

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

STATE LAW LIBRARY
AUGUSTA, MAINE

WEATHERIZATION SERVICES STUDY COMMITTEE

REPORT TO THE

JOINT STANDING COMMITTEE ON AUDIT AND PROGRAM REVIEW

AND THE

DIVISION OF COMMUNITY SERVICES

KF
3745
.W4
M342
1988

April 1, 1988

**STATE LAW LIBRARY
AUGUSTA, MAINE**

INTRODUCTION

Maine's Weatherization Assistance Program is intended to reduce energy consumption, particularly of imported oil, and reduce the impact of higher fuel costs on low-income families. Funds are provided to install weatherization materials such as insulation, storm windows, caulking and weatherstripping, and to make furnace efficiency modifications and other improvements to conserve energy. Federal DOE funds are granted to the Governor to be subgranted to nonprofit or other public agencies.

The Weatherization Program was originally funded in 1973. Over the past 15 years, it has serviced approximately 52,000 families. The Weatherization Program provides services to Maine's poor, elderly and handicapped. Income-eligible families with members who are elderly, handicapped or have children under the age of two years are considered priority for weatherization services.

The Division of Community Services (DCS) subgrants Weatherization funds from the Federal Government and the State of Maine to eleven community action programs (CAPs) serving the entire State. Nine of these organizations currently provide weatherization services directly, while one organization has subcontracted the construction component to a Vocational Technical Institute. The remaining CAP is working with the Division to get weatherization services back on line.

Over the past three years, DCS has subgranted approximately \$24 million and has weatherized approximately 8,200 homes. CAPs have

long waiting lists and many eligible clients have been on a list for three or four years.

Funding Sources:

Weatherization services in Maine are currently provided through several funding sources. The chart below shows the sources and the allocations for 1986-1987 (Department of Health and Human Services) or 1987-88 (Department of Energy and State of Maine).

<u>Source</u>	<u>Amount</u>
<u>Federal Funds</u>	
<u>U.S.Department of Energy</u>	
Petroleum Violation Escrow (PVE)	\$ 3,800,000*
Weatherization Assistance Prog.	2,675,269
Stripper Well Funds	200,000
Training & Technical Assistance(T&TA)	171,159
<u>U.S.Dept. of Health & Human Services</u>	
Central Heating Improvement Prog.(CHIP)	2,008,085
Home Energy Assistance Program (HEAP)	498,349
<u>State Funds</u>	
State Repair	1,196,000
*(does not include \$2.8 million available but not budgeted)	

BASIS FOR STUDY

Contrary to the funding patterns of most federal programs, weatherization participants are not given funds as a grant. The CAPs are reimbursed on a formula developed by DOE which is based upon the dollar amount of weatherization and repair materials which they

install on a client's home. The formula, which mandates maximum reimbursement of all labor and overhead expenses at 150% of the cost of installed materials, has caused problems not only in Maine but throughout the country. The 150% rule causes administrative and fiscal problems at all levels because:

1. The requirement which mandates that all reimbursement is based on the price of materials creates a situation where the successful subgrantee's attempt to procure lower prices can endanger the fiscal status of its weatherization program. Competitive bidding costs the agency money in terms of staff time and newspaper ads, and, furthermore, the lower prices mean that less support is engendered during installation.
2. The price of the material is in no way proportional to the cost of its installation. For example, repairing a door, using \$8.00 in materials, can take as long as installing a replacement door, which may cost \$75.00. Yet the sub-grantee support reimbursement is \$12 for the \$8.00 in repair materials, and \$112.50 for the \$75.00 new door.
3. Materials costs billed by a subcontractor include as common industry practice the costs incurred through waste, breakage, transportation and financing, among other factors. Division rules have allowed materials costs as billed by subcontractors to be the basis for support reimbursement in those CAPs which use subcontractors. CAPs which use crews, on the other hand, are allowed to

bill support on only the actual purchase price of an item, which often turns out to be much lower than subcontractor material prices.

