year for at least two different households. While these instances may be entirely appropriate as households relocate, they also suggest a potential opportunity for program abuse that could be brought to the certifier's attention through improved controls.

Additionally, OPEGA discovered that a primary control MaineHousing relies on may not be functioning as intended – partly due to data reliability issues in MERAC. According to MaineHousing, applicants are required to provide SSNs for themselves and all household members over the age of two. SSNs are entered into MERAC which purportedly does not allow duplicate SSNs to be entered in the same program year. These measures should prevent applicants from receiving multiple benefits or claiming the same individual as a household member in more than one household. However, OPEGA's analysis of LIHEAP recipient data identified:

- approximately 123 records, representing 92 individuals, where the SSN field was blank, filled with a "NULL" value or had an SSN of 000-00-0000; and
- multiple occurrences of the same individual (as identified by SSN or by a name and birth date combination) being in different households within the same program year – in some instances it appeared the same individual was associated with more than one SSN.

OPEGA's analysis also identified issues with the reliability of the date of birth data in MERAC. MaineHousing states that primary applicants should be adults, but we found seven records, representing seven individuals in which the primary applicant's date of birth indicated the primary applicant was a toddler or younger. There were also seven records, representing five individuals, in which the applicant's date of birth occurred in the future.

MaineHousing reports that periodic data queries are run to identify problems with data in MERAC, but those queries apparently did not detect these data anomalies. These queries are also not designed for the purpose of flagging potential abuse situations and MaineHousing currently does not have any other standard controls that serve to detect instances of potential abuse that should be further investigated.

OPEGA shared the results on duplicate SSNs and invalid birth dates with MaineHousing. MaineHousing acknowledged that MERAC does not have any controls to ensure valid birth dates and, therefore, data entry errors would not be prevented. However, MaineHousing could not explain why MERAC was not preventing duplicate social security numbers from being entered. MaineHousing staff tried to recreate the scenarios OPEGA had identified in MERAC but could not, indicating that the system control was working. Consequently, MaineHousing assumes that any past weakness in this control have been corrected through MERAC upgrades.

Because of the control weaknesses noted, OPEGA analyzed the LIHEAP recipient data file to identify any scenarios that were at higher risk of potential abuse. With few exceptions, individuals should not have appeared in more than one recipient record per program year. OPEGA used both the SSN and a unique identifier consisting of name and date of birth fields to test for individuals in multiple records. This analysis identified approximately 300 occurrences that may be instances of:

- multiple benefits to the same household or applicant within a program year; or
- applicants claiming household members that are not part of the household.

OPEGA also shared these results with MaineHousing and the Agency is currently researching explanations for them.

Lastly, OPEGA sought to assess the risk that CAA or MaineHousing employees could be inappropriately receiving LIHEAP benefits by virtue of working in the program or their relationship with another employee working in the program. OPEGA obtained employee names and addresses for the most recent three to five years from the CAAs (total of 4,194 employees) and MaineHousing's Energy and Housing Division (total of 38 employees) and matched it against LIHEAP recipient data.

Our very high level comparison identified occurrences matching two MaineHousing employees to LIHEAP recipients and 622 CAA employee name and addresses to LIHEAP recipients, some occurring in multiple years. Employees may legitimately qualify for benefits under the program and MaineHousing is currently researching the matching records for its employees. However, substantial additional detailed analysis and research would be required to determine whether all of the matches for CAA employees were appropriate benefits. OPEGA is working with MaineHousing to assess whether the level of research effort required to make those determinations is warranted. Regardless, the number of matches from our cursory test, combined with the weak controls in the program overall, indicates a level of potential risk that may warrant regular additional scrutiny of benefits provided to CAA employees.

