

WEATHERIZATION SUBGRANTEE – _____

ENGAGEMENT PERIOD: ___ TO ___

OBJECTIVES

1. To determine that internal controls were adequate and functioning properly at the Low-Income Weatherization Assistance Program (LIWAP) Subgrantee.
2. To determine that the LIWAP Subgrantee was in compliance with laws, regulations, rules, contracts, grants, policies and procedures including the following:
 - Policies of the subgrantee;
 - Missouri Department of Economic Development/Division of Energy's *Weatherization Program Operational Manual*;
 - [10 CFR Part 440](#) and [2 CFR Part 200](#).
3. To determine that all receipts, disbursements, and cash balances of the LIWAP Subgrantee were accurately reported in the accounting records.
4. To determine that payments to the LIWAP Subgrantee were for eligible costs and were properly documented and approved.

Tab	Procedures – I. Pre-work	Initials, Date, & Comments
I A	Pre-work: Review risk assessment (<i>FY17 Risk Assessment.xlsx</i>) to determine the scope of the monitoring visit and the number of client files to be reviewed.	
I B	Pre-work: Print out and review the Positions and Processes Questionnaire that was completed by the subgrantee.	

Tab	Procedures – II. Entrance Conference	Initials, Date, & Comments
II	<p>Meet with subgrantee staff to discuss the scope of the engagement and the status of the program's activities. Subgrantee staff should be offered the opportunity to be present at the entrance conference. Put notes from the entrance conference in the subgrantee monitoring binder.</p> <p>Ask the two conflict of interest questions at the bottom of the entrance conference outline.</p>	

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Tab	Procedures – III. Operations A. Conflict of Interest	Initials, Date, & Comments
III A	<p>Pre-work: Open the folder with the subgrantee’s conflict of interest letters here. Make a list of the clients. Check to see if any of the homes were completed in the fiscal year being monitored. If so, add those files to your Client File Review list and review those files for signs of preferential treatment.</p> <p>If anyone mentioned a conflict of interest in the entrance conference, note what was said and, if appropriate, get a written statement from that person.</p> <ul style="list-style-type: none"> • If it was an employee, board member, or family member of either, who had their home weatherized, request that client file and add it to the list of client files to be reviewed. Verify that DED/DE approval was obtained as required by the Program Operational Manual. • If it involved a contractor who is related to an employee or a board member, request all bids/bid packages submitted by that contractor and check for fairness and open competition. Also check several of the contractor’s invoices to ensure that the amounts invoiced matched the amounts that the contractor bid. Verify that DED/DE approval was obtained as required by the Program Operational Manual. 	

