



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

# Examination Report

City of Los Angeles – Energy  
Efficiency and Conservation Block  
Grant Program Funds Provided by  
the American Recovery and  
Reinvestment Act of 2009



OAS-RA-13-12

February 2013



**Department of Energy**  
Washington, DC 20585

February 19, 2013

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

A handwritten signature in black ink, appearing to read "Rickey R. Hass".

**FROM:** Rickey R. Hass  
Deputy Inspector General  
for Audits and Inspections  
Office of Inspector General

**SUBJECT:** INFORMATION: Examination Report on "City of Los Angeles –  
Energy Efficiency and Conservation Block Grant Program Funds  
Provided by the American Recovery and Reinvestment Act of 2009"

**INTRODUCTION AND OBJECTIVE**

The attached report presents the results of an examination of the City of Los Angeles' (City) implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act) Energy Efficiency and Conservation Block Grant (EECBG) Program. The Office of Inspector General (OIG) contracted with an independent certified public accounting firm, Lopez and Company, LLP, to express an opinion on the City's compliance with Federal laws, regulations and program guidelines applicable to the EECBG Program.

The Recovery Act was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the EECBG Program received \$3.2 billion to develop, promote, implement and manage energy efficiency and conservation projects and programs designed to reduce fossil fuel emissions, reduce total energy use of the eligible entities, and improve energy efficiency in the transportation, building and other appropriate sectors. In July 2009, the Department of Energy (Department) awarded the City a 3-year formula grant of \$37 million. The City allocated EECBG funds to 10 of its departments, including the Department of Water and Power, General Services Department (GSD), and the Los Angeles Housing Department. The City assigned responsibility for managing its grant to the Community Development Department. The City had 16 activities under the grant, including a Municipal Buildings Retrofit Program, development of several EECBG Program related strategies and Outreach and Education Programs. The City requested and received an extension of its grant to September 2013.

**OBSERVATIONS AND CONCLUSIONS**

Lopez and Company, LLP, expressed the opinion that except for the significant deficiency in internal controls described in its report, the City complied in all material respects with the requirements and guidelines relative to the EECBG Program for the period of July 27, 2009 through June 30, 2011. However, the examination found that the City had not ensured GSD

contractors paid their employees prevailing wages in accordance with the Davis-Bacon Act. Additionally, GSD had not documented that 15 contractor employees were appropriately classified as apprentices.

The report includes advisory comments that communicate control deficiencies that were not significant enough to adversely affect the City's ability to record, process, summarize and report data reliably. These advisory comments were offered to City management as an opportunity for improvement. Specifically, the City:

- Did not properly account for or document EECEBG equipment purchases in accordance with Federal regulations. Specifically, GSD did not include in its official fixed asset system required information regarding the source and percentage of Federal participation of funds for each fixed asset.
- Had not properly calculated total labor hours used to compute jobs created and retained.

The report makes recommendations to the City to improve the administration of its EECEBG Program. The City provided comments that expressed general disagreement with some findings and recommendations. The City responded it had already, in most cases, taken action to address the issues identified. In response to the City's comments, Lopez and Company, LLP, removed one of its findings related to cash advances because it was a single occurrence and the City had implemented mitigating controls. The Department needs to determine whether the corrective actions taken for the remaining findings were adequate and ensure the recommendations outlined in the report were implemented.

### RECOMMENDATION

We recommend that the Assistant Secretary for Energy Efficiency and Renewable Energy require the City to improve administration of its EECEBG Program by ensuring the City implements the recommendations outlined in the report.

### DEPARTMENT COMMENTS AND AUDITOR RESPONSE

The Department concurred with the recommendation and has been working with the City to ensure that all corrective actions are implemented. It stated it will continue to support the City through diligent monitoring by the cognizant Project Officer to ensure the City properly documents and enforces the Davis-Bacon Act and complies with other appropriate regulations. The Department's comments are included in their entirety in Attachment 2.

The Department's comments are responsive to our recommendation.

## EXAMINATION-LEVEL ATTESTATION

Lopez and Company, LLP, conducted its examination in accordance with attestation standards established by the American Institute of Certified Public Accountants as well as those additional standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The examination-level procedures included gaining an understanding of the City's policies and procedures and reviewing applicable EECBG Program documentation. The procedures also included an analysis of activity progress, reimbursement drawdown requests and compliance with required reporting. Finally, an analysis of associated expenditure data was conducted to test the allowability of payments.

