



U.S. Department of Energy
Office of Inspector General
Office of Audits and Inspections

Audit Report

The State of Nevada's
Implementation of the Energy
Efficiency and Conservation Block
Grant Program



OAS-RA-12-02

November 2011



Department of Energy
Washington, DC 20585

November 9, 2011

**MEMORANDUM FOR THE ACTING ASSISTANT SECRETARY, ENERGY
EFFICIENCY AND RENEWABLE ENERGY**

A handwritten signature in cursive script, reading "George W. Collard".

FROM: George W. Collard
Assistant Inspector General
for Audits
Office of Inspector General

SUBJECT: INFORMATION: Audit Report on "The State of Nevada's
Implementation of the Energy Efficiency and Conservation Block
Grant Program"

BACKGROUND

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted to stimulate the U.S. economy, create jobs and reduce energy consumption. Under the Recovery Act, the Department of Energy (Department) received \$3.2 billion to fund, for the first time, the Energy Efficiency and Conservation Block Grant Program (EECBG Program). The EECBG Program provides grants to U.S. local governments, states, territories and Indian tribes to fund projects that reduce energy use and fossil fuel emissions and improve energy efficiency. The Department awarded the Nevada State Office of Energy (State) approximately \$9.6 million to develop and implement the EECBG Program, of which \$8.8 million was awarded to 23 state and local government entities (sub-recipients). The State retained approximately \$800,000 for administrative and monitoring costs. Grant recipients are responsible for ensuring that sub-recipients comply with program requirements and achieve program goals.

Because of the risks inherent in quickly establishing a large, new program of national significance, we initiated this audit to determine whether the State had managed its EECBG Program award efficiently and effectively and was on track to meet Recovery Act goals.

CONCLUSIONS AND OBSERVATIONS

The State had taken a number of positive steps to implement its EECBG Program, including developing administrative systems and monitoring tools designed to ensure proper accounting for Recovery Act funding and compliance with laws and regulations. However, we identified monitoring and oversight issues that increase the risk of Recovery Act goals not being met. Specifically, the State had not:

- Ensured sub-recipient projects were on track to meet their January 2012 completion date. In fact, almost 16 months into their 22-month award term, local government sub-recipients had not obligated about 24 percent of their funding (or \$2 million). Obligating or committing funding to a project is an important milestone,

indicating that a recipient has selected and designed its project, entered into contracts with vendors, and is ready to begin work. The State was unaware of the amount of unobligated funds, because it had no system in place to monitor progress; and,

- Ensured compliance with the Davis-Bacon Act and Buy American provisions of the Recovery Act, as well as terms and conditions of its grant awards. We found, for example, that one recipient had not solicited bids, as required, for an over \$400,000 contract. State monitoring efforts were not sufficient to detect non-compliance with Federal requirements.

If uncorrected, the problems we identified could limit the State's ability to achieve the goals of the Recovery Act of stimulating the economy through prompt obligation of grant funds and reducing energy consumption. Oversight problems may also increase the risk of fraud, waste and abuse.

Status of Nevada's Energy Savings Projects

The State had not ensured that its sub-recipient projects were on track to meet their completion date. Sub-recipients had made significant progress in expending their EECBG Program grant funds awarded, having spent about \$4.6 million, or 54 percent, as of July 2011. However, sub-recipients still had not obligated about 24 percent, or \$2 million, of the EECBG Program grant funding they were awarded even though, at the time of our testing, the funds had been available to them for over one year. The fact that nearly a quarter of the grant funds remained unobligated called into question the ability of sub-recipients to effectively use all of the grant funds within their 22-month performance period, ending in January 2012. Spending delays also increase the risk that in a rush to spend significant amounts of money at the end of their grant periods, the State and its sub-recipients may circumvent controls, thereby increasing the risk of fraud, waste and/or abuse.

As noted in our report "[*The Department of Energy's Implementation of the Energy Efficiency and Conservation Block Grant Program under the Recovery and Reinvestment Act: A Status Report*](#)" (OAS-RA-10-16, August 2010), one year after passage of the Recovery Act, recipients had spent only 8.4 percent of the \$3.2 billion authorized for the EECBG Program. In that report, Department officials stated that recipient obligations were a key step in starting projects and stimulating the economy. The report also noted that recipients faced significant challenges in selecting and designing projects, complying with procurement rules and ensuring fulfillment of National Historic Preservation Act requirements. We observed these same challenges in our review of the State's EECBG Program. For example, one sub-recipient we reviewed estimated it would take about seven months to complete its lighting project. However, obtaining the required approvals took over 15 months and the sub-recipient only recently started its project. Other recipients we reviewed experienced significant delays obtaining approvals.