### **Recommended Management Action:**

OPEGA recommends that MaineHousing take steps to strengthen controls to improve the reliability of MERAC data and prevent or detect program abuse. We acknowledge that implementing or strengthening controls, especially manual or preventive controls, may increase the administrative burden for the program. We encourage MaineHousing management to seek the assistance of its Internal Audit Director in determining which control options will most cost-effectively minimize risk to an acceptable level.

Specifically, we recommend that MaineHousing:

- A. Implement controls to ensure that MERAC is populated with valid dates of birth for all applicants and household members, and validly formatted social security numbers for all applicants and household members age two or over. Potential controls include designing hard and soft edit checks into MERAC, assigning personnel to conduct quality control checks on data entered to MERAC, and standardizing the queries run by MaineHousing to flag data anomalies.
- B. Address whatever current deficiencies exist in MERAC that are causing the system to fail to identify and prevent duplicate social security numbers from being entered in the same program year.
- C. Establish a ratio of income to expenses to be published in the LIHEAP handbook to be used as a standard for certifiers to follow in identifying and addressing applications with questionable reported income levels.
- D. Implement any additional controls needed, after addressing MERAC deficiencies, to prevent or detect the potential abuse situations OPEGA identified in this review. Potential controls include verification of key applicant information against third party sources, manually or in an automated fashion using MERAC, and conducting routine, scheduled queries of the LIHEAP recipient data to identify questionable applications to be reviewed by the CAAs. At a minimum, these surveillance measures should seek to identify situations of applicants or household members appearing in multiple households and multiple household IDs with the same address.
- E. Establish a procedure that requires a review of certification and determination of LIHEAP benefits for CAA employees by either a second CAA or MaineHousing.

We also recommend that MaineHousing complete its research into the explanations for the data anomalies and questionable benefits records shared by OPEGA. The results of that research, including an estimate of any dollars associated with identified fraud or abuse, should be reported to OPEGA and the GOC.

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## ***MaineHousing Should Strengthen Procurement Guidance and Oversight in the WAP Program to Ensure Quality Goods and Services are Consistently Obtained at Best Price.***

Currently, each CAA selects vendors and procures weatherization services and materials through an annual bid and contracting process. MaineHousing dictates that the CAAs' procurement practices must be in compliance with pertinent federal regulations. CAAs are otherwise responsible for individually developing and implementing their own procurement processes. In OPEGA's opinion, this procurement framework lacks the standardization and coordination necessary to ensure that CAAs consistently obtain the best combination of price and quality program-wide as evidenced by several observations made during this review.

MaineHousing reviews procurement and contracting processes at each CAA during its annual monitoring visits. OPEGA reviewed the reports from these annual audits for 2010 – 2012 and noted that procurement concerns had been reported for six of the nine CAAs within those years. In some cases the concerns were relatively limited and related to administrative details such as updating files. In other cases, concerns were more significant, including a potential conflict of interest and one instance where a selected vendor had costs significantly higher than other bids.

Some of these concerns also recurred from year to year which has prompted MaineHousing to take incremental steps toward the goal of standardizing the procurement process. For example, MaineHousing maintains a list of tasks that all prospective contractors must provide a bid price on as part of their proposal. This past year, MaineHousing also became more involved in the process, namely by participating in the bid openings at each CAA and also requiring bid documentation to be uploaded into ECOS.

Additionally, some CAAs expressed the sentiment that their procurement process does not always result in the selection of technicians who provide quality work and OPEGA noted a couple of indicators that not all work is done to the required standard. OPEGA surveyed the CAAs about the percent of weatherization projects that required the contractor to perform rework as a result of the final job inspection done by the CAA. CAAs responses varied widely, with some reporting relatively low rates of rework and others reporting a noticeably higher rate. OPEGA also analyzed data on the inspections of weatherized units conducted by MaineHousing in 2010 – 2012. About one in every four units had some noted deficiency, though the deficiency rate varied significantly by CAA and improved throughout the review period.

