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Special Report

Lessons Learned/Best Practices during the Department of Energy's Implementation of the American Recovery and Reinvestment Act of 2009

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Department of Energy
Washington, DC 20585

January 18, 2012

MEMORANDUM FOR THE SECRETARY

FROM: Gregory H. Friedman
Inspector General

SUBJECT: INFORMATION: Special Report on "Lessons Learned/Best Practices during the Department of Energy's Implementation of the American Recovery and Reinvestment Act of 2009"

BACKGROUND

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was signed into law on February 17, 2009, as a way to jumpstart the U.S. economy, create or save millions of jobs, spur technological advances in science and health, and invest in the Nation's energy future. As part of the Recovery Act, the Department of Energy received more than $35 billion to support a number of science, energy and environmental initiatives. In addition, the Department noted that its authority to make or guarantee energy-related loans increased to as much as $52 billion. As of December 31, 2011, the Department had obligated $34.6 billion (98 percent) of the Recovery Act funding but had spent just over $21 billion. The goal of rapidly deploying funds of this magnitude and ensuring that the funds were expended efficiently and effectively, created a number of challenges for the Department. Resources were strained, the existing infrastructure was stretched, institutional barriers had to be overcome, and new programs were established on an expedited basis.

From an Inspector General perspective, the intensive ramp-up and execution of Recovery Act-funded efforts provided a number of Departmental lessons learned and insights as to best practices. This report highlights a number of such issues identified as part of our body of work over nearly three years. This includes more than 70 completed Recovery Act reviews and many more ongoing investigations and evaluations. Our examinations in this area involved extensive discussions with Federal, state and local officials; contractors and grantees; funding and service recipients; and, other individuals. These interactions proved to be invaluable in carrying out our mission.

RESULTS

The Department, with an "all hands on deck" organizational approach, made a concerted effort to implement and execute programs designed to meet the goals and objectives of the Recovery Act. As might be expected in such a complex undertaking, certain actions did not initially achieve their intended result. There were notable successes and some failures. As a consequence of our work, we identified a number of "lessons learned" that we believe can benefit Departmental operations now and in the future. Organized by category, these include:

- Risk Management Practices. Effective management of risk depends on a rigorous system of controls to ensure that: (a) programmatic decisions are based on the results of an established due diligence process; (b) risks are continuously monitored and adjustments made to projects as risks evolve; and, (c) performance metrics and trend analyses are used to help ensure that programs are meeting their intended objectives. Our report on *Selected Department of Energy Program Efforts to Implement the American Recovery and Reinvestment Act* (OAS-RA-10-03, December 2009) noted that the Department had taken a number of actions to mitigate risks such as these. However, in our report on *The Department of Energy's Loan Guarantee Program for Clean Energy Technologies* (DOE/IG-0849, March 2011), we reported that the Department's decision documents summarizing the results of due diligence and risk assessment processes did not always describe actions officials told us they took to address, mitigate and/or resolve risks. We also noted in our management alert on *Western Area Power Administration's Control and Administration of American Recovery and Reinvestment Act Borrowing Authority* (OAS-RA-12-01, November 2011) that certain project controls necessary to help reduce the risk associated with budget overruns and schedule slippages had not been incorporated into a $161 million transmission infrastructure project;

- Financial Management and Accounting and Reporting. The use of spending plans and project baselines are essential to appropriately manage and account for changes to financial resources. Additionally, validation of performance results data is necessary to verify that actual program and project progress is consistent with information being reported. Also, adequate coordination among involved parties to ensure that funds are managed properly can significantly contribute to the success of projects. The Department had taken a number of actions to address challenges related to financial management and accounting and reporting. However, we found that additional improvements were warranted. As an example, we noted in our report on the *Department of Energy's Efforts to Meet Accountability and Performance Reporting Objectives of the American Recovery and Reinvestment Act* (OAS-RA-09-04, September 2009) that, while it made positive and proactive efforts to develop, refine, and apply the control structure needed to ensure accurate, timely, and reliable reporting, the Department had not determined whether existing information systems would be able to process increased data due to the Recovery Act. Officials had also not ensured that Headquarters program offices coordinated their Recovery Act reporting;

- Human Capital Management. Continuous evaluation of staffing levels and employee skill sets help ensure that they are commensurate with the demands of work being performed. Furthermore, developing and implementing appropriate human capital planning activities support an effective and efficient workforce, especially as Recovery Act programs wind down. In addition, management should ensure that hiring practices are conducted in accordance with appropriate rules and regulations to help enable a qualified and diverse workforce. Our report on *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) raised concerns related to increased workload associated with monitoring the thousands of grant recipients and projects. During the review, we noted that one Department field office had assigned over 200 grants to each of its project officers to monitor, while another field office had only assigned approximately 10 awards to each project officer;

- Regulatory Compliance. Anticipating and planning for the impact of regulatory requirements on operations can help the Department and its grant and contract recipients achieve the desired level of program performance. We refer specifically to such requirements as the Buy American Provisions and Davis-Bacon Act. Additionally, adequate flow-down of policies and procedures to subcontractors and sub-recipients is important to ensure that all operating levels are held accountable for meeting regulatory requirements. Further, the availability of policies and guidance at the time funds are awarded enables recipients to be aware of and include all relevant requirements in their project management practices. Our audits of the Department's use of $3.1 billion to fund State Energy Program grants identified states that had not established contingency plans for spending their Recovery Act funds in the event the projects they selected failed to meet regulatory requirements. For instance, as identified in our report on *Management Controls over the Department of Energy's American Recovery and Reinvestment Act – Louisiana State Energy Program* (OAS-RA-10-09, May 2010), Louisiana had not developed contingency plans to replace projects in the event that they did not receive timely National Environmental Policy Act approval. Effective planning is critical to ensuring that funds are deployed within established timeframes such as those associated with the April 2012 performance deadline for expending funds that was included in a number of grants; and,

- Delivery of Public Services. Clear communication with the public is essential to avoid gaps between recipient expectations of services rendered by grantees on behalf of the Department and those actually available under Recovery Act and non-Recovery Act programs. In addition, active and thorough monitoring of program activities by all responsible parties can help mitigate a host of performance challenges, including those related to quality of work and eligibility for services. Furthermore, proactive awareness related to the potential for fraud, combined with enhanced involvement by programs in addressing OIG Hotline complaints, can help identify and address programmatic issues in a more effective and timely manner. Since February 2009, for example, the OIG Hotline received over 400 complaints related to the Department's Recovery Act activities. Approximately 200 complaints were related to the Weatherization Assistance Program, many of which appeared to have resulted from gaps between homeowner expectations about the scope of work to be performed on their homes and the actual scope of remedial work authorized under the program.

Our reviews confirmed that the Department had taken a number of significant actions to carry out its programs to meet the goals and objectives of the Recovery Act. For instance, management took various steps to enhance its risk management practices to help ensure that programmatic risks were identified and mitigated to the extent possible. In addition, program offices developed and implemented practices to aid in accounting and reporting for Recovery Act activities. Furthermore, the Department acted quickly to hire and/or reallocate staffing to administer and monitor activities associated with the Recovery Act. Programs also had initiated many actions to deliver services to the public, ranging from improving the energy efficiency of thousands of households to installing smart meters in various parts of the country to help improve the public's ability to manage electricity usage. Many of the activities carried out by the Department were the result of proactive efforts on the part of program offices. Yet, various other actions and program enhancements occurred in response to issues identified during our reviews.

In our view, the Recovery Act and its implementation and execution by the Department, both the positives and the negatives, represent an important "teachable moment" which should be used to inform and aid in the on-going transition to a post-Recovery Act environment. Of even greater importance, the issues raised can be utilized by all programs and sites to enhance Department operational effectiveness going forward. To this end, additional details are provided in the body of our report. A matrix describing and categorizing our body of Recovery Act-related work is attached as well.

It should be noted that as of the date of this report, substantial Recovery Act funds have yet to be spent. For this reason, our work related to Recovery Act execution – audits, inspections and investigations – continues. Should additional "lessons learned" surface as on-going reviews evolve, we will provide supplemental information to the Department's leadership.

Further, the Department's massive Loan Guarantee Program has been under significant scrutiny. Aspects of the Program are under review by the Office of Inspector General, the Congress, and by a special review group empanelled by the White House. The results of these efforts will likely provide data relevant to the direction and operation of this and related programs.

MANAGEMENT REACTION

Management concurred with the information in the report and stated that it had made significant progress in addressing our findings and recommendations through implementation and completion of corrective actions. Management commented that it will continue to implement strong business practices to facilitate timely, accurate and complete reporting of both Recovery Act and base program activities. Management's formal comments are included in their entirety in Appendix 2.

