U.S. Department of Energy
Office of Inspector General
Office of Audit Services

Audit Report

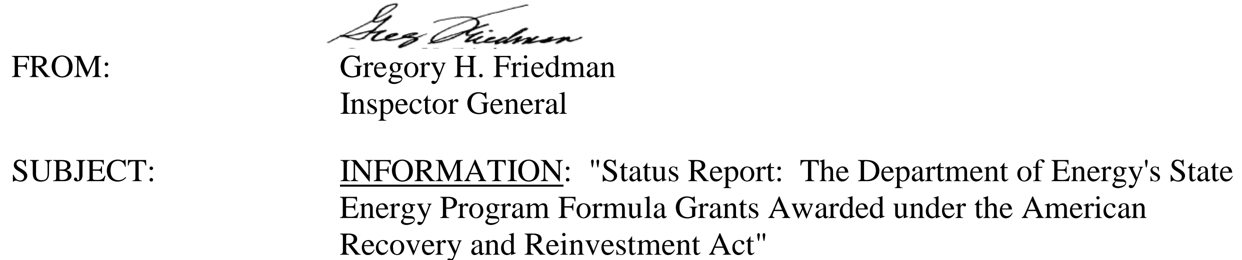
Status Report: The Department of Energy's State Energy Program Formula Grants Awarded under the American Recovery and Reinvestment Act

OAS-RA-10-17 September 2010

Department of Energy
Washington, DC 20585

September 21, 2010

MEMORANDUM FOR THE SECRETARY



FROM: Gregory H. Friedman
Inspector General

SUBJECT: INFORMATION: "Status Report: The Department of Energy's State Energy Program Formula Grants Awarded under the American Recovery and Reinvestment Act"

BACKGROUND

Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Department of Energy's (Department) Office of Energy Efficiency and Renewable Energy (EERE) received $3.1 billion to be distributed through the State Energy Program (SEP) to stimulate the economy by creating and preserving jobs while increasing energy efficiency and the use of renewable energy. Under the authorizing legislation for the SEP, the 50 states, 5 territories, and the District of Columbia (states) had a degree of flexibility to design and implement programs that met their specific energy needs and goals. In response to a Department solicitation, the states prepared plans summarizing energy related programs and projects planned for the SEP Recovery Act funds. After reviewing those plans, EERE awarded Recovery Act funding to the states for approved projects consistent with the goals of the program. The $3.1 billion awarded through the Recovery Act was a dramatic increase over the $25 million appropriated for this Program in Fiscal Year 2009.

As we observed in our recent *Special Report on Progress in Implementing the Department of Energy's Weatherization Assistance Program Under the American Recovery and Reinvestment Act* (OAS-RA-10-04, February 2010), despite significant effort by the Department, a number of impediments inhibited progress of the program. Similar regulatory issues faced states as they sought to use SEP Recovery Act funding not only to support current energy efficiency and renewable energy projects, but also to fund sustainable initiatives and put in place programs reflecting long-term market transformation. Because of the importance of this program, we initiated this audit to assess the adequacy of the Department's efforts to ensure that the goals of the SEP and Recovery Act are met efficiently and effectively.

RESULTS OF AUDIT

We concluded that the Department had taken a reasonable, risk-based approach to the award and management of SEP grants. Yet, as we have observed in other, similar grant programs, and in spite of efforts by program officials, a number of impediments adversely impacted SEP spending rates, and, thus, had prevented the program from achieving significant economic and energy savings benefits. In particular, compliance with various regulatory requirements had slowed spending. As of July 9, 2010, 74 percent of the $3.1 billion in SEP Recovery Act funding had

been approved for spending, but of that amount, only about 7.2 percent had actually been expended. We also identified issues and challenges with preparing projected and reported energy savings for the SEP. Finally, we noted that while EERE had taken action to address project monitoring shortfalls, at the state level several monitoring plans remained incomplete.

