

**Testimony of Matthew Rogers
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**Committee on Science and Technology
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Chairman Miller, Ranking Member Broun, and Members of the Subcommittee, thank you for the opportunity to be here today to discuss the U.S. Department of Energy's actions to ensure accountability and transparency in Recovery Act funding, including our efforts to promote science and technology.

Today's severe economic conditions demand rapid action. Effective implementation of the American Recovery and Reinvestment Act of 2009 is an urgent priority for the Administration, for Secretary Chu, and for the Department of Energy. Congress has given the Department a great opportunity and a great responsibility to administer \$32.7 billion in Recovery Act grant and contract authority, \$6 billion in credit subsidy costs that will support tens of billions in new loan guarantees and \$6.5 billion in borrowing authority. Secretary Chu has said repeatedly that getting this money into the economy quickly, carefully, and transparently is a top priority for him. To this end he has personally committed to providing the direction, resources, and oversight needed to assure the timely but accountable distribution of this funding to support short-term needs and protect taxpayers while investing for the long-term in a new economy powered by clean, reliable, affordable, and secure energy.

When Secretary Chu asked me to serve as his Senior Advisor for Recovery Act Implementation, he emphasized that we must deliver on four clear objectives:

- Get projects under way quickly,
- Invest in projects with lasting value,
- Exercise an unprecedented degree of transparency and oversight, and
- Deliver a tangible down payment on the nation's energy and environmental future.

We began the public part of this process last week with the Vice President's announcement of \$8.1 billion for Weatherization and State Energy programs, and we will soon have additional funding announcements. These Recovery Act funds will create jobs and lay the groundwork for a less carbon-intensive, less oil-dependent, and cleaner energy economy. All of our efforts are geared toward meeting President Obama's pledge to act boldly and urgently to put Americans back to work by reinvesting in a new clean energy economy. At the same time, we recognize that Recovery Act programs will, and should, receive heightened public scrutiny, and so we are putting in place the leadership and control procedures necessary to track performance and account for expenditures.

Department of Energy and GAO's High Risk List

In this context, it is critical that the Department have in place the most rigorous control and oversight processes to manage and account for the Recovery Act funds—the more so given the Department's past challenges and difficulties in providing adequate management and oversight of its major projects. Since 1990, contract and program management concerns have kept the Department of Energy on the Government Accountability Office's (GAO) High Risk List. In

recent years, however, the Department's Office of Management has made substantial progress and has implemented numerous corrective actions. For example, the Department has developed an action plan to address the major Department risk factors and significantly improve not only the Department's performance in contract and project management, but its overall culture of spending. The plan includes steps to improve risk management, strengthen cost estimation, increase oversight, optimize staff, improve acquisition planning and strategies, and better incorporate project management requirements. The plan also reflects the Department's commitment to improved performance and increased accountability through well-defined metrics and reporting.

As a result of these and other efforts, GAO, in its January 2009 High Risk Update, noted that the Department has met three of the five criteria necessary for removal from its High Risk List. Specifically, the Department has demonstrated strong leadership, developed a corrective action plan, and made progress in implementing effective solutions. Still remaining to be addressed, however, are issues relating to human capital and contract management, and these have caused the Department to remain on GAO's High Risk List. To address the human resource challenges, the Department is implementing actions based on other Federal agencies' best practices. We have also taken steps to establish a more structured, disciplined approach to contract and project management, with an emphasis on improved oversight.

In its update, GAO recognized that the Department's Office of Science has demonstrated continuous, strong performance in meeting original cost and schedule targets. As a result, GAO refined the Department's high-risk area primarily to the National Nuclear Security Administration and the Office of Environmental Management. And, accordingly, the Department will be following the project management requirements of DOE Order 413.3A and

paying special attention to the performance and oversight of those Environmental Management projects receiving significant funding from the Recovery Act.

Recovery Act Transparency and Accountability

The Department of Energy is committed to carrying out the economic Recovery plan with the highest level of speed, discipline, transparency, and accountability. Under our CFO Steve Isakowitz' leadership, the Department has taken significant steps to improve oversight and strengthen internal controls to ensure that funds are spent effectively. Every morning, the Recovery Act leadership principals from every program and every major function, including representatives from the Offices of the Chief Financial Officer, General Counsel, Procurement and Human Capital, get together to ensure clear alignment on priorities, to report progress, and to resolve any outstanding issues that could impede success. We have developed strong oversight strategies for Recovery Act implementation, including upfront risk assessments and building specific risk management plans, upgrading process controls, establishing personal risk assurance accountabilities, and expanding outreach, training, and coordination between Headquarters and field offices.