Most recently, we pointed out in our report "[*The Status of Energy Efficiency and Conservation Block Grant Recipients' Obligations*](#)" (OAS-RA-11-16, September 2011), that as of March 31, 2011, \$879 million of the \$2.7 billion in formula-based grant funding provided by the Department, or nearly one-third, remained unobligated by recipients.

Department officials indicated they were aware of these issues and had made numerous outreach efforts with recipients to provide assistance in removing barriers, such as those discussed above, to obligating and spending funds.

When we brought these issues to their attention, State officials told us they had not evaluated the amount of unobligated funding, and had not assessed project status in relation to the amount of time remaining on the sub-grant awards. Officials also noted, while there currently was no plan in place to reallocate unexpended funding, they would, nonetheless, reach out to sub-recipient officials to evaluate progress and consider alternative uses of available funding, and would closely evaluate spending at the State level.

Compliance with Requirements

Further, the State had not ensured sub-recipients were always in compliance with Federal requirements or terms and conditions of sub-grant awards. Specifically:

- We identified, during a review of certified payroll records submitted to the State by one sub-recipient, instances of non-compliance with provisions of the Davis-Bacon Act (Act). Specifically, we noted that an employee had not been paid the correct wage in accordance with the Act. Our review of payroll documents for the month of December 2010 indicated an underpayment that was not identified until March 2011 – two months after the State received the documentation. Consequently, the sub-recipient reviewed its payroll records and found 36 instances of wage discrepancies. Although the State required its award recipients to comply with wage requirements, the State had no process in place to review certified payrolls. Therefore, the State could not ensure violations of the Act did not exist with other sub-recipients.
- We found an instance of non-compliance with the Buy American provisions of the Recovery Act. During a physical inspection of an energy conservation project, we discovered that equipment made outside the U.S. had been installed by a contractor. Although the installation occurred prior to an on-site visit, State officials did not detect non-compliance with the Buy American provisions when they visited the site to monitor compliance. When we brought the matter to their attention, State officials worked with the sub-recipient to replace the non-compliant units with equipment made in America.
- We noted that sub-recipients had not always complied with regulations requiring the remittance of interest earned on advances in excess of \$100 per year to the Department. The State advanced the majority of the \$8.8 million it awarded to its sub-recipients at the start of their grant periods. We identified four sub-recipients that had retained over \$6,000 in excess interest. Although the State highlighted this requirement in its guidance, it had not ensured sub-recipients were in compliance during on-site monitoring visits. As a result of our audit, all of the sub-recipients we identified remitted excess interest to the Department, as required.

- We identified instances of non-compliance with Federal procurement requirements. Specifically, one sub-recipient had not used a competitive bid process as required when hiring a project management firm to administer its award. After the firm was hired, it too failed to competitively bid for sub-contracted work totaling over \$400,000. The State had issued guidance in February 2010, emphasizing the importance of complying with competitive procurement requirements; however, State monitors had not identified the violation in any of their four on-site monitoring visits.
- We found the State had not always enforced its own requirements that sub-recipients submit monthly financial status reports. These reports are the primary source of information used by the State to monitor performance. We identified several instances where sub-recipients had not submitted monthly status reports, as required. In fact, one sub-recipient had not submitted progress reports to the State for over a year.

State Oversight

The monitoring and oversight issues we identified occurred because the State had not taken a comprehensive approach to grants management. Specifically, we noted the State had not developed the tools necessary to manage sub-recipient progress. For example, the State had not ensured initial applications, which contained budget estimates for proposed sub-recipient projects, were retained when a key employee left. Therefore, the State was unable to perform any comparisons to assess sub-recipients' progress. Also, despite providing upfront funding to sub-recipients, the State had not incorporated performance metrics into sub-grant agreements to improve oversight and if necessary recoup funds.

Additionally, under the terms and conditions of the award, the State was responsible for ensuring its sub-recipients complied with EECBG Program and Recovery Act requirements. However, based on our test work, we found evidence that the State had not fulfilled this responsibility. Although the State's monitors had visited sub-recipients, the checklist used lacked detailed steps to verify compliance with key provisions of the Recovery Act. Further, the level of sub-recipient monitoring was significantly less than that initially budgeted for by the State. In fact, we estimated that at the current rate of spending, the State will only spend about \$500,000 of the \$800,000 budgeted for administration and monitoring. State officials told us they did not have plans to use the remaining \$300,000 to increase monitoring of sub-recipients.