Tab	Procedures – III. Operations B. Financial Controls	Initials, Date, & Comments		
III B I	<p>Pre-work: Obtain the subgrantee’s Financial and Procurement Policies & Procedures to determine if they comply with the requirements of 2 CFR 200. Review for the following:</p> <table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top;"> <ul style="list-style-type: none"> ◆ Tripartite Board ◆ Travel Policy ◆ Annual Audit ◆ Stale Checks ◆ Check Signers </td> <td style="vertical-align: top;"> <ul style="list-style-type: none"> ◆ References to 2 CFR 200 ◆ Required contract clauses ◆ Conflict of Interest ◆ Bank Reconciliations ◆ Purchasing approvals & limits </td> </tr> </table>	<ul style="list-style-type: none"> ◆ Tripartite Board ◆ Travel Policy ◆ Annual Audit ◆ Stale Checks ◆ Check Signers 	<ul style="list-style-type: none"> ◆ References to 2 CFR 200 ◆ Required contract clauses ◆ Conflict of Interest ◆ Bank Reconciliations ◆ Purchasing approvals & limits 	
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	<p>If the policies are delivered electronically and a copy has been placed in the subgrantee’s monitoring folder, it is not necessary to print out a hard copy for the binder.</p>	
<p>III B 2</p>	<p>Obtain a list of all subgrantee bank accounts held, in which weatherization funds were deposited during the engagement period. Ensure <i>advances</i> of federal funds are maintained in interest-bearing accounts and that interest earned on DOE funds has not exceeded the allowable threshold of \$500 for non-profits.</p> <p>If <i>advanced</i> federal funds exceeded \$250,000, obtain a pledged security agreement/repurchase agreement.</p> <p>Review all weatherization bank authorization forms and obtain a list of authorized check signers during the review period.</p> <ul style="list-style-type: none"> • Review the bank authorization signature cards for board of directors authorization. • Review the bank authorization signature cards to ensure terminated employees and ex-board members were removed from check signing authority. • Are there adequate procedures for approving and recording interbank transfers? (<i>Policies & Procedures</i>) • Is the blank check stock adequately secured? (<i>View at agency</i>) 	
<p>III B 3</p>	<p>Pre-work: Document the bank reconciliation process. Determine who completes the monthly bank reconciliation and who approves the bank reconciliation. Vouch the bank reconciliation at December 31, 2015. Determine that the reconciliations were prepared accurately and approved properly.</p> <ul style="list-style-type: none"> • Are bank statements reconciled promptly (within 20 days) upon receipt and properly documented? (<i>Policies & Procedures</i>) • Are bank reconciliations done for all bank accounts according to their policies & procedures and positions & processes? 	
<p>III B 4</p>	<p>Pre-work: Using the subgrantee’s budgets, reimbursements, and advancements from MoWAP, the SAM II (Crystal) reports, and the revenue report that was provided by the subgrantee, fill in the <i>Revenues & Expenditures Test.xlsx</i> and determine if the subgrantee’s records of payments from the grants match those of DED/DE and SAM II.</p>	

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	<ul style="list-style-type: none"> Print general ledger from MoWAP for months to be tested. 	
Tab	Procedures – III. Operations C. Expenditures	Initials, Date, & Comments
III C 1	<p>Invoice Verification – Select a sample of 10% of the checks (30 max.) on the check register(s) for the Weatherization account(s). Request in an email before the visit that the invoices and backup documentation be pulled for those checks.</p> <p>Include in that list at least three invoices that should (according to the subgrantee’s policies) be allocated to all programs.</p> <p>Determine if the invoices were allocated correctly to the weatherization program, according to their cost allocation plan.</p> <p>Verify that all invoices on your list for vehicle expenses (including fuel) are clearly marked with the V.I.N. (or other unique identifier) of the vehicle for which the expense was incurred.</p> <p>Verify that the payments match the invoices, were for allowable costs, and check them against the chart of accounts to see that they were coded to the correct account.</p> <p>Make a copy of <i>one</i> invoice and its backup documentation for the working papers. Make copies of any payments that did not match the invoice(s), were for costs that were not allowable, or were coded to the wrong account(s).</p> <ul style="list-style-type: none"> Were all expenditures supported by an invoice, employee reimbursement claim form, or other documentation? Were invoices properly marked “Paid” with the date and check number to prevent duplicate payment? Were expenditures posted correctly to the accounting records? Were expenditures approved according to their policies & procedures and positions & processes? 	
III C 2	<p>Review Insurance Coverages – All subgrantee’s are required to carry the following types of insurance:</p> <ul style="list-style-type: none"> General Liability Insurance Automobile Insurance (<i>compare to vehicles on inventory</i>) 	