Attachment

cc: Deputy Secretary
Associate Deputy Secretary
Under Secretary for Nuclear Security
Acting Under Secretary of Energy
Administrator, Western Area Power Administration
Assistant Secretary for Electricity Delivery and Energy Reliability
Acting Assistant Secretary for Environmental Management
Acting Assistant Secretary for Fossil Energy
Acting Assistant Secretary for Energy Efficiency and Renewable Energy
Director, Office of Science
Director, Advanced Research Projects Agency – Energy
Acting Executive Director, Loan Programs Office
Acting Chief Financial Officer
Director, Office of Management
Chief of Staff

SPECIAL REPORT ON LESSONS LEARNED/BEST PRACTICES DURING THE DEPARTMENT OF ENERGY'S IMPLEMENTATION OF THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

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Background and Introduction

Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Department of Energy (Department) was appropriated more than $35 billion to fund a variety of science, energy, and environmental initiatives through September 2015. In addition, the Department noted that its authority to make or guarantee energy-related loans increased to as much as $52 billion, including the addition of up to approximately $16 billion in Recovery Act authorities. In support of Recovery Act goals and objectives, the Department was required to spend the funds expeditiously while at the same time ensuring accountability and transparency of its activities. The Department disbursed the funds it received through grants, cooperative agreements, contracts, and other financial instruments. The vast majority of the Recovery Act funding was allocated among five major programs. In particular, the Offices of:

- Energy Efficiency and Renewable Energy (EERE) received nearly $17 billion to support various programs designed to improve energy efficiency, promote projects to reduce fossil fuel emissions, reduce total energy use, improve reliability of energy services delivery, and develop alternative and renewable energy resources. For instance, $5 billion was provided to support the Weatherization Assistance Program. In addition, $3.2 billion was allocated to the Energy Efficiency and Conservation Block Grant (EECBG) Program and $3.1 billion was appropriated to the State Energy Program;

- Environmental Management (EM) received approximately $6 billion to clean up environmental contamination resulting from Cold War manufacturing activities at 17 sites across the Department. The Department utilized many contractors already on site to help accelerate cleanup activities that had already been planned;

- Electricity Delivery and Energy Reliability (OE) was provided approximately $4.5 billion to support modernization of the Nation's electric grid to enhance overall reliability. The funds were primarily awarded as cooperative agreements to support demonstration projects at various entities and grant recipients as part of the Smart Grid Investment Grant Program;

- Fossil Energy received $3.4 billion to stimulate private sector investment to accelerate the deployment of Carbon Capture and Storage technologies for coal-based energy systems and industrial processes; and,

- Science was provided $1.6 billion to further enhance ongoing research efforts. The funds were used to support various ongoing research and development activities and the addition of Energy Frontier Research Centers.

In addition to the five major programs noted above, several other Department programs were created and/or significantly enhanced under the Recovery Act. Specifically:

- The Advanced Research Projects Agency – Energy (ARPA-E), an agency within the Department, received approximately $400 million under the Recovery Act to support high-risk, high-payoff research related to areas such as advanced battery technology, exploration of alternative fuels, and improving building technologies;

- The Loan Guarantee Program was provided with authority under the Recovery Act to make or guarantee additional loans of up to approximately $16 billion, bringing the total to as much as $52 billion. Activities under this program were designed to spur commercial investments in clean energy projects that use innovative technologies. Investments required extensive due diligence to examine the viability and legitimacy of potential projects and project borrowers, fully identify technical and financial risks, and evaluate and propose risk mitigation strategies; and,

- The Western Area Power Administration (Western) was granted $3.25 billion in borrowing authority to help build transmission infrastructure.

Shortly after the Recovery Act was signed into law, the Office of Inspector General (OIG) issued its *Special Report on The American Recovery and Reinvestment Act at the Department of Energy* (OAS-RA-09-01, March 2009) that highlighted a number of challenges the Department would need to address to effectively manage the unprecedented levels of funding and meet the goals of the Recovery Act. In addition, the report outlined the OIG's planned approach for providing required oversight consistent with accountability objectives. In particular, we adopted a risk-based strategy that included, among other things, early evaluations of internal controls, transaction testing of costs reported by recipients, assessments of performance outcomes, and enhanced responses to hotline complaints.

To date, we have completed and/or initiated almost 120 reviews and over 100 investigations to examine the circumstances surrounding the management and/or use of Recovery Act funds. This body of work highlighted a number of challenges and mitigating actions common to many of the Department's major program offices. Based on our efforts, we developed this report to provide "lessons learned" that the Department should consider not only while completing Recovery Act activities, but also during the implementation of future initiatives.

Identified Lessons Learned/Best Practices

The unprecedented funding levels provided to the Department by the Recovery Act highlighted new and existing challenges in a number of areas. In response, the Department had taken many actions designed to help ensure that the goals of the Recovery Act were met. For instance, the Department completed a comprehensive strategy to mitigate risk; developed guidance for financial assistance agreements; improved information technology systems for tracking financial information and project performance; and, increased its workforce or redirected personnel to improve monitoring of financial assistance agreements.

Since the inception of the Recovery Act, the OIG has worked closely with Department officials to address challenges related to areas such as staffing; development and implementation of policies and procedures to address regulatory requirements; financial management and accounting and reporting; performance measurement; and, quality of work completed. As noted throughout this report, the Department had taken many actions designed to ensure that it met the goals and objectives of the Recovery Act. In addition, the OIG's body of work resulted in a number of suggestions and recommendations specific to individual projects, programs, or other Recovery Act activities. This report identifies various "lessons learned" and offers additional suggestions that should be considered by all programs as the Department transitions to a post-Recovery Act environment. A matrix describing and categorizing our body of Recovery Act-related work is included in Appendix 1.

Risk Management

In light of the Recovery Act's impact on the Department's ongoing operations, it became essential for management to adequately assess and address new risks to its programs. Therefore, each of the programs that received Recovery Act funds implemented a risk management process prior to awarding funds. As noted in our report on *Selected Department of Energy Program Efforts to Implement the American Recovery and Reinvestment Act* (OAS-RA-10-03, December 2009), the Department had identified risks and planned mitigation strategies related to the award and distribution of funds, monitoring, and project execution that, if successfully implemented and executed, should have helped achieve the goals and objectives of the Recovery Act. Additionally, the Office of Procurement and Assistance Management developed guidance on funding acquisition and financial assistance activities with Recovery Act appropriations to help minimize risk impacts and maximize the effectiveness of managing those funds.

Our reviews confirmed that the Department had taken significant actions to implement effective risk management practices. Our evaluations, however, identified a number of practices that the Department should consider implementing to enhance its everyday work processes, especially as it evaluates programmatic risks during the transition to non-Recovery Act activities. Based on our reviews of the Department's efforts, we determined that opportunities existed to help it manage risks in the future, and included the need to:

- Ensure that programmatic decisions are based on the results of an established due diligence process that considers and follows up on identified risks;

- Continuously monitor the risk environment and consider the impacts of changes to the risk profile as they evolve; and,

- Implement control measures such as performance metrics and trend analyses to ensure that programs and/or projects are on track and meeting intended objectives.

These best practice recommendations were derived as a direct outgrowth of our many reviews and investigative efforts. Specifically, during our reviews of Recovery Act programs, the

OIG identified various internal control weaknesses that impacted the Department's ability to effectively manage risk. In particular:

- Officials supporting the Loan Guarantee Program had not sufficiently demonstrated, through detailed records, how risks identified during due diligence were resolved or mitigated prior to approving loans. During our recent review of *The Department of Energy's Loan Guarantee Program for Clean Energy Technologies*, (IG-0849, March 2011) we found that program decisions were based on informal deliberations and professional experience rather than a documented risk-based methodology. Subsequent to our review, the White House announced that it would initiate an independent analysis of the Department's loan guarantee portfolio;

- Several of our State Energy Program reviews highlighted the fact that procedures were either not in place or were not adequate to monitor the risk environment – especially the risk that funded projects would not achieve Recovery Act goals. Our report on *The Department of Energy's American Recovery and Reinvestment Act – Massachusetts State Energy Program* (OAS-RA-11-06, March 2011), for example, identified that accomplishment of State Energy Program Recovery Act goals could have been hindered by the State's incomplete plans for monitoring grant activities, including the lack of plans for site visits to sub-recipients and the selection methodology for site visits to second-level sub-recipients;

- A number of our reviews determined that certain control mechanisms were not in place to address the risk that projects would not be completed in a timely manner and meet their intended objectives. For instance, our report on *The Advanced Research Projects Agency – Energy* (OAS-RA-11-11, August 2011) found that controls were not in place to ensure that the program was meeting technology transfer and outreach requirements. In addition, we noted that, in some cases, policies and procedures related to key areas such as monitoring and oversight, termination of awards, technology transfer and outreach, and invoice review had not been developed and/or approved. In addition, our management alert on *Western Area Power Administration's Control and Administration of American Recovery and Reinvestment Act Borrowing Authority*, (OAS-RA-12-01, November 2011) noted that certain project controls necessary to help reduce the risk associated with budget overruns and schedule slippages had not been incorporated into a $161 million transmission infrastructure project. In addition, the Department indicated that Western had initiated a root cause analysis to guide corrective actions related to the project reviewed;

- Our report on the *Department of Energy's Efforts to Meet Accountability and Performance Reporting Objectives of the American Recovery and Reinvestment Act* (OAS-RA-09-04, September 2009) identified that a significant number of the performance metrics developed to measure progress for Recovery Act activities were not quantifiable. As a result, the ability of the Department, Office of Management and Budget, and the public to gauge progress in achieving Recovery Act goals may have been limited; and,

- During numerous reviews of recipients under the Weatherization Assistance Program, including the States of Illinois, Missouri, Tennessee, and West Virginia, we determined that processes had not been developed or implemented to analyze performance results and identify systemic issues related to performance. In a number of cases, this may have contributed to issues with the effectiveness of weatherization programs and increased risk of health and safety impacts on recipients of services.