Use of Recovery Act Funding by the States

Even though the Department had granted authority to expend funds as early as May 2009, actual spending at the state level had been lethargic, adversely impacting planned increases in energy efficiency and economic benefits, both of which are critically important to the Nation. The following chart details the status of obligations and spending by the 10 states with the largest SEP Recovery Act grants:

State	Recovery Act Funding	Obligated as of July 9, 2010		Spent as of July 14, 2010	
		Amount	Percent	Amount	Percent
California	$226,093,000	$188,378,200	83%	$27,848,917	12.3%
Texas	$218,782,000	$149,850,253	68%	$1,296,903	0.6%
Florida	$126,089,000	$84,268,740	67%	$14,470,358	11.5%
New York	$123,110,000	$102,270,067	83%	$3,065,251	2.5%
Illinois	$101,321,000	$83,226,903	82%	$4,595,607	4.5%
Pennsylvania	$99,684,000	$84,881,163	85%	$22,574,374	22.6%
Ohio	$96,083,000	$50,081,803	52%	$1,012,032	1.1%
Georgia	$82,495,000	$80,706,411	98%	$1,004,507	1.2%
Michigan	$82,035,000	$68,630,000	84%	$7,822,529	9.5%
North Carolina	$75,989,000	$18,239,235	24%	$6,294,123	8.3%
Total	**$1,231,681,000**	**$910,532,775**	**74%**	**$89,984,601**	**7.3%**

Attachment 1 to this report provides SEP obligation and spending data for all 56 recipients.

Responsible Federal program officials argued that actual expenditures are a "lagging indicator" of economic activity, asserting that the economic activity that led to the expenditure was completed 2 to 3 months prior. It was management's position that obligations are a better indicator – that is, contracts are in place such that workers can be hired and economic activity can begin. We acknowledge that obligating funds to the states provides them with the authority to spend money to create jobs which, in the case of the Recovery Act, could take place over several years. However, we concluded that actual expenditures – payroll, equipment and construction material purchases, inventory acquisition, etc. – are a better benchmark by which to gauge the economic progress or activity generated by the SEP.

Factors Impacting Spending

The Recovery Act established certain regulatory requirements which had not previously affected the SEP and have contributed to delays in the obligation and spending of Recovery Act funds. Specifically, as with the Weatherization Assistance and Energy Efficiency and Conservation Block Grant programs, four existing laws that had not previously affected the activities funded through the SEP are now affecting the larger projects funded under the Recovery Act. These include the Davis-Bacon Act, National Historic Preservation Act, Buy American provisions of

the Recovery Act, and National Environmental Policy Act (NEPA). According to management, NEPA affected SEP Recovery Act projects because states chose to pursue larger, more complex projects than they had previously managed under much more limited funding. In the past, state projects were so small they typically were "categorically excluded" from NEPA requirements. However, with the additional Recovery Act funding, states proposed larger, more complex projects that required more thorough consideration of the potential environmental impacts. In general, these four laws delayed progress because the states had to implement additional controls to ensure that the new requirements would be met.

While management has, for the most part, implemented controls relative to these four laws, delays from the NEPA review process continue. While projects can be categorically excluded from NEPA when their environmental impacts are low, one state noted that such approvals were not always received from the Department in a timely manner. Conversely, some exclusions were not received quickly because untimely or inaccurate information was provided by the states. When categorical exclusion is not possible, the project requires an Environmental Assessment or an Environmental Impact Statement, which can take from a few months to more than a year to complete, at significant cost. Recognizing the delays due to NEPA compliance activities, in August 2009, the Department provided draft NEPA guidance to the states to help them better understand the Department's environmental review process and provided information to assist in that review, including a template and environmental questionnaire. This guidance was completed and formally issued in December 2009. With this new guidance, approval times have decreased, on average, from 2 to 3 months to 2 to 3 weeks.

After early delays, as of July 15, 2010, about 80 percent of SEP projects had been categorically excluded from NEPA requirements. However, continuing focus will be necessary if remaining SEP funds are to be obligated at the state level before the September 30, 2010, obligation deadline established by the Department. Notably, as shown in the following chart, 2 of the top 10 grantees – Florida and North Carolina – had projects, to which more than 40 percent of their funds were allocated, waiting for some NEPA action. Additionally, besides these NEPA delays, according to management, some of these projects are still under review for SEP eligibility and additional information is required on others.