Lastly, we observed that there are opportunities for identifying and obtaining best prices across the program that neither MaineHousing nor the CAAs have explored, partly due to a lack of data to facilitate the required analyses. Such efforts might include:

- comparing bids across CAAs to determine differences in prices for goods and services most frequently employed;
- identifying contractors that submit bids and perform work across CAA service areas, analyzing bid prices to determine that prices are uniform, and sharing knowledge of past performance of those contractors across CAAs; and

- evaluating whether a more centralized procurement process and/or bulk purchasing of commonly used weatherization materials at the state-wide level would be cost beneficial.

### **Recommended Management Actions:**

MaineHousing should continue to monitor procurement at the local level through ongoing efforts and ensure that CAAs address procurement concerns identified in a timely and effective manner. In addition, MaineHousing should continue and further their ongoing efforts to develop, in collaboration with the CAAs, a more standardized procurement process for all CAAs to implement. The process should include:

- adequate controls to ensure fairness in selecting and assigning work to contractors, including addressing potential conflict of interest situations;
- selection criteria that appropriately balance price with quality considerations such as contractor qualifications, experience and past performance on weatherization projects; and
- performance expectations for quality, perhaps in terms of deficiencies upon final inspection, incorporated into contract terms and conditions along with appropriate penalties.



### ***MaineHousing Should Establish Performance Benchmarks and Utilize New Data System ECOS for Improving Management and Performance Monitoring of the WAP Program***

MaineHousing utilizes a series of fiscal thresholds as part of their contract management to ensure that CAAs are in alignment with WAP spending requirements. These thresholds are primarily process-related benchmarks that are indicative of program outputs but not necessarily outcomes. OPEGA observes that there are no outcome-related benchmarks for the program to provide a more comprehensive picture of program performance.

In part, the absence of outcome-related benchmarks is due to the fact that they are not federally required. DOE requires that grantees submit only basic information on number of weatherized units, fiscal expenditures, and aggregate demographic characteristics and MaineHousing meets these requirements without issue. There is little motivation to set additional benchmarks, especially when doing so would add to the program's administrative burden.

The absence of a comprehensive data system has also limited what MaineHousing has historically been able to use for outcome-related benchmarks. The data that OPEGA sought to analyze as part of this review needed to be culled from four different MaineHousing databases and still we were not able to perform all desired analyses because of limited data availability. For example, OPEGA was unable to conclusively determine what percentage of weatherized houses had a high energy burden and contained one or more members who were hypothermia vulnerable – the two highest priorities for weatherization services.



The absence of a system has also impeded MaineHousing's ability to routinely monitor and assess other aspects of program performance. For example, in those cases where CAAs leveraged funds, MaineHousing was unable to view how much may have been leveraged or what the additional funds resulted in. This has occasionally resulted in confusion on MaineHousing's part when staff reviewing job packets questioned why a certain measure had not been installed. In actuality it had been, but the CAA was not seeking reimbursement for it under WAP.

Lastly, the absence of a system has also impeded the CAAs' ability to efficiently administer the program. For example, OPEGA anecdotally heard that it can be administratively cumbersome to select which houses can be weatherized. This is due to ineligible units (previously weatherized or structurally unsound) being on the High User List provided by MaineHousing that the CAAs are supposed to prioritize from. As a result, CAAs need to maintain a separate system for identifying which houses may be ineligible for service.

The advent of ECOS is noteworthy as it provides MaineHousing and the CAAs the opportunity to manage WAP in ways not previously possible. The new system should provide the ability to track new performance measures and more closely monitor local-level implementation, as well as allow a more comprehensive picture of program operations – all while doing so more expeditiously. These benefits are, of course, contingent upon the soundness of the system as well as its utility. Even now, ECOS is in the midst of implementation and still quite new to the CAAs. While it will optimally allow for more advanced program management, it is likely to take some time before the CAAs and MaineHousing are able to realize this benefit.

