Statement of
Steve Isakowitz
Chief Financial Officer
U.S. Department of Energy

Before the

Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
U.S. House of Representatives

March 17, 2011

Chairman Stearns, Ranking Member DeGette, and Members of the Committee, thank you for the opportunity to appear before you today to discuss the Department of Energy's monitoring and oversight efforts to ensure the effective implementation of the American Recovery and Reinvestment Act (Recovery Act).

Recovery Act Impact

Recovery Act funding came in three pieces: roughly a third in tax cuts directly to the American people, another third in emergency relief for hard-hit families, businesses, and state governments, and a third in investments in infrastructure and technology, creating platforms for economic growth. To date, more than 75,000 Recovery Act projects have started across the country.

The Department of Energy's Recovery Act program focuses on the third leg, accelerating innovation to lay the foundation for long term economic growth. The Department has received $35.2 billion in appropriations and $6.5 billion in power marketing administration borrowing authority. These funds have gone to over 4,500 recipients who are developing an estimated 15,000 clean energy projects across the nation.

Many countries are moving aggressively to develop and deploy the clean energy technologies that the world will demand in the coming years and decades. As the President said in his State of the Union address, this is our generation's "Sputnik moment." As Secretary Chu has stated, we must rev up the great American innovation machine to win the clean energy race and secure our future prosperity. Department of Energy Recovery Act projects are helping us meet this Sputnik moment by building a clean energy economy, accelerating energy innovation, and reducing our dependence on oil.

Moreover, the Recovery Act is putting Americans across the country to work making our homes and businesses more energy efficient, increasing the use of clean and renewable electricity, cutting our dependence on oil, and modernizing the electric grid. During the most recent quarterly reporting period, recipients told us that they were supporting more than 43,000 jobs. In addition, clean energy manufacturing tax credits are creating thousands of additional jobs. As DOE's critical Recovery Act programs continue throughout 2011, we expect to continue to support tens of thousands of jobs.

Let me give several examples of how the Recovery Act is playing a pivotal role in stimulating economic growth, creating jobs in long-term competitive sectors, reducing energy costs for Americans, and supporting critical environmental cleanup goals:

First, an advanced vehicle industry is beginning to take root in America. Over seventy awardees in over 30 states have received Recovery Act grants to help build the American advanced battery and electric vehicle manufacturing industry from the ground up. Nearly $2 billion in Recovery Act funds will support the opening of 30 battery and electric drive component factories across the country. All of the recipients of these Recovery Act funds matched the government investment at least dollar for dollar. Before the Recovery Act, the U.S. produced almost no advanced vehicle batteries. As a result of the Recovery Act, we will have the capacity to produce enough batteries for 500,000 plug-in hybrid electric vehicles a year by 2015.

Second, the Department of Energy's Weatherization Program has made it possible for more than 330,000 families nationwide to reduce their energy use and cut their utility bills. We're on track to weatherize nearly 600,000 homes with Recovery Act funds. In addition to reducing utility costs for American households, the Recovery Act Weatherization Programs supported more than 15,000 jobs retrofitting homes as of December 2010.

Third, as a result of the Recovery Act investment in clean energy, U.S. renewable energy generation is set to double by 2012 (from a 2008 baseline). Through a joint DOE-Treasury Department program, over 7,000 private companies nationwide have received tax cuts or cash assistance for clean energy manufacturing and production.

Finally, DOE's Office of Environmental Management (EM) is responsible for the risk reduction and cleanup of the environmental legacy of the nation's nuclear weapons and energy research programs. DOE received $6 billion in Recovery Act funding with the specific goal of creating jobs to accelerate the cleanup of the environmental legacy across the DOE complex. With Recovery Act funding, we estimate that by the end of 2011, the acceleration of facility deactivation and decommissioning and cleanup of contaminated areas will reduce the Department's cleanup footprint by 40 percent—shrinking from approximately 900 square miles to about 540 square miles and potentially freeing up land for local communities to re-use. The Department is well on its way to meeting this goal, having already reduced the complex wide footprint by over 30 percent.