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	<ul style="list-style-type: none"> • Real and Personal Property Insurance • Environmental/Pollution Occurrence Insurance • Workers Compensation Insurance <p>(Most policies should be uploaded with the subgrantee’s most recent budget.)</p>	
<p>III C 3</p>	<p>Pre-work: Obtain the subgrantee’s indirect rate and cost allocation plan from MoWAP and review it (these should be in the uploaded documents of every budget). If the indirect rate has been approved by the federal cognizant agency, testing is not necessary. Cost allocation plan must be fair and reasonable.</p> <p>Determine also how the subgrantee distributes expenses across all grants (including agency managed grants).</p> <p>If the subgrantee is using the de minimus rate, determine whether or not they have ever had an approved indirect rate.</p>	
<p>III C 4</p>	<p>Pre-work: Administrative costs must be allocated based on the principles and procedures established in the cost allocation plan or indirect rate.</p> <ul style="list-style-type: none"> • Review the Revenues and Expenditures spreadsheet to determine the percentage of Administrative Expenditures budgeted to actual Administrative Expenditures. • Compare the amount of Administrative Indirect Rate Expenditures in the test month(s) to the Indirect Rate percentage. • Determine if subgrantee is distributing administrative costs to all grants (including agency managed grants). 	
<p>III C 5</p>	<p>Determine if T&TA expenditures are allowable. (Pre-work: Print the T&TA report from the MoWAP report and compare to backup documentation and the general ledger.)</p> <p>Print a copy of one of the T&TA invoices for the binder.</p>	

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<p>III C 6</p>	<p>Pre-work: Review the WAP portion of the subgrantee’s single audit cost. This is to be included in the Financial Audit budget category unless financial audits have been included in the indirect cost pool of an approved indirect cost rate. Ask:</p> <ul style="list-style-type: none"> • How many years have you used your current audit firm? • How much did you spend on your most recent single audit? • When did you last bid out your single audit? <p>Review the bid package for the audit if over \$25,000.</p> <p>Check to see if the audit was charged out to Weatherization in accordance with the subgrantee’s cost allocation plan.</p> <p>Review 2 CFR 200.501-512 (Audit Requirements) and 2 CFR 200.317-326 (Procurement Standards) with the subgrantee if there are issues found.</p>	
<p>Tab</p>	<p>Procedures – III. Operations D. Procurement</p>	<p>Initials, Date, & Comments</p>
<p>III D 1</p>	<p>Pre-work: Obtain a listing of payments to vendors for the fiscal year being monitored. The listing should be summarized by fiscal year, vendor, and amount paid.</p> <p>Identify any vendor receiving more than \$3,000, request bid documentation for these purchases, and review for the following:</p> <ul style="list-style-type: none"> • All purchases must be made by competitive procurement except for single, local purchases or repetitive purchases of like items with total value <i>less than \$3,000</i> in a single year. • Informal telephone bids are required for purchases of \$3,000 to \$24,999 for repetitive purchases of like items. 	

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	<ul style="list-style-type: none"> • Invitation for Bid procurement instrument must be used for purchases <i>exceeding \$25,000</i> for repetitive purchases of like items, unless using the home-by-home contractor pool for HVAC. These purchases must be advertised and use formal, sealed bids. If possible, a minimum of three bids must be received. 	
<p>III D 2</p>	<p>Obtain and examine the bid packages for all contractors, including home-by-home contractor pool, to determine if the subgrantee correctly executed the bid process, and retained all necessary documentation. (IFB, newspaper ads or affidavits, list of bidders the IFB was sent to, list of those present at the bid opening with time, date and location of opening, and bid evaluation score sheet.)</p> <p>Determine how the subgrantee is bidding each type of contract labor and include that in the report.</p>	
<p>III D 3</p>	<p>Determine how the subgrantee procured their insurance policies. Review the procurement documentation if the policies were bid directly from the insurance company (not an insurance broker).</p> <p>If an insurance broker was used, Ask: How often do you bid out your insurance broker?</p>	

Tab	Procedures – III. Operations E. Personnel	Initials, Date, & Comments
<p>E</p>	<p>Pre-work: Obtain and review the subgrantee’s current personnel policy.</p> <p>Verify that the per diem amounts charged to T&TA were billed correctly according to the subgrantee’s travel policy.</p> <p>Review the position descriptions for all personnel charging time to weatherization to ensure that they have a direct correlation to the weatherization program.</p>	