It also appears that ECOS is capturing data that could support efficient analysis and tracking of outcome-based performance measures. At its current state of implementation, MaineHousing has an opportunity to examine and establish relevant outcome measures, and ensure that ECOS is set up to readily provide the data needed.

#### **Recommended Management Action:**

As MaineHousing continues with the implementation of ECOS, they should undertake a process to develop outcome-based performance benchmarks. These benchmarks should be focused on assessing areas such as program impact and efficiency. MaineHousing should develop of a plan to ensure that progress towards the established benchmarks is routinely assessed and applied to future program operations. MaineHousing should also ensure that ECOS is designed with sufficient controls over the completeness and reliability of key data fields, as well as sufficient query and report capabilities.



## ***MaineHousing Should Continue to Improve Its Oversight and Support of WAP Sub-grantees***

As the primary grantee for federal weatherization funds, MaineHousing has an obligation to oversee local-level program implementation and fiscal expenditures. MaineHousing implements this requirement through several efforts including contract management, an annual monitoring visit to each CAA, a comprehensive review of the paperwork on each weatherized household, and inspections of weatherized units. OPEGA noted, however, some indicators of performance concerns at the CAA level that indicate MaineHousing's oversight of the sub-grantees should be strengthened.

OPEGA reviewed the reports and follow-up documentation from MaineHousing's annual monitoring visits for 2010 - 2012. We observed that, even though the program is quite established, there are still multiple performance issues among many CAAs. The three most frequently cited issues in the reports were: procurement concerns; general accounting concerns; and service eligibility concerns. Some findings at individual CAAs appear to be historical in nature, demonstrating that over time they have not been adequately addressed.

We also reviewed CAA adherence to the fiscal thresholds established by MaineHousing as part of the weatherization contracts. We noted several instances, multiple for one CAA, where CAAs were in violation of those thresholds and discussed with MaineHousing how such violations were handled. We observed that MaineHousing did not seem to have a consistent policy for addressing them.

Finally, OPEGA observed somewhat high rates of deficiencies noted during MaineHousing inspections of weatherization projects. These indicate that not only are the weatherization technicians not installing the measures correctly, but also that the CAA-employed energy auditors are failing to catch these problems during the final inspection process. This issue is compounded by a notable discrepancy among the CAAs for self-reported instances of reworks, with some CAAs reporting few reworks and others reporting a higher level. While some level of rework seems like a natural aspect of such a technical program, the outliers for rework rates are notable and possibly indicative of weak CAA oversight of weatherization projects and/or very poor workmanship by the contractor.

Despite what appear to be on-going performance issues at the CAAs, MaineHousing completed only three of nine annual monitoring visits for calendar year 2012 due to staff turnover. There was also inconsistent documentation on file to show what follow up MaineHousing had done, and what actions CAAs had taken, on issues identified in the annual reports. Moreover, while the criteria for what to review as part of the site visit are clearly articulated, there is no guidance for any corrective action that may result based on poor performance. For example, MaineHousing does not maintain criteria as to why an agency would be placed on a "watch list." This may result in confusion at the CAA level as to what is expected and, anecdotally, CAAs reported that MaineHousing guidance is not always consistently implemented.

During the course of the review, MaineHousing acknowledged some weaknesses in its oversight and monitoring of CAAs and describe ongoing efforts to address such those weaknesses. For example, MaineHousing is currently developing new plans for the annual monitoring visits, plans that will include, in part, more of a field presence for MaineHousing staff in order to be active resources. MaineHousing has also taken steps to address CAA adherence to the fiscal thresholds, including more proactive monitoring of these measures.

**Recommended Management Action:**

MaineHousing should continue its efforts to strengthen its oversight and monitoring system. This includes taking steps to ensure that monitoring efforts are performed in a timely fashion and that there is sufficient guidance to ensure that monitoring efforts are clear, consistent and result in meaningful corrective actions. Further, MaineHousing should identify whether additional training or technical assistance measures are necessary in regard to the quality of work expected.