As soon as the Recovery Act was passed, we conducted Department-wide risk assessments to identify existing or potential vulnerabilities within our programs that may hinder our efforts to deliver on the Recovery Act. From these identified risks, senior management officials have begun developing risk mitigation plans to increase internal controls and reduce opportunities for fraud, waste, and abuse of Recovery funds. For example, some programs have determined to use a phased approach in their distribution of funds. This will allow them to maintain better accountability by measuring performance against clear project milestones and disbursing new

funds on the basis of successful performance. Several programs have also significantly expanded fraud training for their program managers and senior officials. In high-risk programs such as the Office of Environmental Management, I have met personally or via phone and video conference with all of the site managers, major contractors, state regulators, and major unions to make clear the expectations up front for accountability, delivery, oversight, and transparency.

As part of our planning and monitoring efforts, the Chief Financial Officer's Office of Program Analysis and Evaluation and the Office of Internal Review have taken steps to address internal controls guidance, documentation standards, external reporting requirements, outcome validation, and early issues identification. On an ongoing basis, we participate on government-wide teams led by OMB to develop implementation guidance and requirements. Based on the initial OMB guidance and subsequent meetings, we have already issued Recovery Act implementation guidance to aid programs in developing specific performance plans that detail the status of projects, performance metrics, major project milestones, and risk management. In addition, the CFO's office led a two day "all-hands" field CFO education session for financial control officers to make sure everyone understands his or her responsibilities with respect to oversight and accountability under the Recovery Act.

Within the CFO's office, we are also aligning our financial systems to accept Recovery Act data, perform analysis, and track the execution of Recovery Act plans so that senior management can monitor progress. Separate Treasury account symbols have been established to comply with requirements for tracking and reporting Recovery Act funding separately from existing Department funding. Project codes are being established in our accounting system as Recovery projects are approved by the Secretary. These efforts will all allow the Department to better monitor and assess the progress of Recovery Act projects and will also facilitate the

Department's reporting to Recovery.gov, which in turn will assure the accountability and transparency for the American people which the President has promised.

The Department has taken several steps to ensure that all procurement vehicles incorporate a selection process that is fair and advances the President's long-term policy agenda. To ensure that all solicitations, contracts, and financial assistance awards comply with OMB's Recovery Act requirements, we have issued standard language for all these procurement instruments. We are also directing our contracting professionals to pay special attention to the content quality of specific areas, including clear scope definition, adequate documentation to support decisions, compliance with transparency requirements, and small business considerations.

In our efforts to ensure accountability, we have required each Headquarters program element, field office managers, and Field Chief Financial Officers to sign an "Acknowledgement of Management Accountability of Internal Controls." This document will serve as a commitment from management to maintain a strong internal control environment. The signed acknowledgements are required prior to any distribution of Recovery funds. The Department will require an additional assurance letter at the end of the fiscal year to support financial statement reporting. These policies and procedures will help ensure that we achieve the outcomes envisioned by the President and the accountability expected by our fellow Americans.

Loan Guarantee Program

Title XVII of the Energy Policy Act of 2005 and the 2007 Energy and Water Appropriations Act authorized the Department of Energy to provide loan guarantees for advanced technology projects that avoid, reduce, or sequester anthropogenic greenhouse gas emissions or air pollutants. The GAO and Office of Inspector General have both identified issues with

management, accountability and transparency in this program. I am pleased to report to you this morning that the Loan Guarantee Program has made substantial progress over this past year, and Secretary Chu has directed us to accelerate the process significantly and deliver the first loans in a matter of months, while maintaining appropriate oversight and due diligence to protect taxpayers' interests. We are taking steps to reduce the cycle time from application to loan guarantee so that good projects are funded, with all due speed and due diligence. We have also taken steps to improve the Program's transparency and to attract quality projects that will result in environmental benefits, create jobs, and contribute to long-term economic growth and competitiveness. The Loan Guarantee Program is expanding its efforts to recruit and hire highly qualified personnel to complete the necessary project evaluation, environmental compliance, due diligence, credit underwriting, monitoring, and oversight activities. The Department is committed to managing the Loan Guarantee Program carefully to maintain the integrity and objectives of the program and to ensure that the taxpayers' interests are protected.

Conclusion

Mr. Chairman and Members of the Subcommittee, at the Department of Energy we are committed to creating jobs by developing new, innovative ways to provide clean, reliable, and secure energy. Congress has vested the Department with significant responsibility under the Recovery Act. We have begun and will continue to institute a culture of transparency, accountability, integrity, and efficiency as we capitalize on our advances in science and technology to better manage the nation's energy resources and contribute to a competitive, growing, and environmentally sustainable U.S. economy.

Mr. Chairman, thank you for the opportunity to appear before you today. This concludes my testimony and I am happy to answer questions. Thank you.