Without a more robust approach to grants management, the State is at risk of not achieving the goals of the Recovery Act and of increasing the risks of fraud, waste and abuse.

RECOMMENDATIONS

To address the issues outlined in our report, we recommend that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy ensure the Nevada State Office of Energy:

1. Provides assistance to sub-recipients that have unobligated funding or projects that have been delayed;

2. Develops a plan to ensure funding is either deployed quickly or returned to the Department; and,
3. Improves its monitoring of sub-recipient's compliance with laws and regulations, including the Davis-Bacon Act and Buy American provisions of the Recovery Act.

MANAGEMENT AND AUDITOR COMMENTS

The Department and State provided responses to our draft audit report. The Department stated that it concurred with the report's recommendations and would work with the State to ensure it implements plans to address the recommendations.

The State concurred with Recommendations 1 and 3 and partially concurred with recommendation 2. In response to Recommendation 2, the State acknowledged that it was working with its sub-recipients to identify means to spend remaining funding, and had hired an additional staff person – an action expected to reduce the amount of unspent administrative funds identified in the report. However, the State indicated that based on the actions it has taken to address unobligated funding, the development of an additional plan was not warranted, and that they have already begun implementing the recommendations.

Overall, we consider the Department's and State's comments and planned actions to be responsive to our recommendations. While we recognize that the State has initiated a number of actions in response to Recommendation 2, it should be noted that, at the time of our review, the State had no plan in place to spend or reprogram any remaining funding. While the State indicated that it was currently reprogramming funds for expenditure as a matter of sound programmatic management, it did not provide us with support for its reprogramming actions. We continue to believe that a plan for deploying EECEBG funds would assist the State in managing the pace of expenditures, including reprogrammed funds. Further, the Department indicated in its response that it will ensure that the State implements the Recommendations.

Management's comments are included in Attachment 3, in their entirety.

Attachments

cc: Deputy Secretary
Associate Deputy Secretary
Acting Under Secretary of Energy
Chief of Staff

OBJECTIVE, SCOPE AND METHODOLOGY

OBJECTIVE

The objective of the audit was to determine whether the Nevada State Office of Energy had managed its Energy Efficiency and Conservation Block Grant Program (EECBG Program) award efficiently and effectively, and was on track to meet American Recovery and Reinvestment Act of 2009 (Recovery Act) goals.

SCOPE

The audit was conducted between February 2011 and October 2011, at the Nevada State Office of Energy (State) in Carson City, Nevada. In addition, we conducted fieldwork at 13 sub-recipient locations and collected information from 10 additional sub-recipients.

METHODOLOGY

To accomplish the audit objective, we:

- Reviewed applicable Federal and Department of Energy (Department) regulations related to the EECBG Program and Recovery Act;
- Reviewed State's plans and procedures related to the EECBG Program and Recovery Act;
- Interviewed State officials to determine actions taken to implement the EECBG Program;
- Interviewed officials from 13 sub-recipients to determine the status of projects being funded through the EECBG Program and verified the existence of equipment purchased, if applicable; and,
- Collected and analyzed documentation from 10 sub-recipients to determine progress made in implementing the EECBG Program and completing energy conservation projects.

This performance audit was conducted 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 the evidence obtained provides a reasonable basis for our conclusions based on our audit objective. Accordingly, the audit included reviews of Department and regulatory policies and procedures related to the Department's management of the EECBG Program. We assessed performance measures in accordance with the *Government Performance and Results Act of 1993* and concluded that the Department had established performance measures related to the EECBG Program. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of the audit. We did not rely on computer-processed data to accomplish our audit objective.

The Office of Energy Efficiency and Renewable Energy waived an exit conference.