To address risk management issues we identified, the Department implemented a number of actions. For example:

- In response to our review of the Loan Guarantee Program, management stated that it planned to improve its records management system and review policies and procedures for supporting the results of due diligence activities;

- State Energy Program officials developed and issued sub-recipient monitoring guidance to the states. Additionally, in response to our review, Department management stated that it would verify that State of Massachusetts officials have monitoring methodologies in place and would validate its monitoring model;

- The ARPA-E program addressed our concerns by developing and finalizing policies and procedures and tracking technology transfer and outreach expenditures.

For example, officials required recipients to track and report their expenditures on technology transfer and

outreach, a provision of the America COMPETES Act, in the five funding opportunity announcements issued in April 2011;

- Officials from the Office of the Chief Financial Officer (OCFO) reported that they had modified the performance measure information system to include all required documentation for tracking performance metrics and results related to Recovery Act programs and would pursue additional mechanisms for tracking performance results; and,

- The Department noted that it intended to work closely with several of the Weatherization Assistance Program grantees we reviewed to create tracking systems that would enhance identification of systemic issues related to quality of work. It also noted that it would focus attention on grantee monitoring of sub-grantees to meet minimum requirements.

We believe that many of the actions taken by the Department to correct cited control deficiencies, leveraged with the body of work completed by the OIG, can be utilized to make future risk management activities more effective and efficient.

<u>Financial Management and Accounting and Reporting</u>

The Recovery Act presented a number of challenges related to ensuring that the Department implemented effective financial management and accounting and reporting practices. In response, programs implemented various measures intended to ensure accountability and transparency over spending – featured or prominent goals of the Recovery Act. For instance, the Department's Recovery Act Team coordinated efforts across the complex and implemented weekly meetings and reviews to regularly monitor progress in obligating funds. Officials also developed a series of standardized financial and project reports to provide a single source of what they believed to be transparent and consistent financial information. Additionally, the Department and its recipients had taken actions to ensure that funds provided by the Recovery Act were segregated from regular appropriations. Specifically, we noted that many of the Department's management and operating contractors updated information in existing accounting systems to permit the segregation of Recovery Act funds.

Positive and proactive efforts were initiated to develop, refine, and apply the control structure needed to ensure accurate, timely and reliable reporting. Through our work, however, we identified a number of possible processes or procedural improvements. These actions should be considered best practices or "lessons learned" – actions that the Department can utilize to help ensure the effectiveness of its financial management and accounting and reporting practices. For instance, the Department should ensure that:

- Planning activities are adequate to effectively manage and account for changes to financial resources, including consideration of spending plans and project baselines;

- Validation of performance results data is conducted to verify that progress of programs and projects, such as those funded by the Recovery Act, is consistent with information being reported; and,

- Coordination occurs between all involved parties to contribute to the success of projects, including working with one another to ensure that funds are managed appropriately.

These suggestions are the result of our evaluations related to Recovery Act financial management and accounting and reporting. During the course of our reviews, we identified various concerns that impacted the Department's ability to ensure that management of funds was effective and that appropriate accounting and reporting for Recovery Act activities had taken place. For instance:

- We identified problems related to the Department's ability to expend funds in a timely manner. In particular, our report on *The Department of Energy's State Energy Program Formula Grants Awarded under the American Recovery and Reinvestment Act* (OAS-RA-10-17, September 2010) found that even though the Department granted authority to expend funds as early as May 2009, actual spending at the state level had been slow. We noted that for the 10 states with the largest State Energy Program grants, 74 percent of Recovery Act funds had been obligated, but only about 7 percent had been spent as of

July 2010. As of September 30, 2011, the Department reported that it had spent 57 percent of funds obligated to the State Energy Program;

- Similarly, our report on *The Department of Energy's Implementation of the Energy Efficiency and Conservation Block Grant Program under the American Recovery and Reinvestment Act: A Status Report* (OAS-RA-10-16, August 2010) found that program spending had not kept pace with anticipated expenditures. In particular, as of August 2010, recipients had expended only about eight percent of the funds authorized. As of September 30, 2011, we noted that 52 percent of authorized funds had been spent, a spending pace that could jeopardize the Department's goal of expending the majority of the program's funds by September 30, 2012;

- The OIG conducted a number of investigations involving improper payment of per diem by a contractor at the Savannah River Site, many of which involved Recovery Act funds. The investigations were related to individuals receiving per diem payments they were not entitled to receive. Our investigations in this area resulted in civil settlements with contractors that failed to enforce internal controls over financial management, which would have presumably prevented the fraudulent activities. To date, contractor employees and the contractors have paid in excess of $1 million in fines, restitution, and settlement agreements related to Recovery Act per diem investigations;

- We also identified several instances where the Department had not adequately validated data reported by recipients. For example, our review of *Accounting and Reporting for the American Recovery and Reinvestment Act by the Department of Energy's Funding Recipients* (OAS-RA-10-06, April 2010) found that information reported to FederalReporting.gov was not always validated to ensure that results reported were aligned with actual accomplishments. In addition, as identified in our recent management alert on *The Status of Energy Efficiency and Conservation Block Grant Recipients' Obligations* (OAS-RA-11-16, September 2011), data in EERE's Performance and Accountability for Grants in Energy System – an information system used to maintain official records related to EECBG – was neither complete nor accurate. Such inaccuracies could impact the application's usefulness as a management tool and lead officials to erroneous conclusions regarding recipient activities or progress in expending grant funds; and,

- In our report on the *Department of Energy's Efforts to Meet Accountability and Performance Reporting Objectives of the American Recovery and Reinvestment Act* (OAS-RA-09-04, September 2009), we noted that the Department had not determined whether existing information systems would be able to process anticipated transaction increases, tested and verified modifications to the performance management system, or ensured that Headquarters program offices coordinated their Recovery Act reporting.

The Department had taken a number of actions to address challenges identified during our reviews related to financial management and accounting and reporting. In particular:

- EERE management stated that it had undertaken several proactive strategies to accelerate State Energy Program project implementation, including the development of an on-line management tool to forecast monthly expenditures and provision of a variety of technical assistance measures including program guidance, financing program support, training opportunities, and best practice recommendations;

- The Department indicated that it would place more emphasis on verifying and improving the quality of obligations data. This effort was to include a thorough analysis of historical obligations data to identify and correct any mistakes that may exist beyond the errors discovered by the OIG. Additionally, the Department planned to improve the data entry interface to help prevent future errors;

- Action was also taken to enhance the Department's ability to ensure that reported performance results were accurate. For instance, OCFO officials commented that they made enhancements to the quality assurance process to increase the likelihood that material omissions and significant reporting errors would be detected; and,

- The OCFO commented that it would conduct additional capacity testing on its information systems to determine whether they were capable of handling large amounts of recipient data.

The actions noted above are valuable practices that the Department can utilize as it continues Recovery Act activities and transitions to non-Recovery Act work. For instance, in light of guidance from the Office of Management and Budget related to accelerating spending of remaining Recovery Act funds, it is essential that the Department take advantage of "lessons learned" to ensure that the remaining funds are distributed expeditiously and spent responsibly.

Human Capital Management

Significant strains were placed on the Department's workforce as a result of the Recovery Act's unprecedented increase in funding for a number of programs, some of which had not previously received funds through normal appropriations. Notably, the Department acted quickly to hire individuals to administer, monitor, and oversee the activities resulting from the Recovery Act. For example, to meet the need for increasing the number and frequency of monitoring visits for each state from every three years to annually, EERE increased the number of State Energy Program project officers from 7 to 20 and Weatherization Assistance Program project officers from 6 to 24. In addition, EERE initially added 27 individuals to support the EECBG Program, which had not been previously staffed because it had not received funding prior to the Recovery Act. Furthermore, EERE established a Memorandum of Agreement with several Department sites, including the Oak Ridge Office and the Office of Civilian Radioactive Waste Management (now disbanded), to help monitor performance of the EECBG Program. Other Department program offices, most notably EM and Science, realigned and/or augmented staff to negotiate, execute, administer and oversee contract and grant awards.

The Department's efforts to quickly increase its staff resources to meet Recovery Act demands were admirable. Yet, we identified a number of valuable lessons that the Department can utilize in the future to enhance its ability to manage human capital resources. Specifically, there is a need to:

- Continuously evaluate staffing levels and employee skill sets to ensure they are commensurate with the level of work being performed by the programs;

- Develop and implement appropriate human capital planning activities to support an effective and efficient workforce, especially as Recovery Act programs are terminated; and,

- Ensure that hiring practices are conducted in accordance with appropriate rules and regulations to help enable a qualified and diverse workforce.

The OIG noted a number of concerns during our reviews that may have impacted the Department's ability to meet challenges related to staffing while still supporting human capital objectives and the goals of the Recovery Act. In particular, several reviews identified issues related to the number and skill set of staff across various programs. For instance:

- Our Special Report on *The Department of Energy's Acquisition Workforce and its Impact on Implementation of the American Recovery and Reinvestment Act of 2009* (IG-RA-09-02, March 2009) concluded that an experienced acquisition workforce was essential for the effective execution and performance of the Department's core missions;

- We noted ongoing inconsistencies between the Department's sites related to the number of staff assigned to manage EECBG awards. Our report on *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) raised concerns related to increased workload associated with monitoring the thousands of grant recipients and projects. During the review, we determined that the Oak Ridge Office had assigned over 200 grants to each of its project officers, while the Golden Field Office had only given each project officer about 10 awards to monitor; and,

- Our *Review of Allegations Regarding Hiring and Contracting in the Office of Energy Efficiency and Renewable Energy* (OAS-SR-10-04, September 2010) identified certain troubling actions related to EERE's hiring process. For example, we concluded that a contractor employee was pre-selected for a Federal position. We also noted that Federal program officials inappropriately participated in support service contractor hiring decisions.