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	<p>On-site: (Only applies to subgrantees that have crew members.) Request the personnel file for one crew member and compare the time records to the client file for a home that he/she worked on. Verify that the number of hours and the pay rate charged to the home match the time records in the file.</p>	
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Tab	Procedures – III. Operations F. Program Compliance	Initials, Date, & Comments
III F 1	<p>Utilizing the agency’s most current waiting list from the MoWAP reportal, determine how the next clients are selected.</p> <p>Ask: Who are the next clients to be served and how are they selected?</p> <p>Pre-work: Obtain copies of communications to applicants who are eligible and ineligible for program benefits.</p> <p>Pre-work: Include copies of any outreach materials or presentations used to attract new applicants.</p>	

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<p>III F 2</p>	<p>If the subgrantee maintains a weatherization materials inventory, request the most current inventory listing available and evaluate for the following:</p> <ul style="list-style-type: none"> • Determine if the subgrantee is using the FIFO method of inventory valuation. • Determine if the inventory is being valued correctly. Check the prices of at least five items on the inventory listing to the invoices on which they were purchased. • Determine if the inventory is being charged to the home correctly. Check the inventory costs charged to at least three client files to the costs on the inventory listing. • Is the inventory stored in a manner which protects the materials from damage? • Is the inventory stored in a organized manner, and is it easily accessible to those who need the materials? • Is a control system in place to ensure adequate safeguards to prevent against loss, damage, or theft of property and adequately safeguarded with limited access? • Is the loss, damage, or theft of property reported to local authorities for investigation? Note instances. <p>If the inventory was purchased with funds from a grant administered by DED/DE:</p> <ul style="list-style-type: none"> • Determine how often an inventory count is performed by the subgrantee, who does the inventory count, and what the process is. • Perform a physical inventory count for a minimum of eight inventory items. Choose the five items with the highest dollar value per unit, plus three other randomly selected items. 	

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<p>III F 3</p>	<p>Pre-work: Print out the Access .pdf labeled “Agency Inventory Report” and the Vehicle and Equipment Inventory Report from the subgrantee’s monitoring folder. Copy the Vehicle and Equipment Inventory Report from the previous years’ monitoring binder, and the Agency Inventory Report from the subgrantee’s inventory file. Place all four in the current monitoring binder.</p> <p>Ask: Is anyone in the agency using weatherization vehicles or equipment for any purpose outside of DED/DE’s Weatherization Assistance Program? Are any vehicles or equipment being taken home by an employee or anyone else?</p> <p>If so, get as much information as possible and include it in the monitoring report.</p> <ul style="list-style-type: none"> • Were any new vehicle or equipment items purchased during the review period? <p>If so, obtain from the subgrantee’s inventory file copies of the title, or application for title, and all purchase documentation for vehicles purchased during the review period. Include purchase approval documentation from DOE and DED/DE.</p> <p>Were the new vehicle or equipment items bid with several vendors providing quotes? Were the proper bid processes followed for the type and value of asset acquired?</p> <ul style="list-style-type: none"> • Did the subgrantee sell any vehicles or equipment during the review period? <p>If so, obtain from the subgrantee’s inventory file copies of all documents from the sale of the vehicle/equipment. Include disposal approval documentation from DOE and DED/DE.</p> <ul style="list-style-type: none"> • Verify that the proceeds from the sale of any equipment or vehicles that were purchased with DOE funds, and had a fair 	

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	<p>market value of \$5,000 or more, were returned to the Federal Treasury (less \$500 that could be kept to cover sale expenses).</p> <ul style="list-style-type: none"> • Verify that any proceeds retained by the subgrantee were deposited into the appropriate weatherization fund account for future use on weatherization projects. • Check VIN/Serial numbers on the vehicles/equipment against those reported on the inventory list. • Verify that all vehicles have the required DED/DE signage. <p>Record the mileage of all vehicles on the Vehicle and Equipment Inventory spreadsheet, and compare to the previous year’s monitoring report to determine if the vehicles were utilized to a reasonable extent.</p>	
<p>III F 4</p>	<p>Pre-work: Run the Homes Complete Summary report from the MoWAP Reportal for the DOE grant for the time period being monitored. This will show you which fund sources were used on each home. Select client files to be monitored based on the number of homes completed during the review period and the risk assessment. Enter client job numbers and names in <i>Client File Test.xls</i>. Print out the Client File Summary from MoWAP for each client file to be reviewed. Print out all uploaded invoices, and any uploaded bids if the subgrantee uses home-by-home bidding.</p> <p>Pre-work: Review the selected client files in MoWAP using process found on <i>Client File Test.xls</i>.</p> <ul style="list-style-type: none"> • Compare each contractors’ bid document to a sampling of their invoices in the client files to ensure materials and labor are being charged in accordance with their bid. • Review a sampling of the client files to ensure that inventory materials and crew labor are being charged at the correct price/rate. • Determine if the subgrantee is keeping the information in MoWAP up-to-date as the client file progresses through the weatherization process. <p>If time permits, one of the monitors should go over the findings with all weatherization personnel that work on the client files, before the exit conference.</p>	

