

United States Senate
COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

February 26, 2010

Via Electronic Transmission

Steven Chu
Secretary
U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Secretary Chu:

As the Senior Senator from Iowa, I have a duty to conduct oversight into how federal entities spend taxpayer dollars, especially when fraud, waste, or abuse might be involved. I also serve as the Ranking Member of the Committee on Finance (Committee), which has exclusive jurisdiction over both federal taxation and our country's public debt. In both capacities, my duty to conduct oversight is more important than ever, with federal spending at unprecedented levels due in part to the passage of the American Recovery and Reinvestment Act of 2009 (ARRA).

Congress enacted ARRA in an effort to stimulate economic activity and stave off further decline in the American economy. I opposed final passage of ARRA because, as I said at the time, it was loaded down with spending to satisfy special interests rather than to stimulate the economy. Pursuant to ARRA, the Department of Energy (DOE) received over an additional \$32.7 billion of taxpayer money. It is crucial that these funds are being used properly and that DOE is acting to prevent fraud, waste and abuse of these funds.

I am aware of a special report issued by the DOE Office of Inspector General (OIG), in December 2009, about DOE's ARRA implementation challenges (OAS-RA-10-03). The OIG specifically states that the effort to obligate the ARRA money by the end of Fiscal Year 2010, "has strained existing resources." According to the OIG, the DOE must obligate over \$32.7 billion in ARRA funds by September 30, 2010. In order to meet this requirement, the DOE must obligate an average of over \$55 million a day.

I am especially concerned about DOE's monitoring of the Weatherization Assistance Program. Under ARRA, the DOE's Weatherization Assistance Program received \$5 billion to improve energy efficiency of homes owned or occupied by low income persons. According to the OIG, weatherization grants have been awarded to all 50 states, 5 territories and the District of Colombia. These ARRA weatherization grants have dramatically increased the amount of taxpayer dollars that have been spent on weatherization in past years. However, it appears this dramatic increase is not yielding a dramatic increase in upgraded homes as expected.

According to a recently released report by the OIG (OAS-RA-10-04, February 2010), grantees have made little if any progress in weatherizing homes. The OIG reports that less than 8% of the total award of \$4.73 billion has been drawn by grantees for weatherization work. Of the four states that received the largest grants (California, Texas, New York, and Michigan) 156,118 homes are planned to be upgraded. To date only 677 homes have actually been completed. Although some of the blame in this lack of progress is due to state-level concerns such as state hiring freezes, the OIG states, “Despite its best efforts, the Department’s actions to reduce or eliminate program delays appeared not to have significantly increased the tempo of actual units weatherized across the nation.” The OIG further states, “The job creation impact of what was considered to be one of the Department’s most ‘shovel ready’ projects has not materialized.”

Since ARRA projects have a limited timeframe to be completed, these massive delays in the weatherization project are very troubling. The OIG highlights their concern in the report, “As these issues are resolved, it appears likely that pressure will increase to accelerate the weatherization of residences in the compressed statutory timeframe available under the Recovery Act. In a situation like this, our concern is that the understandable desire to spend the Weatherization funds on a catch-up basis may lead to an environment conducive to wasteful, inefficient and, perhaps even abusive practices.” There appear to be signs already that this is occurring.

According to an audit of the Illinois’ weatherization program (OAS-RA-10-02, December 2009), which is the first completed audit of a state weatherization program, the OIG identified significant internal control deficiencies which required immediate attention. The OIG noted that DOE had not fulfilled its requirement to perform monitoring visits at the state level. In addition, the OIG reported Illinois officials had not complied with DOE requirements for inspecting weatherization work conducted by local agencies.

Even more disturbing is the fact that the OIG found that a local agency weatherization inspection failed to detect substandard installation of energy saving materials. A furnace gas leak went undetected in this inspection, which could have resulted in serious injury to the occupants and material damage to the structure. The OIG further reports that DOE’s Office of Energy Efficiency and Renewable Energy had not detected inspection problems because it had not performed on-site monitoring/inspection visits of Illinois’ activity at the required frequency. The OIG states in its report that, “While there is no guarantee that Federal-Level monitoring or state inspections will identify all problems, such activities are essential to evaluate program performance, deter inappropriate actions by contractors, identify poor workmanship that could lead to hazardous conditions, and place participants on notice that standards are important and must be enforced.” It is troubling to see that this is not occurring.

Accordingly, please answer the following questions and for each question throughout this letter, please respond by first repeating the enumerated question followed by the appropriate answer:

- 1) Please describe in detail the actions taken by DOE to increase the progress of the weatherization program. Please provide the responsive documentation.
- 2) Please describe in detail the safeguards developed by DOE to limit fraud, waste, and/or abuse of ARRA funded weatherization projects.
- 3) Has DOE re-evaluated its monitoring and staffing plans to adjust to the rapid increase in expenditures as the OIG recommended in its last month? If so, please describe these adjustments.
- 4) Since the initiation of the Weatherization Assistance Program, please tell me how many state inspection/review visits have taken place. Please provide copies of the findings related to those visits.
- 5) What actions were initiated to ensure that poor workmanship does not occur in the weatherization program?
- 6) Please describe in detail the actions taken to date by DOE against contractors who performed substandard work under the weatherization program.
- 7) Is the DOE aware of any contract or grant being awarded to an entity or individual listed on the Excluded Parties List System? If so, please describe.
- 8) Please describe in detail what actions DOE has taken to ensure state compliance with weatherization inspections.
- 9) Please describe the training and/or guidance DOE provides to the states to ensure their compliance.
- 10) Please provide my staff copies of additional state weatherization audits, evaluations or other reports, and an update if available on DOE's actions following the Illinois weatherization report.

Thank you in advance for your prompt attention to this matter. I would appreciate receiving your response to this letter by March 12, 2010. Should you have any questions regarding this matter, please do not hesitate to contact Chris Armstrong or David Bleich of my staff at (202) 228-0927. All documents responsive to this request should be sent electronically in PDF format to Brian_Downey@finance-rep.senate.gov.

Sincerely,



Charles E. Grassley
Ranking Member