State	Recovery Act Funding	Total SEP Funding Awaiting NEPA Action July 15, 2010	
		Amount Remaining	Percent of Funding
California	$226,093,000	$0	0%
Texas	$218,782,000	$9,603,904	4%
Florida	$126,089,000	$61,436,511	49%
New York	$123,110,000	$15,000,000	12%
Illinois	$101,321,000	$30,505,532	30%
Pennsylvania	$99,684,000	$31,562,234	32%
Ohio	$96,083,000	$35,130,000	37%
Georgia	$82,495,000	$2,114,137	3%
Michigan	$82,035,000	$3,000,000	4%
North Carolina	$75,989,000	$50,120,255	66%
Total	**$1,231,681,000**	**$238,472,573**	**19%**

When we discussed these concerns with management, program officials agreed that the application of NEPA to SEP projects created significantly increased workloads for the states and the program. However, management stated that other factors contributed to the delays in expenditures. A significant factor was the time required by the competitive process. Unlike the Weatherization Assistance Program, most SEP Recovery Act funding was competitively bid, with most funds targeted to buildings and property that was not owned by the state. So, following initial NEPA clearance, states entered into their own contract administration processes. The competitive process added 4 to 6 months to the time required to obligate funds at the project level.

Energy Savings Estimates

We also observed that efforts to estimate energy savings associated with the SEP projects were not completely reliable. For example, the sum of the states' estimates for anticipated energy savings was 88 billion MBtus based on their initial proposed SEP projects. However, our review of this estimate found that it contained a number of errors and inconsistencies. Management agreed, pointing out that the estimate was not realistic or achievable since the United States' total energy consumption is estimated at 100 billion MBtus. Accordingly, since management concluded that this goal was unrealistic and unachievable, the Department elected not to use the states' initial estimated energy savings.

Five months after the states submitted their initial plans, the Department developed and deployed an energy savings estimating spreadsheet tool that provided the states with a means to calculate their energy savings. According to Department officials, some states are using the calculator, but they cannot confirm the extent of usage. The Department's project officers have been asked to verify the estimated energy savings during their reviews of state plans. States' use of the Department's energy savings calculator should help reduce some of the inconsistencies we observed in reporting significantly varying savings for what appeared to be very similar projects.

Energy saving is one of the key performance figures reported to the Secretary every quarter for the SEP. Management recognizes the challenges it faces in obtaining reliable data for this program. Management has informed us that it has plans to begin a national evaluation of SEP Recovery Act funds, which should yield quantifiable and reliable information regarding the energy savings that have been achieved from the entire portfolio of projects and programs implemented by the states. The study will also assess the job creation and emissions reductions that have resulted from state Recovery Act programs.

Staffing and Monitoring

When the Recovery Act was enacted, the SEP only had seven project officers responsible for oversight. As a result of the insufficient staffing levels, the Department had not monitored state activities, as required. Prior to the passage of the Recovery Act, the project officers were required to visit each state once every 3 years and perform desktop monitoring of state quarterly/semiannual reports. However, during our review we found that seven states had not been visited in 5 years or more. These monitoring efforts fell short of the Department's requirements established prior to the passage of the Recovery Act. To ensure that the large

amounts of Recovery Act funds were accounted for and used properly, EERE strengthened the monitoring requirement for its project officers by requiring them to visit each state annually.

To address the critical shortage in manpower for project officer duties, the Department has since hired 13 additional project officers. With its recent increase in project officer staffing, it has increased monitoring efforts at the states. As of May 31, 2010, the Department has performed on-site monitoring at 19 states and plans to perform the required monitoring at the remaining states by the end of Fiscal Year 2010. Even though some project officers have not yet visited the states for which they are responsible, we were told that other types of monitoring have been performed and the project officers have been in weekly contact with those states and have assisted them in trying to get projects approved and started.

While the increase in staffing and monitoring is a positive step, the Department has yet to issue guidance to all states on their monitoring requirements. The states are required to perform monitoring of their grantees; however, our review found inconsistencies in seven state monitoring plans. Four of these states did not have a monitoring plan in place and the others had incomplete monitoring plans. As greater amounts of funding are provided to the grantees, Departmental guidance on monitoring their progress will be critical. Inadequate monitoring by either the Department or the states could seriously undermine the efficient and effective use of the large infusion of SEP Recovery Act funds.

PATH FORWARD

Departmental officials concurred with our observation that the challenges faced in implementing the expanded SEP were greater than originally anticipated. Despite a number of efforts by the Department, this program had to overcome a number of impediments and has been slow in spending appropriated funds. As a direct result, the SEP expansion under the Recovery Act has yet to save or create a significant number of jobs or stimulate the U.S. economy. Program execution was delayed by the need for all participants, including Federal and state governments, to build a framework that permitted compliance with applicable regulations while effectively adjusting to a rapid and overwhelming increase in funding.