In response to the challenges it encountered and specific recommendations we made related to staffing issues, the Department had taken a number of actions designed to help ensure that the size and skill set of its workforce was appropriate to effectively manage the significant increase in workload due to the Recovery Act. For example:

- As a result of our review, EERE re-distributed responsibility for monitoring grants to additional project officers to alleviate the increased workload. By doing so, officials should be able to better monitor the EECBG Program through more in-depth reviews; and,

- The Department issued reminders to programs designed to help ensure that appropriate policies and procedures were followed when hiring and conducting contracting activities.

The actions taken by the Department, combined with effective implementation of steps to address the issues identified during our reviews, can be utilized to enhance human capital processes and make future program activities more effective.

Regulatory Compliance

The ability of the Department to ensure that various regulatory requirements were incorporated into program and project execution activities was an essential component of meeting the goals of the Recovery Act. In particular, the Recovery Act introduced the application of several regulatory requirements and highlighted the need to implement others such as the Davis-Bacon Act and Buy American provisions. Of particular note, many of the programs reviewed had taken actions to ensure that regulatory requirements were incorporated into contracts and financial assistance awards. For example, our *Audit of Fermi National Accelerator Laboratory's NOvA Project* (OAS-RA-L-10-02, April 2010) determined that the Department identified special terms and conditions related to the Recovery Act in each of the contracts and awards supporting the project. During our review of *The Department of Energy's State Energy Program Formula Grants Awarded under the American Recovery and Reinvestment Act* (OAS-RA-10-17, September 2010), we found that the Department provided draft National Environmental Policy Act (NEPA) guidance to help states understand the Department's environmental review process and provided information to assist in that review.

The activities completed by the Department, coupled with issues identified by the OIG, highlighted a number of "lessons learned" that the Department can utilize going forward to help provide assurance that its programs meet the intent of regulatory requirements. In particular:

- Anticipating and planning for the impact on operations of meeting regulatory requirements can help the Department and its recipients better achieve the desired effect of the requirements, such as those included in the Buy American provisions and Davis-Bacon Act;

- The flow-down of policies and procedures to sub-contractors and sub-recipients is needed to ensure that all levels are held accountable for meeting regulatory requirements; and,

- Ensuring that policies and guidance are available at the time funds are awarded is essential to enabling recipients to be aware of and include all relevant requirements in their project management practices.

Although the Department had taken certain actions, we identified concerns during our reviews and made suggestions for improvements designed to enhance the Department's ability to ensure that regulatory requirements, including Federal procurement regulations, were consistently implemented. For instance:

- Several of our evaluations found that prime recipients, including certain states, had not always incorporated regulatory requirements into their monitoring processes. For example, our review of *Management Controls over the Department of Energy's American Recovery and Reinvestment Act – Michigan State Energy Program* (OAS-RA-10-18, September 2010) noted that the existing procedures for invoice reviews used by grant managers in evaluating sub-recipient expenditures did not specifically address verification of compliance with State Energy Program Recovery Act requirements such as Buy American provisions and Davis-Bacon Act wage requirements;

- Our report on *The Department of Energy's Geothermal Technologies Program under the American Recovery and Reinvestment Act* (OAS-RA-11-05, March 2011) identified that many contractors were unable to document that employees were paid wage rates in accordance with the Davis-Bacon Act. Similarly, our report on the *Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of West Virginia* (OAS-RA-11-09, June 2011) pointed out that West Virginia entered into agreements for consulting services that had limited or no defined duties or deliverables. Additionally, West Virginia did not have adequate documentation to support reimbursements made for consulting services. Furthermore, as noted in our report on *The State of Nevada's Implementation of the Energy Efficiency and Conservation Block Grant Program* (OAS-RA-12-02, November 2011), monitoring activities had not ensured that Recovery Act requirements such as the Davis-Bacon Act and the Buy American provisions had been properly implemented;

- State Energy Program officials had not ensured that contingency plans were in place to address projects that could not take place because they were unable to meet regulatory requirements. As identified in our report on *Management Controls over the Department of Energy's American Recovery and Reinvestment Act – Louisiana State Energy Program* (OAS-RA-10-09, May 2010), Louisiana officials had not developed contingency plans to replace projects in the event they did not receive timely NEPA approval. Effective planning such as this would help to ensure the expenditure of Recovery Act funds prior to the April 2012 performance deadline; and,

- Due to the Recovery Act's requirement to provide unprecedented transparency and accountability for the types of recipients receiving funds and the nature of projects funded, it became essential that the Department provide effective oversight and monitoring of grant activities. However, we noted that many programs reviewed had not met these requirements for oversight. For instance, a majority of our reviews related to the State Energy Program identified weaknesses in this area and recommended that the Department increase monitoring of state-level activities. Similarly, our reviews of the Weatherization Assistance Program found that monitoring requirements were not met by various states, including Pennsylvania, Virginia, and Illinois.

The Department had taken various actions to address issues identified during our reviews and to help ensure that regulatory requirements were appropriately considered during its Recovery Act operations. For example, in response to the issues identified by the OIG:

- EERE updated and implemented a robust monitoring plan for its State Energy, Weatherization Assistance, and EECBG Programs that included regular site visits. EERE also issued sub-recipient monitoring guidance. As a result of our review, Michigan State Energy Program officials corrected the deficiencies we identified related to the Davis-Bacon Act and Buy American provisions and refined or developed internal controls necessary to address weaknesses in monitoring;

- The Department terminated a three-year EECBG of approximately $1.1 million to a local government based, in part, on information developed during an OIG investigation that identified areas of unsupported costs, conflicts of interest, inaccurate reporting, and activities not approved for funding;

- In carrying out an extensive hiring process, Nevada officials hired an additional staff member whose sole responsibility was to review and oversee sub-recipients' compliance with the Recovery Act and the Department's flow-down provisions;

- Officials from EERE's Geothermal Technologies Program committed to developing procedures to review compliance with Davis-Bacon Act requirements, providing recipient training on laws and regulations applicable to awards, and monitoring recipient flow-down of requirements in subcontracts and direct compliance, when required; and,

- State Energy Program officials dedicated additional resources to meet NEPA requirements and continued monitoring efforts to ensure that states developed contingency plans to address projects that did not receive timely NEPA approval.

Our evaluations and the actions taken by management provided various lessons that the Department should consider as it transitions to non-Recovery Act activities. Many of the actions already taken by the Department, leveraged with suggested actions resulting from the OIG's body of work, can be utilized going forward to ensure that the goals and objectives of regulatory requirements are met.

Delivery of Public Services

The Recovery Act presented a renewed focus on the Department's responsibility for ensuring that the public received benefits envisioned by programs. For example, the Department was responsible for ensuring that programs funded by the Recovery Act were managed effectively and that the services rendered provided the maximum benefit while mitigating the risk of fraud, waste, and abuse. Implementation of the Recovery Act also highlighted the increased expectations from the public of the services offered by the Department, particularly in areas such as the Weatherization Assistance Program. The Department took a number of actions to ensure that timely services were provided while mitigating risks. For example:

- State Energy Program officials had taken action to ensure that activities provided various benefits to the public. For instance, the program reported that savings of $7.23 from reduced energy bills were expected to be realized for every dollar of Federal investment;

- OE reported that it made significant strides in enhancing the Nation's electric grid. For instance, the program reported that its recipients had installed nearly eight million smart meters using Recovery Act funds. In addition, recipients were able to make other improvements to existing infrastructure. Smart Grid projects such as these are designed to modernize the electric grid infrastructure and, in many cases, help the public better manage electricity usage; and,

- More than 15,000 Federal, state, contractor, and other personnel participated in 297 fraud awareness briefings provided by the OIG after the Recovery Act was established. These briefings were provided to individuals as early in the process as possible and were designed to raise awareness of potential indicators of fraud, resulting in enhanced oversight of program activities.

The Department's implementation of Recovery Act programs had many demonstrated benefits. However, based on our evaluations, we believe that additional action can help ensure that the

Department effectively and efficiently delivers services to the public. Specifically:

- Clear communication with the public is essential to avoid the gap between recipient expectations of services rendered by the Department and those actually available under Recovery Act and non-Recovery Act programs;

- Active and thorough monitoring of program activities by all responsible parties can help mitigate a host of performance challenges, including those related to quality of work and eligibility for services; and,

- Proactive awareness related to the potential for fraud, combined with enhanced involvement by programs in addressing OIG Hotline complaints, can help identify and address programmatic issues in a more effective and timely manner.