The Division, in its attempts to offset any incentive to use high materials prices, enacted a variety of procurement rules (to help foster lower prices), rules which regulated the installation of high cost measures (to promote repair over replacement) and conducted vigorous monitoring to ensure that rules were adhered to. An environment developed wherein the Division and its subgrantees reached a point at which both parties were at cross purposes in their respective attitudes toward material expenditures. The Division's attempt to regulate the material prices charged by subgrantees who used subcontractors by enactment of an emergency rule resulted in a confrontation which became the basis of the formation of the Legislative Weatherization Services Study Committee.

The Study Committee was directed by Resolve Chapter 71 (L.D. 1866), enacted on June 18, 1987, to "conduct a comprehensive evaluation of the Low-Income Weatherization Program." This legislation directed the Committee to make recommendations to ensure that "all available resources are effectively and efficiently utilized to provide Weatherization services, that equitable levels of service are provided throughout the State and that consistent uniform standards are used to monitor quality of services."

Nine members were appointed, as follows:

Senator Michael D. Pearson

Senator Jerome A. Emerson

Rep. Harlan R. Baker

Rep. Bradford E. Boutilier

Rep. Catharine K. Lebowitz

T.J. Martzial

Norman Fournier

James Sullivan

Nicola C. Kobritz

The Committee met seven times between August 1987 and March 1988. On March 31, 1988, the Committee voted to approve this report.

The Committee's recommendations outlined in this report provide specific instructions for the Division of Community Services and the CAPs to address major deficiencies. The recommendations also provide direction for the consulting firm, which will be hired to study key technical and programmatic components. The consultants will test the Division's new program to ensure financial viability and adaptability to individual CAP service areas. On October 1st, a supplemental report will be published after the consultant's report has been reviewed, and at that time the final committee recommendations will be issued.

PROBLEMS IDENTIFIED

The Legislative Study Committee heard testimony and presentations from a variety of Weatherization service providers, and federal, state and local regulatory agencies. Many issues have been identified as contributing to the problems currently being experienced by the Weatherization Program. They are divided into three categories: problems identified by the Department of Energy during an assessment in August 1987, the Division, and the CAP agencies. A list of these problems is contained in Attachment A.

Some of these problems have been resolved during the study period, while others are expected to be resolved by actions which have been initiated during the study period. The steps which have been taken to address these concerns are described below. The numbers in parentheses indicate which problems from Attachment A that these actions were designed to address.

ACTIONS TAKEN DURING STUDY PERIOD

- A. The Division has developed and implemented in two service providers a weatherization program option which reduces the complexity of operation of the program at the local level. An outline of this option, called the Core Program, is included as Attachment B. Discussions have begun with other CAPs regarding further implementation of the Core Program. (14,16,22,25,28)
- B. Steps have been taken to resolve production difficulties at two of the CAPs, and it is expected that this will result in significant unit completion in the near future. (15).
- C. DCS is continuing to fine-tune a Weatherization Procedures Manual so that the Division's expectations for completed weatherization measures are adequately defined. Use of the Procedures Manual has already begun to show results in improving the quality of work. (14,27)

- D. Over the past several months, some positive steps to improve the relationship between DCS and the CAPs have resulted in a noticeable change. The Director and DCS staff have made concentrated efforts to establish better relationships and increased communication on an individual basis. The cumulative result has been a move toward working as partners and solving problems as a team, and these efforts need to be continued. Specific collaborative planning efforts have been initiated, such as the State Repair Task Force, as described below. (6).
- E. DCS and the CAPs have agreed to establish a joint planning committee, the State Repair Task Force, which will have the following goals:
- 1) Develop an apportionment procedure for unspent grant funds.
 - 2) Develop a training and technical assistance (T & TA) plan for fund leveraging and program evaluation.(6,24)
- F. Reimbursement of State Repair measures will be at the same rate as those installed under Weatherization, which increases support payment by 33%. This change became effective on March 1, 1988. (37)
- G. A management consultant has worked with DCS to develop a management structure which will achieve more closely coordinated program, fiscal and audit interaction. The new structure is aimed at improving internal operations and communications. (1)