As the Department continues its effort to address and resolve these challenges, it appears likely that the pace of funds obligation and actual expenditures will be expedited and that the funds will actually be spent within the statutory timeframe available under the Recovery Act. However, continuing attention of senior officials is essential if the Department is to properly address these challenges.

MANAGEMENT COMMENTS

EERE partially concurred with our audit results, reiterating its assertion that obligations are a better indicator of program success under the Recovery Act than expenditures. EERE management added that they have undertaken several proactive strategies to accelerate project implementation among the states including: the development of an on-line management tool to forecast monthly expenditures; providing a variety of technical assistance including program guidance, financing program support, training opportunities and best practice recommendations;

dedicating NEPA resources to ensure that projects comply with environmental review requirements; and, implementing a robust state monitoring plan. Management plans to issue sub-recipient monitoring guidance by September 2010, and has taken steps to streamline reporting requirements. Management's comments in their entirety are included in Appendix 4.

AUDITOR RESPONSE

Management's comments are responsive to the audit results. During the exit conference, management informed us that sub-recipient monitoring guidance was expected to be issued during the week of September 20, 2010. We believe that the completion of this important control is a further indication of management's commitment to the success of this program.

cc: Deputy Secretary
Under Secretary of Energy
Assistant Secretary, Energy Efficiency and Renewable Energy, EE-1
Chief of Staff

Attachments

FUNDING, OBLIGATIONS, EXPENDITURES, AND PLANNED ENERGY SAVINGS

State/Territory	ARRA Funding	Obligated as of July 9, 2010	% Obligated	Spent as of July 14, 2010	% Spent
Alaska	$ 28,232,000	$4,382,000	16%	$0	0.0%
Alabama	55,570,000	$30,570,000	55%	$661,994	1.2%
Arkansas	39,416,000	$32,087,707	81%	$6,245,105	15.8%
American Samoa	18,550,000	$18,346,381	99%	$1,504,628	8.1%
Arizona	55,447,000	$52,354,842	94%	$2,035,666	3.7%
California	226,093,000	$188,378,200	83%	$27,848,917	12.3%
Colorado	49,222,000	$19,778,835	40%	$5,175,648	10.5%
Connecticut	38,542,000	$38,542,000	100%	$10,747,695	27.9%
District of Columbia	22,022,000	$20,161,073	92%	$260,714	1.2%
Delaware	24,231,000	$24,231,000	100%	$10,908,753	45.0%
Florida	126,089,000	$84,268,740	67%	$14,470,358	11.5%
Georgia	82,495,000	$80,706,411	98%	$1,004,507	1.2%
Guam	19,098,000	$6,386,000	33%	$956,168	5.0%
Hawaii	25,930,000	$22,214,060	86%	$1,236,484	4.8%
Iowa	40,546,000	$36,016,102	89%	$563,832	1.4%
Idaho	28,572,000	$23,322,207	82%	$8,006,625	28.0%
Illinois	101,321,000	$83,226,903	82%	$4,595,607	4.5%
Indiana	68,621,000	$35,371,000	52%	$471,056	0.7%
Kansas	38,284,000	$35,825,647	94%	$1,790,856	4.7%
Kentucky	52,533,000	$50,050,998	95%	$3,135,062	6.0%
Louisiana	71,694,000	$59,872,318	84%	$1,052,942	1.5%
Massachusetts	54,911,000	$53,200,000	97%	$11,446,546	20.8%
Maryland	51,772,000	$38,853,671	75%	$3,064,579	5.9%
Maine	27,305,000	$20,160,300	74%	$2,800,000	10.3%
Michigan	82,035,000	$68,630,000	84%	$7,822,529	9.5%
Minnesota	54,172,000	$36,077,858	67%	$8,223,765	15.2%
Missouri	57,393,000	$24,918,197	43%	$1,021,221	1.8%
Northern Marianas	18,651,000	$11,000,000	59%	$310,236	1.7%
Mississippi	40,418,000	$22,936,470	57%	$3,498,932	8.7%
Montana	25,855,000	$24,398,985	94%	$3,482,185	13.5%
North Carolina	75,989,000	$18,239,235	24%	$6,294,123	8.3%
North Dakota	24,585,000	$12,576,484	51%	$261,000	1.1%
Nebraska	30,910,000	$4,232,420	14%	$605,293	2.0%
New Hampshire	25,827,000	$23,076,998	89%	$1,051,308	4.1%
New Jersey	73,643,000	$48,670,000	66%	$0	0.0%
New Mexico	31,821,000	$23,009,156	72%	$4,413,577	13.9%
Nevada	34,714,000	$25,365,900	73%	$1,263,033	3.6%
New York	123,110,000	$102,270,067	83%	$3,065,251	2.5%
Ohio	96,083,000	$50,081,803	52%	$1,012,032	1.1%
Oklahoma	46,704,000	$31,408,222	67%	$2,076,955	4.4%
Oregon	42,182,000	$34,367,918	81%	$502,831	1.2%
Pennsylvania	99,684,000	$84,881,163	85%	$22,574,374	22.6%
Puerto Rico	37,086,000	$33,762,544	91%	$1,139,087	3.1%
Rhode Island	23,960,000	$16,863,046	70%	$303,751	1.3%
South Carolina	50,550,000	$46,973,248	93%	$5,117,332	10.1%
South Dakota	23,709,000	$22,234,530	94%	$1,188,757	5.0%
Tennessee	62,482,000	$60,276,682	96%	$0	0.0%
Texas	218,782,000	$149,850,253	68%	$1,296,903	0.6%
Utah	35,362,000	$25,527,713	72%	$3,104,434	8.8%
Virginia	70,001,000	$49,891,000	71%	$13,216,950	18.9%
Virgin Islands	20,678,000	$11,084,809	54%	$1,455,723	7.0%
Vermont	21,999,000	$18,216,705	83%	$248,439	1.1%
Washington	60,944,000	$27,967,761	46%	$3,069,279	5.0%
Wisconsin	55,488,000	$55,488,001	100%	$1,826,763	3.3%
West Virginia	32,746,000	$32,424,897	99%	$2,561,452	7.8%
Wyoming	24,941,000	$16,764,187	67%	$267,544	1.1%
Totals	**3,069,000,000**	**$2,271,772,647**	**74%**	**$222,258,803**	**7.2%**

