



CALIFORNIA STATE AUDITOR

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FACT SHEET

Date: February 2, 2010

Letter Report 2009-119.2

The California State Auditor released the following report today:

Department of Community Services and Development

Delays by Federal and State Agencies Have Stalled the Weatherization Program and Improvements Are Needed to Properly Administer Recovery Act Funds

BACKGROUND

On February 17, 2009, the federal government enacted the American Recovery and Reinvestment Act of 2009 (Recovery Act) for purposes that include preserving and creating jobs, promoting economic recovery, and assisting those most affected by the recession. One general principle of the Recovery Act is that the funds be used to achieve its purposes as quickly as possible consistent with prudent management.

The Recovery Act designated a total of \$5 billion for the national Weatherization Assistance for Low-Income Persons (Weatherization) program, of which California was awarded \$186 million. The Recovery Act also designated \$1 billion for the Community Services Block Grant (Recovery Act Block Grant), of which California was awarded \$89 million. Both awards were made to the state agency charged with administering the programs for California—the Department of Community Services and Development (Community Services).

KEY FINDINGS

During our review of Community Services' preparedness to administer the Weatherization program and the Recovery Act Block Grant, we noted the following:

- Delays in weatherizing homes—both beyond and within its control—could jeopardize Community Services' ability to reach, by the September 30, 2010 deadline, a key performance milestone established by the U.S. Department of Energy (Energy) as necessary to access \$93 million in Recovery Act Weatherization program funds. Consequently, only eight of 36 service providers were ready to begin weatherizing homes as of December 22, 2009.
- Increases in the average cost to weatherize a home could affect the number of qualified low-income persons Community Services is able to assist using Recovery Act funds.
- Improvement is needed in its cash management practices to meet federal requirements for both the Weatherization and the Recovery Act Block Grant programs.
- Its intent to use existing monitoring procedures for the Recovery Act Block Grant could result in a large number of subrecipients receiving no on-site monitoring until well after Recovery Act funds are spent—increasing the risk that these funds could be misused.

KEY RECOMMENDATIONS

Community Services should do the following:

- Contact Energy to amend its plan for administering the Weatherization program and seek an extension for fulfilling the performance milestones.
- Improve its cash management procedures in the following ways:
 - ✓ Ensure it has the authority to provide advances as outlined in policy for the Weatherization program.
 - ✓ Define what constitutes a financial hardship allowing subrecipients to qualify for an advance in the Recovery Act Block Grant Program.
- Create a timeline and risk-based plan to ensure that recipients of the Recovery Act Block Grant are appropriately monitored and the potential for fraud, waste, and abuse is minimized.