RELATED REPORTS

Office of Inspector General

- [*The Department of Energy's Energy Efficiency and Conservation Block Grant Program Funded under the American Recovery and Reinvestment Act for the State of Pennsylvania*](#), (OAS-RA-L-11-11, September 2011). Our review disclosed that the State of Pennsylvania had developed and implemented a monitoring system designed to provide reasonable assurance that Block Grant projects would improve energy efficiency and be completed timely, and funding would be accounted for and spent properly. For the specific projects we tested, the controls appeared to be generally effective. The report did not identify any material issues with project monitoring and execution.
- [*The Status of Energy Efficiency and Conservation Block Grant Recipients' Obligations*](#), (OAS-RA-11-16, September 2011). Our review disclosed that as much as \$879 million, or 33 percent of the \$2.7 billion allocated for formula-based Energy Efficiency and Conservation Block Grant (EECBG) Program grants, had not been obligated by the recipients. The report noted that the use of the EECBG funds to stimulate the economy and create jobs, the primary purposes of the American Recovery and Reinvestment Act of 2009 (Recovery Act), had not been maximized, and the funds had not been effectively used to promote energy efficiency and conservation. This review also identified a number of apparent inaccuracies in data that Department of Energy (Department) officials used to monitor grantee obligations and spending.
- [*The Department of Energy's Implementation of the Energy Efficiency and Conservation Block Grant Program under the Recovery and Reinvestment Act: A Status Report*](#), (OAS-RA-10-16, August 2010). Our review found that actual spending had not kept pace with planned expenditures. We noted that as of August 2010, more than one year after the Recovery Act was passed, grant recipients had expended only about 8.4 percent of the \$3.2 billion authorized for the Program. Our review found the Department, as well as grant recipients throughout the Nation, faced substantial impediments to establishing the Program in the expedited timeframe the Recovery Act demanded. We noted that administrative and regulatory issues plagued the Program from the start.

Government Accountability Office


- [*RECOVERY ACT: Energy Efficiency and Conservation Block Grant Recipients Face Challenges Meeting Legislative and Program Goals and Requirements*](#), (GAO-11-379, April 2011). This review found that recipients were using a variety of methods to monitor contractors and sub-recipients. The report noted that the Department had not always collected information on recipients' monitoring activities, and as a result, did not know whether monitoring activities of recipients were sufficiently rigorous to ensure compliance with Federal requirements.

MANAGEMENT COMMENTS**Department of Energy**

Washington, DC 20585

OCT 17 2011

MEMORANDUM FOR: GEORGE W. COLLARD
ASSISTANT INSPECTOR GENERAL
FOR AUDITS
OFFICE OF INSPECTOR GENERAL

FROM: KATHLEEN B. 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 State of Nevada's Implementation of the Energy Efficiency and Conservation Block Grant Program"

The Office of the Inspector General (OIG) makes three recommendations for DOE's oversight of the Nevada State Energy Office's (SEO)'s Energy Efficiency Conservation Block Grant (EECBG). We concur with OIG's recommendations and have been working with the Nevada SEO to ensure they implement plans to address these recommendations.

All of OIG's recommendations focus on the Nevada SEO's work to support and monitor its sub-recipients. As background, state government recipients of EECBG grants were required by statute to sub-grant at least 60% of their awards to local governments that were ineligible to receive direct EECBG formula grants from DOE. Many of these sub-recipients are small cities and counties that have never received federal grants before. While sub-recipient compliance with grant terms and conditions is ultimately the responsibility of prime recipients, DOE works closely with state government recipients to help them educate sub-recipients on grant requirements and to ensure that sub-recipient monitoring systems are designed in the most strategic and effective way possible. EECBG issued Program Guidance (EECBG Program Notice 10-019) on sub-recipient monitoring in October 2010. The sub-recipient monitoring guidance outlines expectations for sub-recipient monitoring and includes examples of best practices in sub-recipient monitoring provided to DOE by state government recipients.

At the request of state and local governments, DOE has held over 20 regional workshops for prime recipients and sub-recipients that have included training sessions on all grant flow-down requirements including Davis-Bacon, Buy American, and Historic Preservation. DOE has also developed robust education and training programs for specific compliance requirements that grantees have found most



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challenging. For example, soon after procurement of EECBG grants, some DOE grantees indicated that they were struggling with the requirements of the Davis-Bacon Act. In response, DOE initiated a program to educate EECBG recipients on Davis-Bacon Act compliance. Since the fall of 2009, DOE has held more than 10 national trainings specifically devoted to the Davis-Bacon Act for prime recipients, sub-recipients, and contractors. DOE co-hosted one of the trainings with the Department of Labor's head of enforcement for government contracts on September 27, 2010. These trainings were attended by well over 1,000 prime recipients, sub-recipients, and contractors. DOE posted recordings of these trainings to the DOE website so they could be viewed by those who missed the live broadcasts.