OBJECTIVE, SCOPE, AND METHODOLGY

OBJECTIVE

The objective of this audit was to determine the adequacy of the Department of Energy's (Department) efforts to ensure that the goals of the State Energy Program (SEP) and the American Recovery and Reinvestment Act of 2009 (Recovery Act) are met efficiently and effectively.

SCOPE

The audit was performed from June 2009, to July 2010 at Department Headquarters in Washington, DC; the Golden Field Office in Golden, Colorado; and, the National Energy Technology Laboratory in Pittsburg, Pennsylvania.

METHODOLOGY

To accomplish the audit objective, we:

- Reviewed Federal laws, regulations and Departmental guidance related to the State Energy Program and American Recovery and Reinvestment Act;
- Determined roles and responsibilities of key personnel;
- Held discussions with program officials from Headquarters, the Golden Field Office, and the National Energy Technology Laboratory;
- Analyzed internal controls at the program level;
- Analyzed financial, oversight, and other performance information relative to the audit objective; and,
- Summarized our conclusions regarding the management of the State Energy Program.

We conducted this performance audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Accordingly, we assessed significant internal controls and the Department's implementation of the Government Performance and Results Act of 1993 and determined that it had established performance measures for the efficient and effective management of the SEP and the Recovery Act. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. Finally, we did not rely on computer-processed data to accomplish our audit objective.

An exit conference was held with Department officials on September 17, 2010.