The OIG monitored the progress of the examination and reviewed the report and related documentation. Our review disclosed no instances in which Lopez and Company, LLP, did not comply, in all material respects, with the attestation requirements. Lopez and Company, LLP, is responsible for the attached report dated November 7, 2012, and the conclusions expressed in the report.

### Attachments

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



EXAMINATION REPORT ON COMPLIANCE

OF

Recovery Act Energy Efficiency and Conservation Block Grant Program

City of Los Angeles

—  
PERFORMED FOR

U.S. DEPARTMENT OF ENERGY  
OFFICE OF INSPECTOR GENERAL

Prepared by

Lopez and Company, LLP

Report Date: November 7, 2012

CONTRACT NUMBER: DE-IG0000017

WORK ORDER NUMBER: 2011-05

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## INDEPENDENT ACCOUNTANT'S REPORT

To the Inspector General,  
Department of Energy:

We have examined the City of Los Angeles' (City) compliance with Federal laws, regulations, and program guidelines applicable to the American Recovery and Reinvestment Act of 2009 (Recovery Act) Energy Efficiency and Conservation Block Grant Program (EECBG). The City is responsible for operating the EECBG in compliance with these laws, regulations, and program guidelines. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the U.S. Government Accountability Office; and, accordingly, included examining, on a test basis, evidence supporting management's compliance with relevant EECBG Federal laws, regulations, and program guidelines; and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

Because of inherent limitations in any internal control structure or financial management system, noncompliance due to error or fraud may occur and not be detected. In addition, projections of any evaluation of compliance to future periods are subject to the risk that the internal control structure or financial management system may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate.

In our opinion, except for the significant deficiency in internal controls described in Section IV of this report, the City has complied in all material respects, with the aforementioned requirements and guidelines relative to the EECBG Program for the period of our review from July 27, 2009 through June 30, 2011. Our report includes advisory comments that represent control deficiencies that came to our attention that were not significant enough to adversely affect the City's ability to record, process, summarize and report data reliably; advisory comments are offered to City management as an opportunity for improvement.

Lopez and Company, LLP  
Chino Hills, California  
November 7, 2012

## **Section I Description of the City of Los Angeles' Energy Efficiency and Conservation Block Grant Program**

Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Department of Energy's (Department) Energy Efficiency and Conservation Block Grant (EECBG) Program received \$3.2 billion to improve energy efficiency and reduce energy use and fossil fuel emissions. The Department allocated about \$2.7 billion of the funds using a population-driven formula to over 2,000 entities including states and territories; cities and counties; and, Indian tribes. The remainder of the funding, nearly \$500 million, was awarded for competitive grant awards and technical assistance activities.

In July 2009, the Department awarded the City of Los Angeles (City) a 3-year formula grant of \$37 million. The City has 16 activities under the grant, including a Green Workforce Program, Municipal Buildings Retrofit Program, Neighborhood Stabilization Program, Energy Efficiency Retrofits for Non-Profits, Enhanced Utility Incentives, Port Technology Advancement Program, development of a Regional Climate Action Plan, Outreach and Education Program, development of several EECBG related strategies, and implementation of various financing programs.

The City initially assigned responsibility for managing the EECBG award to the Environmental Affairs Department and then in June of 2010 transferred the responsibility to the Community Development Department (CDD). The City allocated EECBG funds to ten departments within the City, including its Community Redevelopment Agency, Department of Water and Power (LADWP), General Services Department (GSD), Los Angeles Harbor, Los Angeles Housing Department (LAHD), Mayor's Office, Environmental Affairs Office, Public Works Street Lighting, Office of the City Administrator, and Community Development Department. Our examination was limited to the CDD, GSD, LADWP, and LAHD. These departments represented over 70% of the City's EECBG funding. The Agency had requested and received an extension of its grant to September 2013.

## **Section II Classification of Findings**

### **Material Weakness**

For purposes of this engagement, a material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the subject matter will not be prevented or detected. There were no material weaknesses noted in this report.

### **Significant Deficiency**

For purposes of this engagement, a significant deficiency is a deficiency in internal control, or combination of deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria or framework, such that there is more than a remote likelihood that a misstatement of the subject matter that is more than inconsequential will not be prevented or detected.

### **Advisory Comments**

For purposes of this engagement, an advisory comment represents a control deficiency that is not significant enough to adversely affect the City's ability to record, process, summarize, and report data reliably.