The OIG identified a number of significant concerns that may have impacted the Department's ability to effectively provide services to the public while also meeting the objectives and goals of the Recovery Act. In particular, we found many issues related to implementation of certain programs designed to directly benefit the public. For instance:

- Since February 2009, the OIG Hotline received more than 400 complaints related to the Department's Recovery Act activities. Almost 200 of these complaints were related to the Weatherization Assistance Program, many of which involved individual homeowners. Numerous complaints alleged that homeowners did not receive the weatherization services they were promised before work began at their homes. In addition, various allegations surrounded the timeliness of weatherization services. We also noted a significant number of complaints alleging that Weatherization Assistance Program providers delivered substandard services related to improving the energy efficiency of households. In addition, the OIG received various other complaints related to energy rebates, the EECBG Program, and adherence to regulatory requirements. As appropriate, the complaints were incorporated into our reviews or referred to program management for action;

- Our *Management Alert on the Department's Monitoring of the Weatherization Assistance Program in the State of Illinois* (OAS-RA-10-02, December 2009) identified that adequate inspections of weatherization improvements had not occurred by local agency inspectors. As a result, we found that a contractor inappropriately installed a furnace without ensuring that there were no gas leaks, a situation that created a potential safety hazard. Furthermore, we noted that service providers in five states did not conduct sufficient final inspections of households to ensure that work was adequately completed. Our review of *The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Missouri* (OAS-RA-11-12, August 2011) noted that inspections were not adequately conducted, limiting the ability of local officials to identify poor quality of work related to weatherization improvements; and,

- We also identified issues related to the eligibility of homeowners to receive weatherization services. In particular, we noted that local agency providers in several states did not always follow criteria for determining which clients qualified for services. As a result, homeowners received benefits from the program even though they were not eligible. For example, our report on *The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of West Virginia* (OAS-RA-11-09, June 2011) found that a local agency provider allowed employees and relatives to receive priority over the disabled and elderly. In addition, our review of *The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Wisconsin* (OAS-RA-11-07, May 2011) identified that local agency providers failed to retain source documentation that would enable verification of applicant eligibility for weatherization program services. Furthermore, we noted in our report on *The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the Commonwealth of Virginia* (OAS-RA-11-14, August 2011) that local agencies provided weatherization services to a number of ineligible applicants, including those that exceeded the allowable maximum income.

As a result of our reviews, the Department had taken a number of actions to address challenges related to ensuring that appropriate services were delivered to the public, especially in light of the goals and objectives of the Recovery Act. For example:

- The OIG referred many hotline complaints to the responsible program office for action, as appropriate. For instance, more than 85 complaints involving the Weatherization Assistance Program have been referred to EERE. In certain cases, programs have taken action as a result of our referrals, including making necessary changes to program activities, enhancing monitoring to address issues identified in the allegations, and reprimanding personnel as necessary;

- EERE implemented a new web-based information system to support tracking and reporting of performance results related to its weatherization activities. By doing so, program officials believed that they could better ensure that work was adequately completed by recipients; and,

- In response to our report on weatherization activities in West Virginia, the Department commented that it had assigned its Project Officer to closely monitor progress on development and implementation of policies and procedures consistent with Federal requirements to enhance compliance with eligibility requirements.

By leveraging its actions with suggestions related to concerns identified during our reviews, the Department should strengthen its ability to ensure that the public receives the most value possible from its programs and operations.

Potential Impacts Going Forward

The Department realized significant accomplishments throughout its implementation of the Recovery Act. Undoubtedly, it will continue to encounter many of the same challenges, as well as additional ones, as it finalizes Recovery Act work and transitions to a post-Recovery Act environment. While many of the challenges faced over nearly three years may have been unique to the Recovery Act, the "lessons learned" during that time can be applied to program operations for many years to come. For instance, the need to continuously monitor the risk environment and consider the impacts of changes will be especially important as officials begin to reduce the scope of their programs in light of anticipated returns to normal appropriation levels. In addition, it will be essential that the Department continue to evaluate staffing levels and employee skill sets to ensure they are commensurate with the level of work performed by the programs. Furthermore, as demonstrated throughout our various reviews, active and thorough monitoring of program activities by all responsible parties can help mitigate a host of performance challenges, including those related to ensuring that adequate services are delivered to the public. Implementation of "lessons learned" such as these should aid programs in meeting their intended goals and objectives and the overall missions of the Department.

MANAGEMENT REACTION

Management concurred with the information in the report and stated that it had made significant progress in addressing OIG findings and recommendations through implementation and completion of corrective actions. Management commented that it will continue to implement strong business practices supported by comprehensive financial and performance systems to facilitate timely, accurate, and complete reporting of both Recovery Act and base program activities.

AUDITOR COMMENTS

Management's comments are responsive to our report.

OFFICE OF INSPECTOR GENERAL REPORTS BY PROGRAM AREA

REPORT	KEY FINDINGS	LESSONS LEARNED
Department-wide Reports		
Review of the Department of Energy's Plan for Obligating Remaining Recovery Act Contract and Grant Funding (OAS-RA-10-15, August 2010)	As of July 2010, the Department of Energy (Department) had obligated about 90 percent of its American Recovery and Reinvestment Act (Recovery Act) funds. However, it still had about $3.4 billion to obligate by the Recovery Act deadline, which was less than three months away. All of the Department's participating program offices had plans or were developing plans to obligate the remaining funding.	• Financial Management • Regulatory Compliance
Accounting and Reporting for the American Recovery and Reinvestment Act by the Department of Energy's Funding Recipients (OAS-RA-10-06, April 2010)	The Department developed and implemented a data quality assurance system; however, site officials did not always ensure that anomalies, once identified, were resolved. Additionally, the Department did not always utilize the correct basis in evaluating the accuracy of data and did not correct duplicate reports by recipients, resulting in overstatements of funds obligated.	• Accounting and Reporting
Management Challenges at the Department of Energy (DOE/IG-0832, December 2009)	The Department's management challenges for Fiscal Year 2010 included contract management, cyber security, energy supply, environmental cleanup, safeguards and security, and stockpile stewardship.	• Risk Management • Financial Management
Selected Department of Energy Program Efforts to Implement the American Recovery and Reinvestment Act (OAS-RA-10-03, December 2009)	A number of common risks identified included mechanical and substantive requirements related to the award and distribution of funds, program and project performance monitoring, and program and project execution activities.	• Risk Management • Financial Management • Human Capital Management
The Department of Energy's Quality Assurance Process for Prime Recipients' Reporting for the American Recovery and Reinvestment Act of 2009 (OAS-RA-10-01, October 2009)	The Department had developed a strategy to address its oversight responsibilities for ensuring the accuracy and completeness of data reported by Recovery Act recipients. However, challenges remain including changes required to adjust to Office of Management and Budget requirements, the process for addressing systemic problems was incomplete, and a lack of a plan for coordinated action when problems were discovered.	• Risk Management • Accounting and Reporting

Department of Energy's Efforts to Meet Accountability and Performance Reporting Objectives of the American Recovery and Reinvestment Act (OAS-RA-09-04, September 2009)	Program officials had not determined whether existing information systems would be able to process increased transactions. Modifications to accommodate Recovery Act performance measures had not been tested and a significant portion of the performance measures were not quantifiable. Additionally, there was a lack of coordination between Headquarters' organizations.	• Risk Management • Accounting and Reporting
Department of Energy Efforts to Manage Information Technology Resources in an Energy-Efficient and Environmentally Responsible Manner (OAS-RA-09-03, May 2009)	The Department had not always taken advantage of opportunities to reduce energy consumption associated with its information technology resources. This occurred because the Department had not developed and/or implemented policies and procedures that addressed all relevant requirements for ensuring an energy-efficient information technology environment.	• Risk Management
Special Report - The Department of Energy's Acquisition Workforce and its Impact on Implementation of the American Recovery and Reinvestment Act of 2009 (IG-RA-09-02, March 2009)	A prior audit raised concerns that the number of contract specialists at the Department had not kept pace with the demand for their services. The Department had increased the number of contracting officers and specialists; however, it still faced challenges in ensuring that the acquisition workforce was fully staffed.	• Human Capital Management
The American Recovery and Reinvestment Act at the Department of Energy (OAS-RA-09-01, March 2009)	The Office of Inspector General identified several risks related to implementing the Recovery Act. These included funding accountability and reporting, awarding and monitoring grants and cooperative agreements, contract management, and direct loans and loan guarantees.	• Risk Management • Financial Management • Accounting and Reporting • Human Capital Management • Regulatory Compliance • Delivery of Public Services
Office of Energy Efficiency and Renewable Energy (EERE)		
The Department of Energy's Geothermal Technologies Program under the American Recovery and Reinvestment Act (OAS-RA-11-05, March 2011)	The Department had not developed and implemented procedures for monitoring geothermal technology projects. Additionally, it had not assigned adequate staff to support monitoring activities. Also, five of the six recipients in our sample had not included provisions to ensure that subcontractor laborers were paid at the minimum prevailing wage rates as required by the Davis-Bacon Act. This occurred because the Department had not provided sufficient oversight of the awards and had not adequately trained recipients on Federal requirements.	• Regulatory Compliance • Human Capital Management