RELATED AUDIT REPORTS

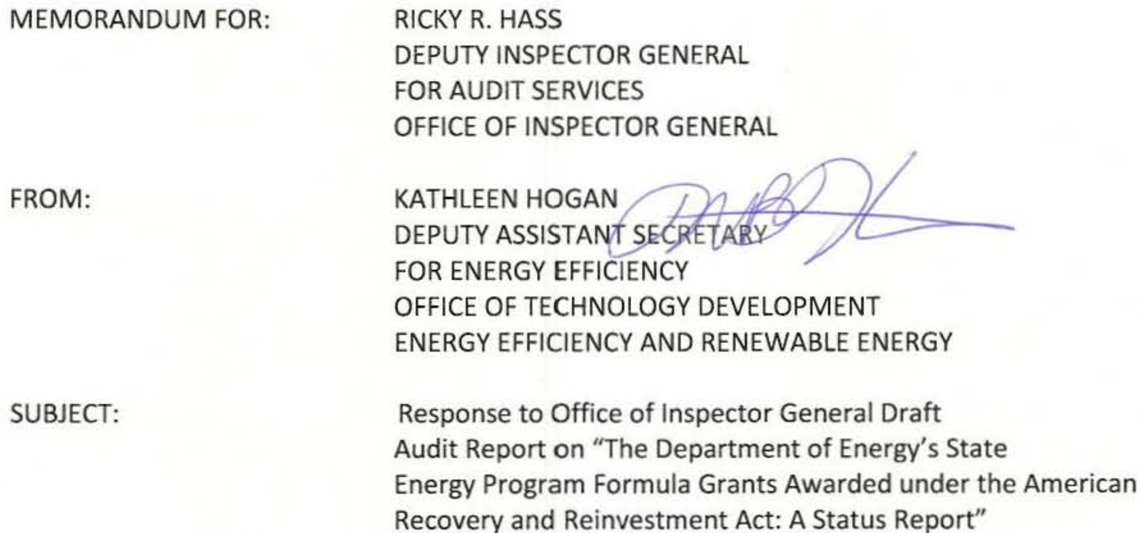
- *The Department of Energy's American Recovery and Reinvestment Act – Florida State Energy Program* (*OAS-RA-10-12*, June 2010). Our review determined that weaknesses in the implementation of State Energy Program (SEP) American Recovery and Reinvestment Act of 2009 (Recovery Act) projects had impacted and likely will continue to impact Florida's ability to meet the goals of the SEP and the Recovery Act. Specifically, Florida used approximately $8.3 million to pay for activities that did not meet the intent of the Recovery Act to create new or save existing jobs. Additionally, Florida did not meet state goals to obligate all Recovery Act funds by January 1, 2010, thus delaying projects and preventing them from achieving the desired stimulative, economic impact. We also found that Florida had not ensured that 7 of the 18 award requirements promulgated by the Department of Energy (Department) had been passed down to sub-recipients of the award, as required. Further, we identified internal control weaknesses in the State's Solar Energy System Incentives Program that could jeopardize the program and increase the risk of fraud, waste, and abuse. In response to our review, Florida took corrective action to incorporate the additional award requirements in sub-recipient documents and instituted additional controls to correct the internal control weaknesses we identified.

- *Management Controls over the Department of Energy's American Recovery and Reinvestment Act – Louisiana State Energy Program* (OAS-RA-10-09, May 2010). Our review identified certain risks associated with Louisiana's implementation of the Recovery Act that could impact its ability to meet the goals of the SEP and the Recovery Act. Specifically, the state had not: Established controls to prevent double payments for Recovery Act energy conservation rebates to individuals who may have been approved or received payment under an existing state rebate program; developed contingency plans to replace projects in the event that they did not receive timely National Environmental Policy Act (NEPA) approval to enable the expenditure of Recovery Act funds before the April 2012 performance deadline; or, fully documented and monitored, in the past, the status of internally managed SEP projects as required by both Office of Energy Efficiency and Renewable Energy (EERE) and Louisiana policies and procedures. We concluded that Louisiana's ability to meet the SEP Recovery Act objectives in a transparent manner could be hindered unless it successfully addressed the above risks.

- *Progress in Implementing the Department of Energy's Weatherization Assistance Program Under the American Recovery and Reinvestment Act* (OAS-RA-10-04, February 2010). We found that grantees had made little progress in implementing the program. A full year after the passage of the Recovery Act, only a small percentage of funds had been spent and very few homes had been weatherized. In particular, less than 8 percent of the funds available for expenditure had been spent and only about 5 percent of the homes targeted for weatherization had been weatherized. Impediments to progress included the need to implement newly applicable Davis Bacon Act wage requirements; insufficient resources at the state level; and, delays in the development of effective training programs.

- *Management Controls over the State Energy Program's Formula Grants* (OAS-M-06-05, April 2006). The Department did not regularly perform onsite monitoring of state Energy Offices to ensure that grant funds were being used for their intended purpose. Although EERE's *State Energy Program Operations Manual* called for Regional Offices to perform at least one formal site visit to each state per year, EERE did not ensure that the Regional Offices followed this guidance. Further, at the time of the audit, EERE had not specified how it would assign responsibility for or staff the Program monitoring function within the Golden Field Office and National Energy Technology Laboratory. In addition, the Department had not established or collected meaningful performance metrics to determine the cost/benefit of the Program in meeting its goals. Although the SEP is intended to contribute to percentage improvements in energy efficiency, the Department had not identified specific improvements expected directly from SEP. Furthermore, while states were required to provide estimates of energy savings in annual plans supporting grant applications, the Department did not validate or compare actual results to those planned. EERE officials stated that they recognized the need for more definitive, quantifiable performance metrics and were working to develop them in conjunction with the states.