- H. The Division's legal staff is conducting a study to determine which program rules are required by the Federal Government and which have been overlaid by the State; with the goal of streamlining the rules where possible. (25)
- I. The management consultant has worked with DCS to develop a team approach to monitoring which should eliminate duplication and result in fewer, more focused visits to subgrantees. Monitoring tools will be developed to clearly define the appropriate procedures and follow-up. (4)
- J. New budget and work plan formats are being developed and implemented to provide adequate supporting justification as required by Federal regulations. (8)
- K. Internal DCS procedures are being implemented to assure that the approval process for CAP budgets and work plans conforms to Federal requirements. (7,9)
- L. A review of the Division's internal contract management and payment process has been initiated to determine whether the process can be streamlined. Members of the review team include the DCS Business Manager and two CAP representatives. (26, 34)
- M. The structure of the DCS fiscal unit is being reviewed as part of the agency-wide review with the management consultant. Cross training and a realignment of staff responsibilities should ensure timely reports to funding agencies. Agency fiscal policies require proper explanation of entries, appropriate documentation, and periodic review by the Business Manager. While staffing vacancies and changes over the past year affected the frequency of the review, these reviews should now be on schedule. (11)

- N. The Division plans to initiate a filing system which coordinates monitor findings, corrective action plans and a completion of reworks. (5)
- O. DCS has eliminated the requirement of photographic documentation, which was found to be an ineffective method of ascertaining the appropriateness of door and window replacement. (38)

RECOMMENDATIONS

The Legislative Study Committee's analysis of the problems identified by DOE, DCS and the CAPs has produced several recommendations, the implementation of which should result in the timely expenditure of grant funds, an increase in production and improved levels of quality workmanship. In addition, this will ensure that the highest priority weatherization needs of low-income households are being addressed and that a minimal average energy savings of 14% for weatherized units is achieved.

The Committee makes the following general recommendations:

- Simplify the rules.
- Make the program easier for the CAPs and other service providers to operate, in terms of installing weatherization measures.
- Make an impartial determination of the important factors influencing the providers' ability to run the program efficiently and at a break-even level.
- Develop an equitable support reimbursement figure for materials in accordance with DOE regulations and guidances.

- Develop a standard statewide materials price which includes the allowable charges to the materials line, as per the DOE guidance.
- Develop a methodology which demonstrates the operating efficiency of the state program, e.g. cost/benefit for client services.

The Committee's recommendations encompass the following components:

- I. Retain an independent consultant whose work will include -
 - A. Conducting a statewide survey of weatherization materials pricing and determining a maximum amount to be reimbursed based on the geographic service areas.
 - B. Performing a project analysis of each CAP weatherization program.

A detailed description of the work to be performed by the consultant is described in Attachment C.
- II. Continue to work with CAPs individually to assess their needs and provide technical assistance to those subgrantees making a transition to the core program.
- III. As an interim measure, establish a temporary support reimbursement formula of 70/30. The Study Committee agreed at its March 10, 1988 meeting to recommend to the Division that this formula be put in effect on March 14, 1988, and terminate at the completion of the consultant's study.
- IV. Initiate supportive procedural changes to immediately enhance the efficiency and effectiveness of the weatherization program.

- V. Continue to refine monitoring procedures to ensure that the program operates at maximum efficiency, and that subgrantees are adequately supported with training and technical assistance.
- VI. Complete an intensive, thorough review of the weatherization rules to enhance consistency, clarity, reasonableness and necessity.
- VII. Establish standards for statewide training. Training should reflect the different skill levels at which current workers are functioning.

0589D

SUMMARY

The Weatherization Services Study Committee has facilitated the reestablishment of constructive dialogue between the CAPs and DCS. Many of the problems identified have been solved, and production has markedly improved during the study period.

The problems which have eluded solution will be the focus of a study by an independent consultant hired at the recommendation of the Committee. The Committee will work with the Division and CAP agencies to analyze and evaluate the results of the consultant's study, and make recommendations for further improvements in the Program. Meanwhile, individual members have asked the Division to keep them informed of new developments on an ongoing basis.

