



## State of Tennessee

Justin P. Wilson, State Comptroller

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### **Comptroller Preliminary Review Finds Funds from Federal Weatherization Program for Low-Income Persons Wasted or Misspent**

Federal stimulus money intended to provide home weatherization improvements for low-income persons is being wasted or misspent, a preliminary review by the Comptroller's Division of State Audit has revealed.

Comptroller Justin P. Wilson outlined the results from the review of the Weatherization Assistance for Low-Income Persons (WAP) program in a letter sent today to Virginia T. Lodge, commissioner of the state Department of Human Services.

In April 2009, the U.S. Department of Energy awarded the state \$99 million in American Recovery and Reinvestment Act of 2009 (ARRA) funds for the program, plus another \$7 million in non-ARRA funding during fiscal year ended June 30, 2010.

The WAP program is administered by the Department of Human Services, which contracts with local governments and nonprofit organizations across the state. The local governments and nonprofits, known as subrecipients, subcontract with general contractors to perform the weatherization work. The subrecipients also employ or contract with individuals to conduct energy audits.

State auditors reviewed files for 444 homes that were weatherized through the WAP program and found deficiencies in more than half of those cases. Some files lacked adequate documentation, including verification that applicants met income eligibility requirements and properly completed inspection reports that would indicate whether weatherization work was properly performed.

State auditors also conducted site visits at 84 homes that were supposed to receive weatherization work through the program. In 45 percent of those cases, energy inspectors approved the work although the contractors had not performed some weatherization measures, had not properly completed the required weatherization measures or had performed work that was not allowable under the WAP program.

Other deficiencies included the use of uncertified or unauthorized persons to perform energy

audits and the use of one unlicensed contractor. In some cases, improvements such as stairs and ramps were built using program funds, even though they provide no weatherization benefits.

Moreover, the auditors noted several instances where critical weatherization measures were recommended but the measures were not performed or should have been recommended and authorized, but were not - such as fixing broken window panes.

In his letter to Commissioner Lodge, Comptroller Wilson stated: "It is critical that those individuals charged with the responsibility for approving, performing and reviewing the actual work realize that there are real consequences for failure to meet their obligations. To that end, all remedies, including administrative, civil and criminal actions, should be taken to hold those individuals accountable for their actions or failures to act. One of the greatest defenses to fraud is individuals understanding that there will be consequences for their behavior."

The final findings will be included in the comprehensive audit of federal financial assistance received by state government, called the Single Audit, which is due next March 31.

Based on the preliminary work, it appears that the state is materially out of compliance with WAP requirements.

Auditors and monitors from the Department of Human Services have also been reviewing the actions of the department's subrecipients, who are primarily responsible for the program. Human Services' staff have found similar problems in their review.

At the conclusion of the audit process, the state auditors will report the amount of costs that are questioned. It will be the responsibility of Department of Human Services to take appropriate actions with regard to the subrecipients.

Approximately 6,800 homes have received weatherization assistance just for the period ended June 30, 2010. Since it is not possible for state auditors and department staff to exam every home, it is critical that the subrecipients' energy auditors scrupulously perform their responsibilities in order to reduce the substantial risk of fraud, waste, and abuse in such a large and complex program.

The letter to Commissioner Lodge, including photographs of some of the inspected homes, may be downloaded at: <http://www.comptroller1.state.tn.us/repository/SA/sr100117.pdf>.

Copies of the letter have also been forwarded to the Attorney General and chairs of the State and Local Government Committees of the General Assembly.

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