## Agency Response

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In accordance with 3 MRSA §996, OPEGA provided MaineHousing an opportunity to submit additional comments on the draft of this report. MaineHousing's response letter can be found at the end of this report.

In addition, OPEGA discussed the preceding issues and recommendations with MaineHousing's management in advance. MaineHousing's planned management actions, as provided by its management team, are summarized below. They are numbered to correspond with the issues described by OPEGA in the Recommendations section of the report.

**1**

### ***MaineHousing Should Strengthen LIHEAP Controls to Minimize Potential for Abuse***

- A. MaineHousing currently performs "Healthy Data Queries" to ensure that data within the MERAC system is valid and reliable. As a result of this review by OPEGA, MaineHousing has already added to these queries additional tests for valid birthdates and social security numbers. Errors identified by these queries are compiled into a report and distributed to the appropriate CAA for review, so that data entry errors can be resolved. Within the next six months, these monitoring reports will be scheduled on a regular basis so that anomalies and other issues are identified and resolved in a timely manner.
- B. MaineHousing has an established, active Steering Committee responsible for overseeing the MERAC system and ensuring data integrity, and the Steering Committee has directed MERAC support personnel to troubleshoot and address current data deficiencies. MaineHousing is currently researching all records identified by OPEGA, including the existence of duplicate social security numbers. Once that research is complete, the Steering Committee will ensure that the next scheduled service release of MERAC will prevent these issues from reoccurring. In the meantime, MaineHousing will continue to use the "Healthy Data Query" process to detect and correct any data issues.
- C. MaineHousing, working with the CAAs, will establish a ratio of income to expenses so that certifiers will have a common standard when working with LIHEAP applicants. This ratio will be published in the LIHEAP handbook so that all certifiers are aware of the new standard. The handbook will be updated by mid-August 2013, in time for the 2014 LIHEAP program year. In addition, MaineHousing has scheduled training for approximately 100 CAA intake workers and certifiers in mid-August, 2013.
- D. MaineHousing's "Healthy Data Queries" discussed above will be expanded to identify invalid entries involving multiple households. In addition, MaineHousing currently verifies a subset of applicant social security numbers with the Social Security Administration. MaineHousing recognizes that verifying 100 percent of the social security numbers provided by applicants is desirable, and believes that the process is mature enough now that this is possible. However, the availability of resources and the impact on the timeliness of benefit payments must be considered.

Concurrently, the Council on Program Integrity, at the request of the U.S. Department of Health and Human Service, is conducting risk assessments, including within the Low Income Home Energy Assistance Program, to identify and address systemic and programmatic vulnerabilities. As a result, DHHS is enhancing existing program integrity efforts, exploring new strategies, sharing best practices, and measuring results. MaineHousing plans to implement additional controls and data integrity strategies that are recommended as a result of this national effort and appropriate for MaineHousing's programs.

- E. Similar to procedures required for CAA employees who apply for weatherization and heating improvement, MaineHousing will establish a procedure where MaineHousing must review the certification and determination of LIHEAP benefits for households that include a MaineHousing or CAA employee. This procedural change will be incorporated into the handbook supporting Program Year 2014, in time for applications to begin mid-August, 2013.

MaineHousing will continue to investigate the 1,478 data irregularities identified by OPEGA within the 620,297 records covering the years 2008 - 2012. To date, we have been unable to duplicate a number of those situations in MERAC, which suggests that errors were fixed in upgrade versions of MERAC. Additionally, we believe that the actual number of anomalies is smaller, as one error could have been carried forward over the entire five- year period as clients re-apply for LIHEAP benefits year after year. That said, MaineHousing takes data integrity very seriously and will continue to research these instances to ensure our data is as accurate as possible. MaineHousing will report its findings to OPEGA in August, 2013.