Advisory comments presented, if any, represent matters that came to our attention during the course of the review, and are offered to the City's management as an opportunity for improvement. The advisory comments are provided along with recommendations and discussion of the significance of the comments.

## **Section III Summary of Findings**

### **Area/Finding**

#### **Significant Deficiencies**

Davis-Bacon Act

IV.1 City Contractor Employees Not Paid in Accordance with Davis-Bacon Wages

#### **Advisory Comments**

Financial Management and Reporting

IV.2 Fixed Asset Ledger Lacks Required Information

IV.3 Contractor Hours Not Properly Reported

## **Section IV Schedule of Findings**

### **DAVIS-BACON ACT**

#### **IV.1 City Contractor Employees Not Paid in Accordance with Davis-Bacon Wages (Significant Deficiency)**

##### **Condition**

We found instances in which City contractors did not pay their employees prevailing wages in accordance with the Davis-Bacon Act, as required. Specifically, we sampled 66 contractor employees at the City's General Services Department (GSD) and found that 9 were paid less than required. Underpayments for a 1-week period totaled \$1,400 and ranged from as little as 50 cents to about \$550.

In addition, we found that GSD had not appropriately documented the classification of contractor employees as apprentices. Specifically, in our sample of 66 contractor employees, the files for the 15 identified as apprentices did not contain documentation verifying that they were properly classified as apprentices and could therefore be paid apprentice wage rates. Apprentice wages are lower than those paid to journeyman employees. While appropriate documentation was not contained in the file, we did note that the 15 apprentices were paid proper wages.

Federal regulations require individual registration of apprentices in a bona fide program that can include a State Apprenticeship Agency. Per the terms and conditions of the grant agreement between the Department and the City, if the contractors fail to properly register apprentices in an apprenticeship program, the employee must be paid at the higher journeyman rate. While GSD had procedures requiring contractors to submit a letter from the State of California Division of Apprenticeship Standards confirming each individual's apprentice status, these documents were not included in the files at the time of our examination. As a result of our examination, GSD obtained the state letters from the contractors for all 15 apprentices.

##### **Cause**

While the City's Community Development Department (CDD), the department responsible for overseeing GSD's compliance with the Davis-Bacon Act, had provided training, issued guidance, and conducted frequent communication with the City's Departments receiving funding, it did not perform an adequate review of certified payrolls to verify appropriate wages were paid or ensure adequate supporting documentation for apprentices was maintained.

##### **Effect**

The lack of an adequate review of certified payrolls increased the risk that additional contractor employees may be underpaid.

## **Section IV Schedule of Findings (Cont.)**

### **Recommendations**

We recommend the City:

- 1.1 Ensure CDD performs reviews of certified payrolls for compliance with Davis-Bacon Act prevailing wage requirements;
- 1.2 Ensure contractors resolve underpayments and submit revised certified payrolls to GSD;
- 1.3 Perform a review of all GSD certified payrolls to ensure contractor employees have been paid the appropriate Davis-Bacon Act wages and resolve any instances of underpaid wages; and,
- 1.4 Ensure all contractor employees classified as apprentices have been properly registered with the State of California and appropriate documentation is included in the files to support the apprenticeship status.

### **Management Comments**

Management did not concur with our findings and recommendations. Management stated that the original title of the finding was misleading because it erroneously suggested that the city made inaccurate payments to its contractors rather than indicating that contractors may not have paid their employees in accordance with the Davis-Bacon Act. Management also asserted that it was inaccurate to state that GSD could not explain how the wage variances went undetected, because it had begun to investigate and resolve several of the cited cases of wage discrepancies before the examination. Further, management stated that the apprenticeship documentation issue should neither be included in the finding nor considered a significant deficiency. Management asserted that GSD had procedures for comparing apprenticeship information certified by their contractors with letters from the State of California confirming individuals' apprenticeship status. Lastly, management stated that the documentation noted above was not a Federal requirement and all apprentices had been paid the appropriate wages.

### **Auditor's Response**

We revised the title of the finding to clarify that the issue related to payments to contractor employees. Management provided no evidence during the examination or as part of its response that GSD officials had known of the payment discrepancies we noted and had begun to investigate and resolve them prior to our examination. Additionally, despite GSD's procedures to compare certified payrolls to documentation confirming contractor employees' apprenticeship status, we found that GSD officials could not demonstrate the individuals were properly registered until they obtained the State of California letters at our request.