Investigative Report - Management Alert on the State Energy Efficient Appliance Rebate Program (INV-RA-11-01, December 2010)	The State of Georgia's rebate process was consistent with the Department's program guidance; however, it had vulnerabilities that may have allowed ineligible recipients to receive funds under the Rebate Program. We noted that inadequate verification controls exposed the program to potential abuse on a significant scale.	• Risk Management • Delivery of Public Services
Review of Allegations Regarding Hiring and Contracting in the Office of Energy Efficiency and Renewable Energy (OAS-SR-10-04, September 2010)	There were a number of circumstances surrounding the hiring action that led us to conclude that a contract employee was pre-selected. Our inquiry established that the contractor employee was actively involved in the management of the applicable EERE program by participating in high-level management meetings where policy and strategic decisions were made; assisting in the development and implementation of policy-oriented program goals; participating actively and intimately in the hiring process for new employees; and, developing performance standards for Federal employees.	• Regulatory Compliance • Human Capital Management
Management Controls over the Development and Implementation of the Office of Energy Efficiency and Renewable Energy's Performance and Accountability for Grants in Energy System (OAS-RA-10-14, July 2010)	The Performance and Accountability for Grants in Energy (PAGE) System was placed into operation even though cyber security planning and testing was not completed. Basic project management practices were not followed during planning, development, and implementation of PAGE. In particular, cost and schedule baselines were not created to help manage the project, and officials had not fully considered alternatives to a custom system development, practices which are designed to increase the efficiency of system development.	• Risk Management • Financial Management
Progress in Implementing the Advanced Batteries and Hybrid Components Program under the American Recovery and Reinvestment Act (OAS-RA-L-10-04, April 2010)	The Department had followed its established process for soliciting and reviewing applications for grants. It had also developed a comprehensive monitoring program to oversee funded projects. As part of the award process and to protect the Government's interest, the Department established conditions on all but three of the awards reviewed to address risks identified during the application review process.	• Risk Management • Financial Management
The Department of Energy's Program to Assist Federal Buyers in the Purchasing of Energy Efficient Products (OAS-RA-10-08, April 2010)	The Federal Energy Management Program (FEMP) had not always maintained up-to-date energy efficiency specifications. For some products, FEMP had not updated its specifications for as long as nine years despite well-known, demonstrated efficiency gains in the intervening period. FEMP also could not demonstrate that it had adequately pursued the development of new energy efficiency specifications and had not effectively managed relevant contractor efforts essential to the program. This occurred because	• Risk Management • Human Capital Management

	insufficient attention had devoted to FEMP operations as a result of severely constrained staffing levels in the past.	
EERE - Weatherization Assistance Program		
Examination Report on Action for a Better Community, Inc. – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009 (OAS-RA-11-21, September 2011)	Action for a Better Community, Inc., a New York agency, had not performed adequate weatherization services on five of the nine single-family homes selected for review. Management oversight for the activities of the employees responsible for accepting Weatherization Assistance Program participants' applications was not adequate. Thus ineligible participants may have been approved to receive weatherization services to which they were not entitled.	• Risk Management • Regulatory Compliance • Delivery of Public Services
Examination Report on People's Equal Action and Community Effort, Inc. – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009 (OAS-RA-11-20, September 2011)	People's Equal Action and Community Effort, Inc. (PEACE) did not develop and maintain a list of previously weatherized multi-family projects for determining eligibility for weatherization. Additionally, PEACE did not use databases provided by the State of New York for that purpose. This occurred because PEACE did not have procedures in place to ensure employees used the databases.	• Regulatory Compliance • Delivery of Public Services
Examination Report on Cuyahoga County of Ohio Department of Development – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009 (OAS-RA-11-19, September 2011)	The sub-recipient had inadequate processes over eligibility, financial management (interest on advances not remitted), the quality of workmanship, and compliance with the Davis-Bacon Act. These weaknesses occurred because of a lack of policies and procedures and insufficient guidance from the Department.	• Risk Management • Financial Management • Regulatory Compliance • Delivery of Public Services
Examination Report on Community Action Partnership of the Greater Dayton Area – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009 (OAS-RA-11-18, September 2011)	The Community Action Partnership of the Greater Dayton Area lacked evidence that a competitive bidding process or cost/price analyses were performed. Further, the Community Action Agency had issues related to poor quality of workmanship and did not have a system in place to track contractor performance. This occurred because of insufficient policies and procedures to guide the process.	• Risk Management • Accounting and Reporting • Regulatory Compliance • Delivery of Public Services

The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Tennessee (OAS-RA-11-17, September 2011)	Local agency contractors installed weatherization measures that may not have been cost-effective. Change orders to competitively awarded weatherization work contracts had not been approved, as required, prior to completion of the work, and local agencies had not ensured that the changes were cost-effective. Several homes at one agency had previously received weatherization services making these homes ineligible for additional services. We also observed recurring problems with the quality of weatherization work across the entire State.	• Risk Management • Regulatory Compliance • Delivery of Public Services
The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the Commonwealth of Virginia (OAS-RA-11-14, August 2011)	The Crater District Area Agency on Aging (Crater) and the Community Housing Partners Agency had not always maintained support for costs submitted for reimbursement and did not always perform inspections of completed units. Additionally, Crater provided weatherization services to a number of ineligible applicants and/or dwellings and did not always ensure employees were paid Davis-Bacon Act wage rates.	• Financial Management • Regulatory Compliance • Delivery of Public Services
The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act in the State of Indiana (OAS-RA-11-13, August 2011)	Indiana Builders Association (IBA) was unable to ensure that dwellings were not disqualified from receiving Recovery Act funded services because they had received weatherization services in the past. IBA had not maintained documentation to support weatherization material costs reimbursed by Indiana even though it was specifically required to do so.	• Regulatory Compliance • Delivery of Public Services
The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Missouri (OAS-RA-11-12, August 2011)	Missouri had not always ensured that local agencies weatherization activities were performed appropriately, including final inspections, and that systemic problems related to quality of work had been adequately addressed. A contributing factor to these issues was the lack of uniformly trained contractors, assessors, and inspectors.	• Risk Management • Human Capital Management • Delivery of Public Services
The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of West Virginia (OAS-RA-11-09, June 2011)	The West Virginia government had not developed a State-wide plan to address systemic deficiencies related to poor quality workmanship. The State and local agencies had not avoided potential conflicts of interest by allowing local agency employees and relatives to receive priority over the handicapped and elderly. A lack of effective financial and operational controls contributed to these issues.	• Risk Management • Financial Management • Regulatory Compliance • Delivery of Public Services
The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the	Wisconsin had not required its weatherization program intake agencies to retain source documentation that would enable verification of applicant eligibility for weatherization program services. This occurred because Wisconsin was	• Regulatory Compliance • Delivery of Public Services

State of Wisconsin (OAS-RA-11-07, May 2011)	relying on outdated Department guidance.	
The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the Capital Area Community Action Agency - Agreed Upon Procedures (OAS-RA-11-04, February 2011)	Florida's guidelines for verifying that homes had not been weatherized after September 30, 1994, were not consistent with Department regulations. The State database was not organized by home address, but rather recipient social security number. This occurred because the State's guidelines were not in compliance with Federal requirements.	• Regulatory Compliance • Delivery of Public Services
The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the City of Phoenix - Agreed Upon Procedures (OAS-RA-11-03, November 2010)	The City of Phoenix had not procured contractor weatherization services through a competitive process as required by Federal regulations, and had not performed cost analyses in the selection of contractors to ensure price competitiveness. Additionally, Phoenix had not obtained supporting documentation for all of the contractor's invoices. This occurred because Phoenix did not have policies and procedures for ensuring cost reasonableness and supportability.	• Financial Management • Regulatory Compliance
Selected Aspects of the Commonwealth of Pennsylvania's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program (OAS-RA-11-02, November 2010)	Pennsylvania had not always ensured that high energy users were given priority over lower energy users as called for in its Recovery Act State Plan approved by the Department. Also, Pennsylvania had not reviewed, as required, financial activity at the local agency level. These issues were due to a lack of monitoring of the local agencies.	• Financial Management • Regulatory Compliance • Delivery of Public Services
The State of Illinois Weatherization Assistance Program (OAS-RA-11-01, October 2010)	Illinois had substandard performance in weatherization workmanship, initial home assessments, and contractor billing. Additionally, the Community Action Agency had not always ensured that contractors' costs were reasonable. These issues were attributed to internal control weaknesses.	• Financial Management • Delivery of Public Services
The Department of Energy's Use of the Weatherization Assistance Program Formula for Allocating Funds under the American Recovery and Reinvestment Act (OAS-RA-10-13, June 2010)	The Department had significant inaccuracies in the allocation of funds to the U.S. Territories, resulting in the Territories receiving $17 million less, in aggregate, than they would have received had a consistent allocation formula been used.	• Financial Management

Management Controls over the Commonwealth of Virginia's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program (OAS-RA-10-11, May 2010)	Virginia had not performed on-site financial monitoring of its 22 sub-grantees in the prior 18 months. The Department did not detect this weakness because the most recent program monitoring did not include a financial review.	• Financial Management • Regulatory Compliance
Management Controls over the Department's WinSAGA System for Energy Grants Management Under the Recovery Act (OAS-RA-10-05, March 2010)	The WinSAGA system had security concerns that could increase the risk of compromise of grant data, including inappropriate controls over system access, appropriate system backup and recovery procedures hadn't been implemented, and security planning documentation and control testing were incomplete.	• Risk Management • Accounting and Reporting
Progress in Implementing the Department of Energy's Weatherization Assistance Program Under the American Recovery and Reinvestment Act (OAS-RA-10-04, February 2010)	Weatherization grantees had made little progress in weatherizing homes after one year. Program challenges, including Davis-Bacon Act compliance, state hiring freezes and furloughs, local budget shortfalls, and training delays placed the Weatherization Assistance Program on hold for up to nine months.	• Human Capital Management • Regulatory Compliance • Delivery of Public Services
Management Alert on the Department's Monitoring of the Weatherization Assistance Program in the State of Illinois (OAS-RA-10-02, December 2009)	Illinois had not inspected any of the weatherized units completed with Department funds at 7 of 35 local agencies as required. Illinois did not have a system in place for aggregating and tracking major findings identified during on-site monitoring visits to local agencies. In addition, a local agency weatherization inspector failed to perform a required test and did not detect a furnace gas leak. The inspector also did not identify problems with the installation of the intake and exhaust pipes of the same furnace. These problems occurred because of insufficient Federal monitoring.	• Risk Management • Regulatory Compliance • Delivery of Public Services
EERE - Energy Efficiency and Conservation Block Grant Program		
The State of Nevada's Implementation of the Energy Efficiency and Conservation Block Grant Program (OAS-RA-12-02, November 2011)	The State of Nevada had monitoring and oversight issues that increased the risk that Recovery Act goals may not be met. Nevada had not ensured that sub-recipient projects were on track to meet obligation and spending deadlines and compliance with the Davis-Bacon Act and Buy American provisions. These issues occurred because Nevada had not taken a comprehensive approach to grant management.	• Risk Management • Financial Management • Regulatory Compliance