In addition to working to prevent fraud and abuse in the application process, MaineHousing has an Energy Programs Compliance Officer who researches all claims of fraud, whether they come directly from CAAs, other clients, or via the State of Maine Fraud Hotline administered by the Maine State Department of Audit. In 2012, 81 instances of fraud totaling \$91,418.10 were uncovered in the LIHEAP program; \$30,257.42 of that sum has since been recovered. To date in 2013 those figures are 39 instances totaling \$38,199.19, with \$4,124.25 of that sum being recovered.

**2**

***MaineHousing Should Strengthen Procurement Guidance and Oversight in the WAP Program to Ensure Quality Goods and Services are Consistently Obtained at Best Price***

The procurement process will continue to be a focus of MaineHousing's monitoring efforts at the local level. Additionally, MaineHousing will work with the CAAs to develop a more standardized procurement procedure that will encompass selection criteria, provide adequate controls in the selection process, manage potential conflict of interest situations, and clearly delineate CAA and contractor performance expectations. While it is important to have consistency, there will need to be some flexibility to allow CAAs to adopt appropriate practices to address regional geographic and demographic differences.

**3*****MaineHousing Should Establish Performance Benchmarks and Utilize New Data System ECOS for Improving Management and Performance Monitoring of the WAP Program.***

MaineHousing looks forward to full implementation of ECOS functionality. The system was envisioned and designed to provide the information necessary to enable improved management and performance monitoring of the Weatherization Assistance Program. For each CAA, questions that MaineHousing will be able to answer include:

- length of time between the initial audit and completion through the billing cycle,
- number of re-works performed by weatherization contractor, and
- how well the priority list is managed.

With this type of information, MaineHousing will establish benchmarks with respect to program operations, contractor performance, and CAA management of the weatherization process. These benchmarks will be closely monitored and the information will be very helpful in our efforts to continually improve the efficiency and effectiveness of the program for Maine's low-income population. Given that ECOS has been implemented for only six months, available information remains limited. ECOS will continue to accumulate data throughout 2013, which will provide solid information for the development and monitoring of benchmarks for the DOE program year starting April 1, 2014.

**4*****MaineHousing Should Continue to Improve Its Oversight and Support of WAP Sub-grantees***

MaineHousing is back on track to perform annual performance monitoring of each CAA. Staff turnover in 2012 affected our ability to visit each CAA during the year, but a new Grants Management Compliance Specialist has since been hired and trained. The Compliance Specialist has been tasked with ensuring meaningful recommendations, consistent across all participating CAAs. He is also able to provide technical assistance to the CAAs as the need is identified. MaineHousing's Energy and Housing Services (EHS) Department has a team of Technical Services Specialists and a Program Officer who also provide technical assistance to CAAs and contractors as they monitor the quality of the weatherization work performed. MaineHousing will continue to identify training needs and find ways to ensure that training is provided. Additionally, contracts with the CAAs will be amended, and revised guidance documents will be implemented in time for the DOE program year starting April 1, 2014.