**Section IV Schedule of Findings (Cont.)**

While federal regulations do not explicitly require specific documentation, they do require grantees to ensure proper registration of individuals in apprentice programs. Further, we revised the report to note that, despite the documentation issues, the employees classified as apprentices were paid appropriate wages.

## **Section IV Schedule of Findings (Cont.)**

### **FINANCIAL MANAGEMENT AND REPORTING**

#### **IV.2 Fixed Asset Ledger Lacks Required Information (Advisory Comment)**

##### **Condition**

We found the City had not properly documented fixed asset purchases in accordance with Federal regulations and the Recovery Act. Specifically, we found that GSD did not include in its official fixed asset system required information regarding the source and percentage of Federal participation of funds for each fixed asset. Federal regulations and the City's grant agreement require maintaining accurate equipment records including information showing the source and percentage of Federal funding. This information is necessary should the City decide to sell or otherwise dispose of the equipment. Federal regulations require a computation of the remaining current fair market value or sale price and a determination if any monies must be refunded to a Federal agency based on the percentage of funding as reflected in the City's fixed asset ledger.

##### **Cause**

The City was unaware of the Federal requirement to document in its records the funding source and the percentage of Federal participation for the cost of equipment.

##### **Effect**

The lack of required equipment cost information in the City's fixed asset records, including funding source and percentage of Federal participation, could result in the failure to properly compute any necessary refund of Federal funds in the event that fixed assets are either sold or disposed of. However, as a result of our examination, the City reported that it had modified its fixed asset system and revised its policies and procedures to capture all required information, including the funding source and percentage of participation.

##### **Recommendation**

We recommend the City:

- 2.1 Monitor compliance with its revised policies and procedures to ensure the fixed asset ledger contains all Federally required information.

## **Section IV Schedule of Findings (Cont.)**

### **Management Response**

Management did not concur with our finding and recommendation. Management asserted that while the fixed asset system cited in the report only captured seven of the nine fields of information required by Federal regulations, there were other reports and documents with fixed asset data. Management acknowledged that it updated its fixed asset system as a result of this examination to centralize the information. In addition, management stated its fixed asset salvage procedures would have acted as a control to limit any financial impact upon disposal.

### **Auditor's Response**

During our examination, the GSD indicated the fixed asset system was the official record and did not identify information residing in other locations. While salvage procedures may act as a control over the disposal of assets, the need to determine the source and percentage of funding are critical and may not be easily determined if not recorded properly. The modified system appears to alleviate that concern.

## **Section IV Schedule of Findings (Cont.)**

### **IV.3 Contractor Hours Not Properly Reported (Advisory Comment)**

#### **Condition**

The City had not properly calculated the total labor hours it reported for the quarter ending June 2011. Total hours reported for the quarter were about 27,700, whereas actual hours were 29,500, an understatement of approximately 1,800 hours or 3.5 full time equivalents. The seven departments that reported hours created/retained showed differences between what had been reported and actual hours. The Recovery Act requires quarterly reporting of jobs created and retained. EECBG Program Notice 10-07C, allows for adjustment of estimates. Per the Notice, jobs created/retained reports are due on the 10<sup>th</sup> day after the quarter, and from the 11<sup>th</sup> thru the 21<sup>st</sup> day, prime recipients can correct significant reporting errors or omissions. From the 33<sup>rd</sup> thru 75<sup>th</sup> day, corrections can be made during what is known as a continuous quality assurance (QA) period.

#### **Cause**

The City reported estimated rather than actual hours worked. CDD, responsible for accumulating city-wide hours and reporting jobs created/retained, had an information cut-off date of one to two weeks prior to the end of the quarter. The agency was not aware of the guidance that allowed adjustments after the reporting period.

In addition to using estimates, two of the departments in our review did not fully understand reporting requirements. The Los Angeles Department of Water and Power (LADWP) Outreach, Research, and Education Grant Program had not properly overseen its non-profit organizations, some of whom were unfamiliar with requirements to report in a timely manner. The GSD reported hours only on a project completion basis, rather than on an in-process basis for its Municipal Building Retrofit Program.

#### **Effect**

Inaccurate reporting of jobs created and retained may result in the Department's use of faulty data in its compilation of Recovery Act job statistics.

#### **Recommendations**

We recommend the City:

- 3.1 Ensure LADWP instructs non-profit organizations that the quarterly reporting of hours worked under the Outreach Grant Program are to be reported in an accurate, complete and timely manner;
- 3.2 Ensure GSD's reported hours include in-process projects; and,
- 3.3 Establish and implement policies and procedures to ensure follow-up review and reporting of corrected prior period data to assure accurate Recovery Act Reporting of labor hours worked and jobs reported.