Management Alert on The Status of Energy Efficiency and Conservation Block Grant Recipients' Obligations (OAS-RA-11-16, September 2011)	As much as $879 million (33 percent) of the $2.7 billion allocated for formula-based Energy Efficiency and Conservation Block Grants (EECBG) had not been obligated by the recipients. Testing also revealed a number of apparent inaccuracies in data that the Department used to monitor grantee obligations and spending.	• Risk Management • Financial Management • Accounting and Reporting
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)	Pennsylvania had developed and implemented a monitoring system designed to provide reasonable assurance that EECBG projects would improve energy efficiency and be completed in a timely manner and funding would be accounted for and spent properly. Controls appeared to be generally effective, and no material issues with monitoring and execution were identified.	• Risk Management • Financial Management
The Department of Energy's Implementation of the Energy Efficiency and Conservation Block Grant Program under the American Recovery and Reinvestment Act: A Status Report (OAS-RA-10-16, August 2010)	Actual EECBG Program spending had not kept pace with anticipated expenditures. More than a year after the Recovery Act was passed, grant recipients had expended only 8.4 percent of the $3.2 billion authorized for the Program. Rapid spending of Program funds was hampered by numerous administrative and regulatory challenges, such as a lack of adequate staffing and Davis-Bacon Act requirements.	• Financial Management • Accounting and Reporting • Human Capital Management • Delivery of Public Services
EERE - State Energy Program		
The Department of Energy's American Recovery and Reinvestment Act - California State Energy Program (OAS-RA-11-10, July 2011)	California's plans to retrofit State buildings were delayed because of the time required to meet Recovery Act requirements. Roles and responsibilities for resolving identified issues were not clearly defined, and EERE had not effectively monitored the California program.	• Risk Management • Regulatory Compliance • Delivery of Public Services
The Department of Energy's American Recovery and Reinvestment Act - New Jersey State Energy Program (OAS-RA-L-11-07, April 2011)	New Jersey experienced delays in expending the funding because of difficulty in complying with regulatory requirements and procedural issues. This occurred, in part, because of the time it took the Department to provide, and New Jersey to incorporate, guidance for meeting Recovery Act requirements.	• Financial Management • Regulatory Compliance • Delivery of Public Services
The Department of Energy's American Recovery and Reinvestment Act - Massachusetts State Energy Program (OAS-RA-11-06, March 2011)	Massachusetts had not completed plans for site visits of the direct sub-recipients and had not finalized the methodology for selection of second-level sub-recipients for site visits. This occurred because the Department did not provide timely guidance pertaining to sub-recipient monitoring.	• Risk Management

Management Controls over the Department of Energy's American Recovery and Reinvestment Act - Michigan State Energy Program (OAS-RA-10-18, September 2010)	Michigan had not performed a risk assessment to identify high-risk projects and sub-recipients. In addition, Michigan did not have a process in place to verify that invoices addressed Recovery Act requirements. These issues were attributed to insufficient Department monitoring.	• Risk Management • Accounting and Reporting • Regulatory Compliance
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)	Compliance with various regulatory requirements had slowed State Energy Program spending. Additionally, efforts to measure estimated energy savings were not completely reliable. Finally, we noted that while EERE had taken action to address monitoring issues, several monitoring plans remained incomplete at the state level.	• Risk Management • Financial Management • Regulatory Compliance
The Department of Energy's American Recovery Act - Georgia State Energy Program (OAS-RA-L-10-06, September 2010)	Georgia submitted timely reports and implemented technical and financial monitoring plans to support its State Energy Program.	• Risk Management • Financial Management
The Department of Energy's American Recovery and Reinvestment Act - Florida State Energy Program (OAS-RA-10-12, June 2010)	Florida used funding for purposes that did not meet the intent of the Recovery Act. In addition, Florida did not ensure that all of the award requirements were passed to sub-recipients. The State also did not have contingency plans for projects that were delayed. These issues occurred, in part, because of insufficient Department monitoring.	• Risk Management • Financial Management • Regulatory Compliance
Management Controls over the Department of Energy's American Recovery and Reinvestment Act - Louisiana State Energy Program (OAS-RA-10-09, May 2010)	Louisiana had not instituted controls to prevent double payments and had not developed contingency plans to replace projects that didn't receive timely approval.	• Risk Management • Regulatory Compliance
Office of Environmental Management		
Waste Disposal and Recovery Act Efforts at the Oak Ridge Reservation (INS-RA-L-12-01, December 2011)	The Transuranic Waste Processing Center (TWPC), although initially categorized as a "shovel ready" project, encountered significant obstacles in processing and disposing of the transuranic waste. Since the TWPC project was behind schedule, the Department implemented a number of changes to ensure new, more realistic waste processing goals were developed and achieved. While some progress had been made, the revision in strategy will likely result in a reduced amount of waste being processed.	• Risk Management • Regulatory Compliance
Implementation of the Recovery Act at the	Select Recovery Act costs were not always properly distributed to correct project activity	• Financial Management

Savannah River Site (OAS-RA-L-11-12, September 2011)	codes. The Savannah River Site was compliant with the Recovery Act requirements including segregation of funds, flow-down of subcontracting requirements, and jobs reporting.	• Accounting and Reporting • Regulatory Compliance
Los Alamos National Laboratory Environmental Management Activities Funded by the Recovery Act (OAS-RA-11-15, August 2011)	The Los Alamos National Laboratory (LANL) had ineffective controls over project scope management. For instance, management reserve was not established commensurate with the level of uncertainty related to the type and amount of waste to be remediated. In addition, the baseline change control process was not fully implemented. We noted that LANL was in compliance with the Recovery Act requirements related to segregation of funds, flow-down of subcontracting requirements, and jobs reporting.	• Risk Management • Financial Management • Accounting and Reporting • Regulatory Compliance
Department of Energy's Controls over Recovery Act Spending at the Idaho National Laboratory (OAS-RA-L-11-10, July 2011)	We did not identify any material issues with compliance with Recovery Act requirements at the Idaho National Laboratory. However, weaknesses existed in contract management and performance measurement for incentive fee determination.	• Risk Management • Accounting and Reporting
Performance of Recovery Act Funds at the Waste Isolation Pilot Plant (OAS-RA-L-11-09, July 2011)	The Carlsbad Field Office had met its goals for certain Recovery Act provisions, such as jobs created; however, it had not consistently met its waste shipment performance goals. Additionally, its Earned Value Management System data did not accurately report performance based on work performed.	• Risk Management • Accounting and Reporting
Use of American Recovery and Reinvestment Act of 2009 Funds on Solid Waste Project Activities at the Department of Energy's Hanford Site (OAS-RA-L-11-08, May 2011)	The Hanford Solid Waste Project was behind schedule and at risk of not meeting accelerated waste disposal goals. To address schedule slippage, the Richland Operations Office implemented procedures to bring its Solid Waste Project back on schedule. For instance, procedures were adjusted to ensure that transuranic waste retrieval occurred as needed.	• Risk Management
Management of the Tank Farm Recovery Act Infrastructure Upgrades Project (OAS-RA-L-11-03, February 2011)	The Department was on schedule to complete Recovery Act upgrades as planned and for less than estimated costs. However, due to a lack of contract proposal detail, we were unable to verify whether all Recovery Act funded work represented an acceleration of work scope.	• Risk Management • Regulatory Compliance
Audit of Environmental Cleanup Projects Funded by the Recovery Act at the Y-12 National Security Complex (OAS-RA-L-11-02, December 2010)	We identified instances at the Y-12 National Security Complex where certain required Recovery Act contract terms were not included in subcontracts. However, the site was in compliance with the Recovery Act requirements related to segregation of funds, flow-down of subcontracting requirements, and jobs reporting.	• Financial Management • Accounting and Reporting • Regulatory Compliance