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<p>III F 5</p>	<p>Pre-work: Obtain the number of homes completed by the subgrantee by county from MoWAP and enter into <i>LIWAP Monitoring.xlsx</i>.</p> <p>Pre-work: Obtain the 2014 <u>estimated county populations</u> and <u>percent of persons below poverty level</u> from http://quickfacts.census.gov/qfd and enter into the <i>LIWAP Monitoring.xlsx</i> spreadsheet.</p> <p>Pre-work: Check that the percent of homes complete by county is within +/- 8% of the percent of service area population below poverty.</p>	
<p>III F 6</p>	<p>Pre-work: Calculate the percentage of grant dollars spent as compared to the grant time elapsed for each grant.</p>	
<p>III F 7</p>	<p>Pre-work: Calculate the percentage of homes completed by the subgrantee as compared to the number of homes projected to be completed in the subgrantee’s budget for each grant.</p>	
<p>III F 8</p>	<p>Pre-work: Calculate the average cost per home for each grant by dividing the total expended in the program operations category by the total number of homes completed.</p>	
<p>III F 9</p>	<p>Review the files of all contractors after bid is done, and verify that each has the following information:</p> <ul style="list-style-type: none"> • Ensure subgrantee has verified current business licenses with the Missouri Secretary of State and checked both the Federal and State debarment lists for all contractors. • Weatherization and HVAC contractor(s) must have commercial general liability insurance, automobile insurance, workers compensation insurance (or waiver), a current, signed contract with the subgrantee, and (for Weatherization Contractors only) lead-safe practice certifications. • Evidence that the contractor submitted one of the following types of performance criteria: 1) Successfully completed a contract with the agency in the past; 2) Submitted references for whom they have performed satisfactorily; 3) Posted a performance bond. 	

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III F 10	<p>Pre-work: Obtain the two reports which indicate the timeliness of reports submitted by the subgrantee to DED/DE. <i>(P:/energy/residential/Wx. Monthly Report Tracking)</i> <i>(P:/energy/residential/Wx. Quarterly Report Tracking)</i></p> <p>Review the report and document any trends of late submittals.</p> <p>Monthly: _____ Quarterly: _____</p>	
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Tab	Procedures – IV. Prior Monitoring and Audits	Initials, Date, & Comments
IV	<p>Pre-work: Print out the previous year’s monitoring report and the subgrantee’s corrective action response and place them in the monitoring binder.</p> <p>Pull the subgrantee’s single audit report from the financial audits folder in the Green room. Copy 1) the cover page to show the audit firm and the year ending date, 2) the Findings and Questioned Costs pages at the back of the report, 3) the subgrantee’s corrective action response, and 4) any communication from or to DED/DE concerning the audit report.</p> <p>Review the findings and the subgrantee’s response from each.</p> <p>Document the status of the findings and any actions that the subgrantee has taken to correct the findings. If the subgrantee has not had sufficient time to implement corrective action, the follow-up should state such.</p>	

Tab	Procedures – V. Exit Conference	Initials, Date, & Comments

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V	Conduct an exit conference with the subgrantee to discuss the results of the monitoring. Subgrantee staff should be offered the opportunity to be present at the exit conference. Put notes from the exit conference in the subgrantee monitoring binder.	
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