## **Section IV Schedule of Findings (Cont.)**

### **Management Response**

Management agreed with the finding and recommendations. Management pointed out that the vast majority of information it had reported to the Office of Management and Budget was complete and correct. However, the City took steps to ensure follow-up review and reporting of data by revising its reporting procedures, and submitting any updated report information during the QA period. The City had also worked with LAHD and GSD to ensure they were reporting accurate and complete data.

### **Auditor's Response**

Management's comments were responsive to our recommendations.

## **Section V Management Response**

RICHARD L. BENBOW  
GENERAL MANAGER

### **CITY OF LOS ANGELES CALIFORNIA**



ANTONIO R. VILLARAIGOSA  
MAYOR

COMMUNITY DEVELOPMENT  
DEPARTMENT

1200 W. 7<sup>TH</sup> STREET  
LOS ANGELES, CA 90017

August 23, 2012

Mr. Richard M. Lopez  
Lopez and Company, LLP  
14728 Pipeline Avenue, Ste. E  
Chino Hills, CA 91709

#### **RE: CITY OF LOS ANGELES RESPONSE TO ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT (EECBG) PROGRAM EXAMINATION REPORT**

Dear Mr. Lopez:

Below you will find the Management Responses to the revised and final draft Examination Report prepared by your company for the U.S. Department of Energy, regarding the City of Los Angeles EECBG Program.

#### **Finding No. 1: "City Contractors Not Paid in Accordance with Davis-Bacon Wages (Significant Deficiency)"**

There are a number of statements associated with this finding that contain factual errors.

First, the above finding title is factually inaccurate. City contractors were paid the correct amounts. We assume that the audit report intended to say that some employees of contractors may not have been paid in accordance with Davis-Bacon wage rates by those contractors.

Second, the General Services Department (GSD) began to investigate and resolve several of the cited cases of wage discrepancies before the audit so it is inaccurate to state that "GSD could not explain how the wage variances went undetected." GSD has notified contractors of the situations in question, and is working with relevant parties, including the Community Development Department (CDD) and City departments with expertise and experience in handling Davis Bacon and prevailing wage matters, to ensure that there are appropriate reviews of certified payrolls and resolution of any payroll underpayments, as recommended in the audit.

Third, the apprenticeship documentation issue should neither be included in this finding, nor categorized as a significant deficiency. GSD had procedures for comparing apprenticeship payroll information certified by their contractors with State of California-Department of Industrial Relations forms which document the existence of contractor apprenticeship programs for appropriate classifications, and letters from the State of California confirming individual's apprenticeship status. This documentation was not a Federal requirement; DOE's Terms and Conditions only required that the apprentices be paid the appropriate rates, which was the case.

#### **Finding No. 2: "Untimely Disbursement of Cash Advances (Advisory Comment)"**

The statement that "CDD failed to minimize time elapsed between the transfer of funds and their disbursement..." is factually inaccurate.

During the one incident cited, CDD acted in a timely and responsible manner with respect to drawing down, disbursing and returning funds by taking the following actions:

AN EQUAL EMPLOYMENT OPPORTUNITY - AFFIRMATIVE ACTION EMPLOYER

## **Section V Management Response (Cont.)**

Mr. Richard M. Lopez

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August 23, 2012

- Immediately notifying the Department of Energy (DOE) of the excess drawn down
- As agreed with DOE, disbursing the funds to other departments for use on eligible EECBG expenditures
- Immediately initiating actions to return funds and interest to the United States Treasury

It should be noted that the primary reason for the excess draw down was due to a request by the Los Angeles Housing Department (LAHD) for initial funding for their multifamily energy retrofit projects based upon contractor estimates. Since this was the first payment to contractors, and some of the contractors did not provide required documentation, LAHD did not disburse funds to the contractors until receiving proper documentation. Although this situation may have created the excess drawing of funds, it was more fiscally responsible than disbursing funds to contractors that had not produced the required documentation.

Although the grant allowed for drawing down funds 30 days in advance of disbursement, CDD initiated the policy and procedure to only draw down EECBG funds on a reimbursement basis.

### **Finding No. 3: "Fixed Asset Ledger Lacks Required Information (Advisory Comment)"**

The Code of Federal Regulations (10 CFR 600.232) lists the fields that are required to be recorded with respect to property records, but does not require that the information be recorded in a single location. Therefore, it is not accurate to state that the "City has not properly documented fixed asset purchases in accordance with Federal regulations and the Recovery Act."