In addition to these trainings, DOE has published numerous educational resources to assist grantees in their efforts to comply with grant requirements. In December 2010, DOE published a handbook outlining best practices for state government recipients on monitoring sub-recipients for Davis-Bacon Act compliance. In March 2011, DOE issued a Desk Guide to the Buy American Provisions of the Recovery Act to provide guidance for Recovery Act funding recipients on implementation, documentation, noncompliance, and enforcement of Buy American requirements. All of these materials are available on DOE's website. DOE's online resources for grantees also include recordings of trainings, compliance Frequently Asked Questions (FAQs), and other educational material on compliance with Davis-Bacon, Buy American, NEPA, and other grant requirements. Further, in July 2010, DOE entered into a programmatic agreement with the Nevada State Historic Preservation Officer and other Nevada state agencies to streamline the implementation of compliance activities under the National Historic Preservation Act.

The Nevada SEO has taken prompt action to implement solutions to the OIG's recommendations. The first OIG recommendation is for the Nevada SEO to "provide assistance to sub-recipients that have unobligated funding or projects that have been delayed." In response to this recommendation, the Nevada SEO has informed DOE that it will increase the level of assistance provided to sub-recipients that have fallen behind project completion milestones. The Nevada SEO's sub-recipients have now committed over 90% of their grant funds to contracts with vendors and suppliers, up from 76% in July 2011. The SEO only has one project that has experienced a significant delay, which was partially due to the time required to process a Buy American waiver request. The Nevada SEO anticipates that its continued assistance will allow the sub-recipient to complete the project before the end of the EECBG grant performance period. DOE is in regular contact with Nevada and other recipients of large EECBG grants to help them identify the best ways to obligate their funds and to remind them of goals and deadlines for obligating and spending funds.

The second OIG recommendation is for the Nevada SEO to "develop a plan to ensure funding is either deployed quickly or returned to the Department." In response to this recommendation, the Nevada SEO has informed DOE that it will work with sub-recipients whose projects come in under budget to re-deploy the funds to additional EECBG-eligible, high-quality energy projects that can be implemented quickly. DOE will be following up with the state to ensure these recommendations are being implemented.

The third OIG recommendation is for the Nevada SEO to "improve its monitoring of sub-recipient's [sic] compliance with laws and regulations, including Recovery Act, Davis Bacon, and Buy American provisions." In response to this recommendation, the Nevada SEO recently initiated a recruitment process to hire an additional staff person, who is expected to be on board this calendar year, to help

manage compliance oversight. The Nevada SEO has informed DOE that it will continue to monitor all recipients quarterly and will begin conducting enhanced inspections of equipment and paperwork at project sites. DOE will monitor the progress to ensure that the recommendations are implemented.

DOE thanks OIG for its recommendations.

BRIAN SANDOVAL
Governor

STATE OF NEVADA



OFFICE OF THE GOVERNOR
NEVADA STATE OFFICE OF ENERGY

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October 3, 2011

Mr. George Collard
Assistant Inspector General for Audit Services
Department of Energy
Office of Inspector General
1000 Independence Avenue, SW
Washington, D.C., 20585

Subject: Nevada's Response to Office of Inspector General Draft Audit Report on "The State of Nevada's Implementation of the Energy Efficiency and Conservation Block Grant Program."

This correspondence is written in response to your letter dated September 19, 2011, seeking Nevada's comments on the subject of the draft audit report. In the draft audit report, the Office of Inspector General (OIG) makes three recommendations for Nevada's management of the Energy Efficiency and Conservation Block Grant ("EECBG") program. Nevada concurs with recommendation numbers one and three, and concurs in part and dissents in part with recommendation number two. Nevada has already begun implementing the OIG recommendations as set forth in further detail herewith.

From receipt of the EECBG grant in late 2009, Nevada acted swiftly to work with the Department of Energy ("DOE") Golden Field Office ("GFO") to identify qualifying projects under the EECBG market titles and to expedite the expenditure of funds by Nevada's qualified sub-recipients. Nevada, through its Nevada State Office of Energy ("NSOE"), hired a variety of managerial and technical personnel to assist in the administration of the EECBG grant, but was careful to add only those administrative positions which were necessary to the proper administration of the grant and justifiable to the Nevada Legislature. Throughout its administration of the grant, the NSOE has been mindful of the primary objectives of the American Recovery and Reinvestment Act of 2009¹, the funding source for the EECBG. Throughout the last two years, NSOE program staff has aggressively focused on encouraging sub-recipient spending and consummating funding obligations.