## Acknowledgements

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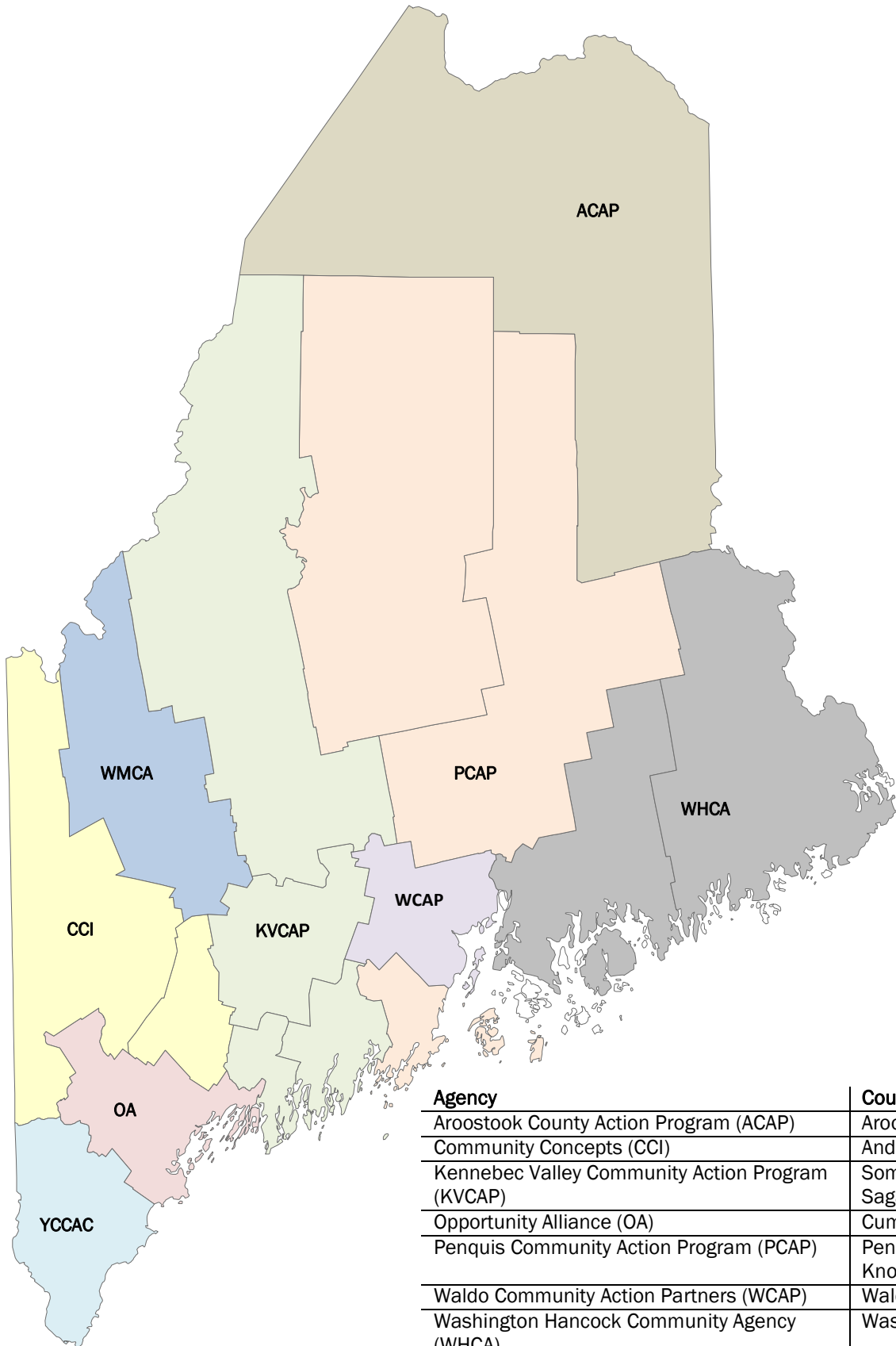
OPEGA would like to thank the management and staff of the Maine State Housing Authority, the contracted Community Action Agencies and Efficiency Maine Trust for their cooperation during this review.

## **Appendix A. Scope and Methods**

The scope for this review, as approved by the Government Oversight Committee, included a set of questions related to Maine State Housing Authority's (MaineHousing) major energy assistance programs – the Low-Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program (WAP). OPEGA focused primarily on LIHEAP activity for the period 2008 – 2012 and WAP activity for the period 2010 – 2012. OPEGA performed the following work to address the assigned questions:

- Conducted interviews with management representatives of MaineHousing, a selection of Community Action Agencies (CAA), and Efficiency Maine Trust.
- Conducted interviews with the Federal Department of Energy Project Officer for Maine and consultants from CohnReznick (the firm MaineHousing contracted for its IT systems audit).
- Reviewed documentation provided by MaineHousing, including grant-related information (applications, progress reports, financial statements), performance monitoring information (annual monitoring visit reports) and program guidance (contract template, information memorandum, policy manuals).
- Reviewed documents and conducted additional research in regard to rules and expectations of the LIHEAP and WAP programs, including federal regulations and information memorandum and State statute and rules.
- Administered a survey to all CAAs and analyzed the survey responses.
- Obtained and analyzed the following data files from MaineHousing:
  - savings-to-investment ratio database, which provides cost, savings and other information on unduplicated weatherized households;
  - monitoring and inspections database, which provides MaineHousing generated information gleaned during inspections of weatherized households;
  - client feedback database, which contains information on client satisfaction with the weatherization process;
  - High User Lists, which contain information on the previous year's LIHEAP recipient households for use in WAP;
  - LIHEAP recipient data culled from the Maine Energy Assistance and Conservation (MERAC) system; and
  - LIHEAP vendor data.
- Obtained names and addresses of all CAA employees, as well as employees in MaineHousing's Energy and Housing Service Division, and matched them against LIHEAP recipient and/or vendor data.

**Appendix B: Map of Contracted Community Action Agency Service Areas**



<b>Agency</b>	<b>County Service Area</b>
Aroostook County Action Program (ACAP)	Aroostook
Community Concepts (CCI)	Androscoggin & Oxford
Kennebec Valley Community Action Program (KVCAP)	Somerset, Kennebec, Sagadahoc & Lincoln
Opportunity Alliance (OA)	Cumberland
Penquis Community Action Program (PCAP)	Penobscot, Piscataquis & Knox
Waldo Community Action Partners (WCAP)	Waldo
Washington Hancock Community Agency (WHCA)	Washington & Hancock
Western Maine Community Action (WMCA)	Franklin
York County Community Action Corporation (YCCAAC)	York



July 22, 2013

Beth Ashcroft, Director  
Office of Program Evaluation and Government Accountability  
82 State House Station  
Augusta, Maine 04333

Dear Beth:

We'd like to thank you and your staff for your efforts on the program evaluations of the LIHEAP and Weatherization programs. These programs are important to low-income Maine households struggling to stay warm in the winter months.

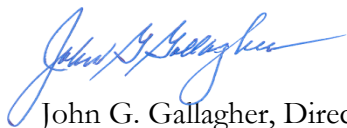
We are pleased that the answer is yes to both questions that the Government Oversight Committee asked you to evaluate. Overall, you found that "MaineHousing administers both programs in alignment with federal expectations and they are generally well-run." Specifically, you concluded that "MaineHousing administers the LIHEAP program in an effective and efficient manner" and that "the WAP program generally produces satisfactory results," as evidenced by the fact that nearly 95 percent of weatherization clients surveyed were satisfied or very satisfied.

These findings are underscored by the fact that of the 620,297 records reviewed over a five-year period (2008-2012), you found just 1,478 (or 0.2 percent) data "anomalies." Stated another way, program data is 99.8 percent accurate. Accordingly, we believe your conclusion that "OPEGA found the system of controls for preventing and detecting potential abuse within the LIHEAP fuel assistance program to be weak" is overstated and inconsistent with your overall findings. We agree that there are areas that need improvement; we do not agree that the overall system is weak.

Data integrity has always been a paramount concern, and we are researching each of the data anomalies so that they may be corrected and any root causes eliminated. We appreciate your suggestions to improve our procurement processes, monitoring and oversight of the Community Action Agencies who work as our sub-grantees, and the development of performance benchmarks. Those suggestions were thoughtful and helpful, often clarifying issues that we had already been discussing. We will continue our efforts in all three of these areas, and we look forward to full implementation of the ECOS system to provide enabling supporting data.

You and your staff worked very hard to understand two exceptionally complicated programs. We appreciate the effort and the professionalism that your staff exhibited throughout this entire process.

Sincerely,



John G. Gallagher, Director