GSD maintains all the required fixed asset information. Since the auditors focused on one of GSD's equipment inventory systems (FM1-J), they may not have realized that there were other reports and documents with fixed asset data. However, the FM1-J system, which previously captured seven of the nine fields of information required by Federal regulations, was changed to include all fields in order to centralize the information.

The potential effects cited in the report may also be overstated since the City's salvage procedures require identification of the specific source of funding if the City sells or otherwise disposes of equipment, and the City only disposes of such items when they have exhausted their useful life, minimizing any financial impact.

### **Finding No. 4: "Contractor Hours not Properly Reported (Advisory Comment)"**

Despite the issues raised in this finding, it is important to recognize that the vast majority of the information reported by the City departments, including the Community Development Department (CDD), to the Office of Management and Budget (OMB), was complete and correct.

However, CDD has taken steps to ensure follow-up review and reporting of data, by revising its procedures for OMB 1512 quarterly reporting, and submitting any updated report information during the Quality Assurance (QA) period. CDD began updating the OMB report during the Quality Assurance period associated with the third quarter of program year 2011, and has continued to follow this procedure since that time.

Also, the Los Angeles Department of Water and Power (LADWP) worked with the non-profit organizations associated with the Community Outreach, Research and Education Grant Program to ensure timely submittal of information, including providing a simple reporting form and regular reminders, so that LADWP can meet reporting deadlines. Finally, CDD instructed GSD to no longer report hours on a project completion basis, but rather to report hours when they are actually worked, for its Municipal Buildings Retrofit Program.

Sincerely,



RICHARD L. BENBOW  
General Manager

**DEPARTMENT COMMENTS**



**Department of Energy**  
Washington, DC 20585

**JAN 29 2013**

MEMORANDUM FOR: RICKY R. HASS  
 DEPUTY INSPECTOR GENERAL  
 FOR AUDITS AND INSPECTIONS  
 OFFICE OF INSPECTOR GENERAL

FROM: KATHLEEN B. HOGAN  
 DEPUTY ASSISTANT SECRETARY  
 FOR ENERGY EFFICIENCY  
 ENERGY EFFICIENCY AND RENEWABLE ENERGY

SUBJECT: Response to Office of Inspector General Draft Examination Report on  
 "City of Los Angeles – Energy Efficiency and Conservation Block  
 Grant Program Funds Provided by the American Recovery and  
 Reinvestment Act of 2009"

The Office of Energy Efficiency and Renewable Energy (EERE) appreciates the opportunity to review and make comments related to the Office of Inspector General's (OIG) December 2012 Examination Report on the City of Los Angeles Energy Efficiency and Conservation Block Grant (EECBG) Program. EERE provides guidance and support to all grantees pursuant to Code of Federal Regulations (CFR), 10 CFR 600 and 2 CFR 225 (A-87). Also, as applicable, EERE will provide grantees with guidance pursuant to 2 CFR 220 (A-21), 2 CFR 230 (A-122), and 10 CFR 400. EERE seeks to ensure compliance with Federal regulations through ongoing monitoring and communications with grantees.

The OIG made one recommendation relating to the City of Los Angeles audit. EERE concurs with the OIG's recommendation and has been working with Los Angeles to ensure that all corrective actions are implemented. The following response by EERE addresses the OIG findings as outlined in the draft examination report on the City of Los Angeles;

***The OIG recommends that the Assistant Secretary for Energy Efficiency and Renewable Energy:***

***OIG Recommendation 1: Require the City to improve administration of its EECBG Program by ensuring the City implements the recommendations outlined in the report.***

***EERE Response:*** EERE concurs with the Independent Auditor's report and will continue to support the City of Los Angeles (City) through diligent monitoring by the cognizant DOE Project Officer as outlined in the report on page 5-9. The



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recommendations in the report represent best practices and actions that should be undertaken by the City. EERE will ensure that the grantee properly documents and enforces the Davis Bacon Act. The DOE Project Officer will continue to monitor the grantee's efforts to ensure compliance with the appropriate regulations.

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1. What additional background information about the selection, scheduling, scope, or procedures of the audit or inspection would have been helpful to the reader in understanding this report?
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 that would have been helpful?
5. Please include your name and telephone number so that we may contact you should we have any questions about your comments.

Name \_\_\_\_\_ Date \_\_\_\_\_

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Washington, DC 20585

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