Management of the Plutonium Finishing Plant Closure Project (OAS-RA-L-11-01, November 2010)	While the Plutonium Finishing Plant Closure Project met several of the Recovery Act goals, we identified some risks related to maintaining the project on schedule and within budgets. For instance, schedule delays in decontaminating gloveboxes may impact project closure.	• Risk Management
Decommissioning and Demolition Activities at Office of Science Sites (OAS-RA-L-10-05, August 2010)	Sites were in compliance with the Recovery Act requirements related to segregation of funds, flow-down of subcontracting requirements, and jobs reporting. However, we noted some concerns with the Brookhaven Graphite Research Reactor's increased costs and missed milestones, but we determined the Department had already taken action to mitigate the concerns.	• Risk Management • Financial Management • Accounting and Reporting • Regulatory Compliance
Waste Processing and Recovery Act Acceleration Efforts for Contact-Handled Transuranic Waste at the Hanford Site (OAS-RA-10-10, May 2010)	The Department's decision to use Recovery Act funds to process transuranic waste on site rather than at the Advanced Mixed Waste Treatment Project will increase costs by approximately $25 million. This issue occurred, at least in part, because of the Department's concerns about maintaining a stable Hanford workforce.	• Risk Management • Financial Management • Human Capital Management
Moab Mill Tailings Cleanup Project (OAS-RA-L-10-03, April 2010)	We found that guidance for development of project baselines was not followed for the Moab Mill Tailings Cleanup Project. In addition, cost estimates were not clearly associated with elements of work that was to be performed.	• Risk Management • Accounting and Reporting
Management Alert on Environmental Management's Select Strategy for Disposition of Savannah River Site Depleted Uranium Oxides (OAS-RA-10-07, April 2010)	The Department proposed shipping depleted uranium oxide (DUO) from the Savannah River Site to an interim storage site. A source expressed concern that this was inefficient and unnecessary. Subsequent to the report, the Department identified the Nevada National Security Site as the permanent disposal site and completed shipment of DUO for disposal.	• Risk Management
Special Inquiry Report - Review of Allegations Involving Potential Misconduct by a Senior Office of Environmental Management Official (S09IS024, December 2009)	While allegations related to potential violations of political activity restrictions, lack of impartiality in performing official duties, misuses of position and other related misconduct were largely unsubstantiated, they led to a fact finding inquiry that identified an operating atmosphere inconsistent with maintaining credibility and public confidence.	• Risk Management • Human Capital Management • Delivery of Public Services
Office of Science		
The 12 GeV CEBAF Upgrade Project at Thomas Jefferson National Accelerator Facility(OAS-RA-L-11-13, September 2011)	The Continuous Electron Beam Accelerator Facility Upgrade Project generally complied with the Recovery Act requirements. However, we identified several opportunities to strengthen project monitoring and control.	• Risk Management

Department's Management of Cloud Computing Services (OAS-RA-L-11-06, April 2011)	The Department should consider some opportunities for improvement before adopting cloud computing on a large scale. The Department had not yet prepared policies and procedures governing security, and other risks and problems existed with resource disposition plans and Recovery Act reporting for the Magellan Project.	• Risk Management • Accounting and Reporting
Recovery Act Funded Projects at the SLAC National Accelerator Laboratory (OAS-RA-L-11-05, March 2011)	While generally complying with Recovery Act requirements, the SLAC National Accelerator Laboratory did not always comply with internal requirements to ensure subcontractor submissions were reviewed and classified. In particular, subcontractor invoices did not clearly identify Recovery Act work and were not properly approved prior to payment.	• Financial Management • Accounting and Reporting
The Department's Infrastructure Modernization Projects under the Recovery and Reinvestment Act of 2009 (OAS-RA-L-11-04, March 2011)	The Department generally complied with Recovery Act requirements; however, it planned infrastructure improvements for which there was no immediate need at the Lawrence Berkeley National Laboratory. This occurred because the Laboratory had not adequately ensured that Recovery Act spending yielded the optimum benefit to the Department.	• Risk Management
Office of Science's Energy Frontier Research Centers (OAS-RA-L-10-09, August 2010)	The Office of Science generally complied with Recovery Act requirements. However, we noted that the Energy Frontier Research Centers (EFRC) were newly established and displayed characteristics that increased complexity and risk. Science will need to provide continued oversight and monitoring of the EFRCs throughout their five-year life.	• Risk Management
Audit of Fermi National Accelerator Laboratory's NOvA Project (OAS-RA-L-10-02, April 2010)	Although generally in compliance with the Recovery Act, at the time of our field work, the Chicago Office had not implemented additional oversight controls specific to the University of Minnesota's use of Recovery Act funds. Also, the Chicago Office had not, in a timely manner, incorporated revisions to the Special Terms and Conditions written to capture Recovery Act requirements into the cooperative agreement. Finally, the University of Minnesota had not used the correct methodology to determine the number of jobs created under the Recovery Act.	• Risk Management • Accounting and Reporting • Regulatory Compliance

The Department of Energy's Management of the NSLS-II Project (OAS-RA-L-10-01, April 2010)	The NSLS-II Project generally complied with Recovery Act requirements, except that Brookhaven National Laboratory did not always segregate Recovery Act and non-Recovery Act costs. The costs were correctly charged when they were ultimately paid; however, errors resulting from the improper accrual were not corrected and resulted in inaccurate information being reported to www.FederalReporting.gov.	• Financial Management • Accounting and Reporting
	Advanced Research Projects Agency - Energy	
The Advanced Research Projects Agency - Energy (OAS-RA-11-11, August 2011)	The Advanced Research Projects Agency-Energy (ARPA-E) had not established a systematic approach to ensure that it was meeting the technology transfer and outreach requirement of the America COMPETES Act; and had not drafted or, in some cases, approved draft policies and procedures in a number of key areas. Transaction testing identified and questioned approximately $280,387 in unsupported, unreasonable, or unallocable costs, or costs considered to be specifically unallowable, that had been incurred by two recipients.	• Risk Management • Financial Management • Delivery of Public Services
	Loan Guarantee Program	
The Department of Energy's Loan Guarantee Program for Clean Energy Technologies (DOE/IG-0849, March 2011)	The Loan Guarantee Program could not always readily demonstrate, through systematic records, how it resolved or mitigated relevant risks prior to granting loan guarantees.	• Risk Management • Accounting and Reporting
	Office of the Chief Financial Officer	
Special Inquiry on the Office of the Chief Financial Officer's Information Technology Expenditures (OAS-RA-L-12-01, November 2011)	In response to a complaint received through the OIG Hotline, we conducted a targeted review of the Office of the Chief Financial Officer's application acquisition and implementation efforts as they related to the software systems identified in the complaint. Although the complaint was not substantiated, we noted that the software in question was costly and, that in some cases, it was not as useful or productive as expected.	• Risk Management • Financial Management
	Office of Fossil Energy	
Management Alert on Planned Actions Related to the National Energy Technology Laboratory's Simulation-Based Engineering User Center (OAS-RA-11-08, April 2011)	The plan to acquire and install a Performance Optimized Data Center may not be the least costly available option. In addition, over 3,000 square feet of the usable space in the existing data center was not utilized nor were there firm plans for this space in the future. The use of Recovery Act funds for what may be an unnecessary data center raises concerns about the effective use of these	• Risk Management • Financial Management • Regulatory Requirements

	resources.	
Western Area Power Administration		
Management Alert on The Western Area Power Administration's Control and Administration of American Recovery and Reinvestment Act Borrowing Authority (OAS-RA-12-01, November 2011	Despite internal control and administration issues with its first project authorized under its $3.25 billion Recovery Act borrowing authority, the Western Area Power Administration (Western) was preparing to move forward with other transmission infrastructure projects. In particular, Western had not completed a formal root-cause analysis and corrective action plan designed to ensure more effective program safeguards were in place going forward. In light of additional prospective commitments, we determined that Western should formally evaluate all the difficulties it experienced with its first Recovery Act-funded transmission infrastructure project before exercising additional borrowing authority.	• Risk Management • Financial Management

MANAGEMENT COMMENTS

Department of Energy
Washington, DC 20585

January 12, 2012

MEMORANDUM FOR RICKEY R. HASS
DEPUTY INSPECTOR GENERAL FOR AUDITS AND INSPECTIONS

FROM: OWEN F. BARWELL
ACTING CHIEF FINANCIAL OFFICER

SUBJECT: Management comments on Inspector General draft report entitled, "*Special Draft Report – Lessons Learned at the Department of Energy during the Implementation of the American Recovery and Reinvestment Act of 2009.*"

Thank you for the opportunity to review the Inspector General (IG) draft report entitled, "*Special Draft Report – Lessons Learned at the Department of Energy during the Implementation of the American Recovery and Reinvestment Act of 2009.*" As your report noted, the Department used an unprecedented "all hands on deck" organizational approach to manage its American Recovery and Reinvestment Act (Recovery Act) programs effectively while meeting the accelerated schedule for implementing those programs.

The Department has carefully considered all of the suggested improvements, issues and concerns identified by the IG related to Recovery Act implementation as evident by the significant progress made in addressing IG findings and recommendations through implementation and completion of corrective actions.

An unintended, but nonetheless positive consequence of successfully implementing the Recovery Act program has been the opportunity to improve base program and administrative operations by capitalizing on the "lessons learned" as the Department planned for and executed the requirements of the Recovery Act.

The Department continues to implement strong business practices supported by comprehensive financial and performance systems to facilitate timely, accurate, and complete reporting of both Recovery Act and base program activities.

While many improvements have been made to more effectively manage implementation of the Recovery Act, the Department acknowledges that work is on-going for continued improvements and anticipates continued collaboration with the IG to achieve more efficient and effective implementation of the Recovery Act programs.

IG Report No. OAS-RA-12-03

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2. What additional information related to findings and recommendations could have been included in the report to assist management in implementing corrective actions?

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

4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report which would have been helpful?

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