Response to First OIG Recommendation

The first OIG recommendation is to "provide assistance to sub-recipients that have unobligated funding or projects that have been delayed." Nevada was ranked No. 1 in the United States in January 2011 by the National Association of State Energy Officials ("NASEO") for the highest percentage of EECBG funds expended at 91%. In addition, as of the end of August, 2011, of the \$8,789,150 allocated as a pass-through to Nevada sub-recipients under the "contractual" category, only \$979,717 (11%) had not yet been spent or contractually-obligated by the *sub-recipients*²; whereas 89% had been spent and/or contractually committed by the sub-recipients. While these numbers reveal Nevada's success and efficiency in administering the EECBG program, Nevada agrees with the OIG's first recommendation to further assist sub-recipients to obligate and expend the remaining 11% of EECBG funds. Thus, Nevada has undertaken several steps to assist in the spending of the remaining funds.

¹ Sec (3) (a) of the ARRA states, in pertinent part:

"The purposes of this Act include the following:

(1) To *preserve and create jobs and promote economic recovery...*"

Emphasis added. Pub.L. 111-5, 123 Stat. 115, H.R. 1, enacted February 17, 2009.

² In June, 2011, the DOE acknowledged Nevada's compliance with the goal of achieving the milestone of obligating 90% of its funds. The milestone was achieved by forward-funding the grant funds to sub-recipients in the interests of promoting expediency in project development and job creation; a methodology that was accepted by DOE as complying with and meeting the obligation metric.

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For instance, Nevada is evaluating the utility of scalable “quick-to-spend” projects which meet the terms of the EECBG grant and have already passed DOE scrutiny, such as the mass purchase of home energy efficiency kits which may be made available to Nevada residents, or the purchase and installation of building occupancy sensors in public buildings. Nevada is also polling those sub-recipients that have successfully completed their projects to ascertain whether they have any other qualifying projects for which funding can be used. Further, there are no outstanding projects in which progress has not been made towards completion. In sum, Nevada is working diligently to ensure the little remaining EECBG funds are timely used on projects to promote job recovery.

Response to Second OIG Recommendation

The second OIG recommendation is to “develop a plan to ensure funding is either deployed quickly or returned to the Department.” Nevada concurs in part with this recommendation and dissents in part. Nevada concurs with the OIG and believes that it is important to ensure that Nevada’s EECBG funds are deployed and utilized quickly prior to the June 30, 2012 conclusion of the grant. Nevada is working with sub-recipients to identify the means to spend the remaining 11% of EECBG funds and does not anticipate any impediments to expending those funds by June 30, 2012. See, Response to First OIG Recommendation. Further, Nevada has hired an additional compliance-focused staff person (see, Response to Third OIG Recommendation), which not only reduces the amount of currently unspent administrative funds identified by the OIG in its report, but also addresses the compliance issues identified by the OIG in its third recommendation. Also, Nevada is currently evaluating the EECBG programmatic spend rate and plans to de-obligate any administrative funds that are not projected to be spent and will re-obligate those funds to “contractual” sub-recipients utilizing the means described in Nevada’s response to the OIG first recommendation. Nevada dissents in part to the OIG recommendation that it develop a plan to “ensure funding is either deployed quickly or returned to the Department.” As described above, Nevada is currently reprogramming EECBG funds for expenditure as a matter of sound programmatic management, irrespective of an additional *plan*. The development of a *plan* as identified by the OIG is outside the current scope of the Terms and Conditions of the EECBG grant between DOE and Nevada.³ Under the current T&C, Nevada has until June 30, 2012, to ensure that all funds are spent. As illustrated through this response document, Nevada is diligently working towards meeting that milestone.

Response to Third OIG Recommendation

The third OIG recommendation is to “improve its monitoring of sub-recipient’s compliance with laws and regulations, including Recovery Act, Davis Bacon and Buy American provisions.” Nevada concurs with this recommendation. Consummating an extensive hiring process, on September 27, 2011, the NSOE hired an additional staff member whose sole responsibility will be to review and oversee sub-recipients’ compliance with the Recovery Act and DOE’s flow-down provisions. The position will review and oversee compliance-related matters throughout and up to the conclusion of the EECBG grant period. It is anticipated that this compliance-focused position will improve Nevada’s monitoring of sub-recipients’ compliance with law and regulations.

The NSOE has taken significant steps to ensure its success in meeting EECBG targets and deadlines, and has made significant progress in implementing programmatic agreements. Nevada thanks the OIG staff for their efforts and for the opportunity to respond their recommendations.

Sincerely,



Director

³ Nevada will consider the efficacy of preparing a plan if it is requested to do so through the DOE GFO and the proper contractual and budget revisions are made through the submittal and approval of the SF-424A.

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