0683D

ATTACHMENT A

PROBLEMS IDENTIFIED

- A. Department of Energy
1. Program management has not been closely coordinated among program, fiscal and auditing.
 2. Certification by a program official as to the acceptability of the work performed is not presently required prior to payment.
 3. There is no system in place to control debilling orders or to notify the field monitor if the debilling action has occurred.
 4. Routine monitoring of WAP subgrantee management practices is not clearly defined.
 5. There is no consistent format or documentation that is in use to capture the results of monitoring reviews.
 6. There has been a lack of specific program collaboration between DCS and the CAPs in developing long range plans. The relationship between DCS and the CAPs has tended to be negative and reactive, rather than positive and proactive.
 7. Budgets and work plans are approved after the Standard Agreement is signed, which is contrary to Federal requirements.
 8. Adequate supporting justification for budget line items is not provided by CAPs to enable DCS to determine the reasonableness, allowability and allocability of costs in accordance with the provisions of applicable cost principles.
 9. Final budgets are being approved by DCS after the budget end date of a grant which is contrary to Federal requirements.
 10. A review of the findings from three audit reports of CAP operations disclosed that these CAPs have inadequate financial systems to generate appropriate financial reports.
 11. The DCS accounting system does not always generate current, accurate, and complete disclosure of the financial results of the grant program. The DOE examination also disclosed numerous journal entries without any written explanation.
 12. Audit reports of CAPs do not express any affirmative or disclaimer opinion as to the adequacy of the subgrantee internal accounting controls.

B. Division of Community Services

13. Weatherization assessments have shown that some CAPs do not have a Weatherization waiting list which ensures service to priority clients on a first-come, first-served basis.
14. Monitoring reports indicate that poor quality workmanship has been evident in the weatherization of some dwellings.
15. Production and management difficulties at three of the largest CAPs have resulted in little or no production of units for as long as one year.
16. Production schedules not being maintained have resulted in 6.0 million dollars of PVE funds continuing to go unspent into the second year of availability.
17. In a significant number of units, materials were billed to the Division which were not present during inspection.
18. Subcontractor-installed material prices are significantly higher than crew-installed materials prices.
19. The correct procedures for the allocation of direct and indirect expenses are not currently being followed by the CAPs.

C. CAP Agencies

20. The predominance of old housing stock in the State produces difficult working conditions for crews.
21. CAPs have stated that the current reimbursement formula does not enable them to meet expenses, which has created budget deficits.
22. Procurement Bid Packages are too complex and discourage involvement from local vendors.
23. There is no effective policy for the allocation of T & TA funds.
24. There is no effective policy for Weatherization funds to be reallocated before contracts expire.
25. State rules/regulations which are promulgated during the contract period are complex, unclear and ambiguous.
26. DCS payment process is too slow. Agencies have bills to pay within 30 days and delayed reimbursement from DCS creates problems.
27. There is a significant rework rate of units that did not meet DOE standards.

28. Highly labor intensive measures are required where little support is earned and there is often a minimal energy conservation benefit.
29. The current Federal DOE support formula must be applied to all weatherization activities.
30. Travel time can be substantial in many areas of the State, and adds to costs.
31. Equipment maintenance and replacement is costly.
32. Delays in obtaining materials from vendors can drive up the cost of a job.
33. Training and technical assistance costs exceed budget.
34. Extensive and duplicative paperwork causes high overhead costs.
35. It is difficult to maintain qualified staff with low pay conditions. On the other hand, increasing salaries and fringe benefits drives up program costs.
36. There is a lack of support for ancillary inventory costs.
37. Reimbursement for State Repair measures is not the same as for Weatherization activities.
38. Requirement for photographic documentation prior to replacement of windows and doors is costly and unduly burdensome.

0671D

ATTACHMENT B

CORE PROGRAM

Major evolution has taken place in the Weatherization program at both the national and state levels in recent years.

In 1973 the Weatherization program provided plastic and lath for clients to put on their dwellings to help slow the infiltration of cold air. Fifteen years later, the program has evolved in scope and complexity so that 62 measures are now allowable.