Department of Energy
Washington, DC 20585



AUG 3 1 2010

MEMORANDUM FOR: RICKY R. HASS
DEPUTY INSPECTOR GENERAL
FOR AUDIT SERVICES
OFFICE OF INSPECTOR GENERAL

FROM: KATHLEEN HOGAN
DEPUTY ASSISTANT SECRETARY
FOR ENERGY EFFICIENCY
OFFICE OF TECHNOLOGY DEVELOPMENT
ENERGY EFFICIENCY AND RENEWABLE ENERGY

SUBJECT: Response to Office of Inspector General Draft Audit Report on "The Department of Energy's State Energy Program Formula Grants Awarded under the American Recovery and Reinvestment Act: A Status Report"

The Office of Energy Efficiency and Renewable Energy (EERE) appreciates the opportunity to review the Office of Inspector General's (IG) draft audit report "The Department of Energy's State Energy Program Formula Grants Awarded under the American Recovery and Reinvestment Act: A Status Report."

We partially concur with the audit results.

EERE emphasizes that payments drawn down by recipients is not the best measure in determining whether the State Energy Program is meeting its American Recovery and Reinvestment Act (ARRA) goals.

Obligations by grantees to sub-recipients are a better indicator that projects are moving forward and work is being done. Payments are a lagging indicator and can lag project completion by several months.

EERE has undertaken several proactive strategies to accelerate project implementation among the 50 States, 5 territories, and the District of Columbia (States). Of critical importance, we have developed an on-line management tool, the "Plan Workbook," which States are using to forecast their monthly expenditures for the 36-month grant period. To date, fifty-two of the fifty-six grantees have either commenced or completed forecasts accounting for 80% of total program funds awarded under the American Recovery and Reinvestment Act. Our project officers and management are already acting upon this information to ensure that projects are implemented and completed as planned.

Utilizing the Plan Workbook, performance dashboards and other management tools, we are working closely with States to identify barriers to performance and to develop specific action plans to resolve issues. Senior EERE management and their State counterparts have

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participated in the development of these action plans, both during phone calls and on-site visits. To assist States, we are providing a variety of technical assistance including program guidance, financing program support, training opportunities and best practice recommendations. We continue to provide dedicated NEPA resources to ensure that projects comply with environmental review requirements. We have also increased the number of project officers managing State Energy Program grants. We believe these actions will accelerate project implementation and payments.

We continue to implement a robust plan for the monitoring by DOE *of* States. Where the need for corrective action is identified, this plan calls for the provision of technical assistance to grantees. To address monitoring *by* States, DOE expects to issue sub-recipient monitoring guidance in September 2010.

To help generate reliable energy savings data, DOE has streamlined reporting requirements. State monthly reporting will now focus on expenditures but will exclude performance metrics. The overall reduction in the reporting burden is expected to enable States to improve the quality of the performance metrics reporting now due on a quarterly basis only. The National Program Evaluation will ensure consistent measurement of the energy saved by States during the Recovery Act period.

The latest available information (August 30, 2010) indicates the following overall SEP performance:

- $2.68 billion (87% of total funding) categorically excluded from NEPA requirements;
- $ 2.31 billion (75%) of funds obligated by States; and
- $386.3 million (12.6%) in payments, i.e., funds drawn down by the State.

It is important to note that the 75% in obligations represents contracts that have been executed and projects that are underway. These projects have created or retained jobs and are impacting the economic recovery today. Since the end of July 2010, week-over-week SEP payments have increased by at least 5 percent.

The Department has tracked individual State progress to meet obligations milestones over the last six months. The following demonstrates this progress:

• 35 states reached (pro-rata) program milestone of $1B funds obligated by grantees by March 30 (milestone = 33%).

• 26 states reached (pro-rata) program milestone of $2.5B in funds obligated by grantees by June 30 (milestone = 80%).

• All states are on track to spend funds during term of the award, in compliance with the terms of their award.

Should you have any questions, please contact Mark Bailey at 202-586-9424.

IG Report Number: OAS-RA-10-17

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3. What format, stylistic, or organizational changes might have made this report's overall message more clear to the reader?

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