However, the rapid and vast expansion and complexity of the anti-infiltration category has had the net effect of discouraging multi-measure weatherization intended to deliver a more complete insulating package to the client. So much time and effort are spent in this one area that often subsequent areas aren't addressed.

Core Program allows for review of general heat waste, to determine what is effective, reasonable, achievable and will deliver the best benefit package to clients with documentable energy savings.

Within the Core Program the Heating System Clean, Tune, Evaluation (CTE) procedure may be billed to Weatherization or referred to the Central Heating Improvement Program (CHIP) at the discretion of the local program operator (LPO). Water Heater Insulation may be billed to Weatherization or referred to a utility program also at the LPO's discretion.

The LPO may select on a unit by unit basis those general heat waste (GHW) measures up to a \$50.00 materials limit to reduce major infiltration/general heat waste. Selection will be made from currently recognized activities, based upon the estimator's

recommendation. Measures will be inspected/monitored for proper installation (functional effectiveness) and quality (items billed equal items installed). LPO determination of greatest need and greatest cost-effectiveness of selection up to \$50.00 will govern.

An agency may then move on to the next sequential priority. In addition, the LPO has the option of addressing other GHW measures, using non-weatherization funds, such as State Repair, Low Cost/No Cost or Community Development Block Grant (CDBG).

Any additional GHW measures with Weatherization funds in excess of \$50.00 which the LPO requests to provide must meet cost effective benefit-to-cost ratio criteria in accordance with the current program, and should be cost feasible for the LPO to install at the program reimbursement rate.

The Core Program can provide CAPs with greater flexibility in meeting GHW requirements, and concurrently free up more money per unit for installing insulation and storm windows, which are less labor intensive and achieve higher energy savings.

Reduction of technical complexity, we believe, will result in increased clarity and standardization, and effect a substantial reduction in administrative requirements linked to paperwork, procurement, management, accounting, personnel training, and compliance and audit liabilities.

ATTACHMENT C

COMPREHENSIVE PROGRAM ANALYSIS

The consultant shall design, conduct and perform an analysis of the Weatherization Program. The analysis shall be performed in three phases:

* Phase I:

The consultant shall design and conduct a statewide weatherization material price survey which encompasses the eleven (11) geographic service areas. The consultant shall:

1. Publish a statewide weatherization material price list which:
 - a. establishes fair market value.
 - b. provides a method for adjusting material price changes on a six month cycle.
- 2.. Prepare an example of the adjustment method explaining and demonstrating the method in (b) above.
3. Develop methods to account for other factors associated with material prices as identified.
3. Review current material procurement procedures and prepare a report reflecting problem areas and recommendations for improvement.

* Phase II.

The consultant shall conduct and provide an analysis of current and proposed energy conservation measures installation. The analysis shall:

1. Provide a cost effectiveness analysis of materials by utilizing the DOE specified formula for determining the cost effectiveness of weatherization materials.
2. Reflect the per unit cost for energy conservation measures and shall include the following factors:
 - a. material unit cost.
 - b. direct labor costs per measure.
 - c. direct labor hours per home weatherized.
 - d. trade standard material waste factors.
3. Prepare labor skill analysis to determine:
 - a. skill levels necessary for installation of weatherization materials.
 - b. appropriate crew sizes.
4. Prepare a written report which:
 - a. provides the details of items 1, 2, 3 above.
 - b. estimates the fuel savings per energy conservation measure.
 - c. calculates the material payback in years.
 - d. calculates the labor and material payback in years.
 - e. recommends alternative materials and installation procedures.

* Phase III:

The consultant shall conduct and provide the results of a project analysis of the Weatherization Program. The written analysis shall include:

1. The results of Phase I and Phase II above.
2. The results of a designed field and/or mail sample survey of the Community Action Program.
3. The general factors to be analyzed are:
 - program outcome
 - service delivery efficiency and effectiveness
 - program demographics
 - program staffing
4. Each of the above factors will be investigated and analyzed per operating agency, and recommendations will be made for improvement.
5. Program wide analysis will compare the results and prepare recommendations.
6. Prepare an analysis of alternative delivery mechanisms by estimating per agency costs and benefits to its recipients.