These are just a few examples of how the Department of Energy's Recovery Act investments are both driving economic growth and supporting critical Departmental goals now and laying the foundation for our Nation's long term prosperity through a clean energy economy.

Implementation, Monitoring, and Oversight

Most of DOE's Recovery funded programs were new initiatives or significant increases to existing programs designed to reinvest in America's future and provide for long-term benefits to the American economy. We have been steadily ramping up our activities, while ensuring that all taxpayer funds are well-spent. By September 2010, the Department obligated all of the appropriations that expired in FY 2010, almost entirely through contracts and financial assistance. As of March 13, 2011, over $12.5 billion of the Department's Recovery Act appropriations had been executed on projects around the country. Over the past year, the Department has averaged over $800 million per month in payments. DOE is now effectively operating at its planned "run rate" and accomplishing its stated performance objectives.

The Department has initiated numerous efforts to ensure that taxpayers' dollars are protected. Many of these efforts have become government-wide best practices that we are working to extend to our base-funded activities.

One positive result from the Recovery Act has been improved Departmental capacity to make sound decisions efficiently, keeping program and functional leaders aligned towards meeting common priorities and resolving issues in real time. DOE also focused on customer service. DOE set up call centers to help individuals applying for funds and recipients that may have questions around Federal reporting requirements and other Recovery Act questions. Thus far, the call center has had over 44,000 interactions with the public.

Even before the Recovery Act was passed, the Department had taken steps to help us with the management and oversight of this program. We created an Agency-wide plan specifying the anticipated goals of Recovery Act funding. From there, we developed Program level plans which specified in greater detail the projected results and when those results would be achieved. Finally, the Department created over 140 individual project plans comprised of project descriptions, monthly obligation and payment plans, operational milestones, and performance targets. Internally, DOE uses these plans to measure our own performance, and if a project was off-plan, the Department took actions to get the project back on track.

In order to ensure transparency and accountability of DOE's significant Recovery Act funds and provide real-time financial execution information to the Department's management, we developed iPortal, an online financial interface and database, to provide users with a standard set of financial numbers for departmental and public review. It serves as a centralized repository of ARRA financial reports, impact metrics, and reporting guidance and consolidates data from multiple sources, including the Department's accounting system, its procurement system, and FederalReporting.gov. iPortal provides the Department with immediate access to key information on obligations, payments, jobs, impact metrics, and milestones, allowing the Department's management to identify and address problem areas early. Most of this information is made available to the public through DOE's website and Recovery.gov.

In establishing the Recovery Act procedures, the Department, with the help of the Inspector General, anticipated the need for heightened oversight. The Inspector General conducted a number of preventative audits up front, documenting any issues they had identified over the last decade in any program receiving funds under the Recovery Act. This review supported our development of comprehensive risk management plans for each program. Before any Recovery Act awards were issued, the Department required the submission of detailed risk plans for every Recovery Project—over 140 in total. We also analyzed all relevant IG and GAO reports, including those focusing on similar programs at other agencies and incorporated the lessons learned from the IGs of other agencies (including HUD and HHS) into these risk plans. The risk plans are living documents, and Departmental officials update the plans as necessary for key projects to ensure that execution risks are identified and mitigated.

As part of our comprehensive risk management efforts for Recovery Act programs, we worked with the Recovery Accountability and Transparency Board—which is made up of Agency IGs—to develop ways of identifying recipients that may require closer monitoring and oversight. We're using their past audit history and 47 other data series, such as the recipient's payment history to its vendors, to identify which recipients are at the greatest risk of misspending Recovery Act funds. Our risk scoring methodology was recognized by staff on the Board as a best practice. We currently have risk scores for over 4,000 individual Recovery Act recipients and over 12,000 sub-recipients, which we use to prioritize oversight and monitoring efforts. As part of this effort, we are also receiving real-time alerts on potentially problematic developments related to our recipients, which we share with the Inspector General, as appropriate.

The Department has undertaken major initiatives to ensure adequate post-award audit coverage of all major recipients of DOE grants and cooperative agreements. We've put new processes in place to better leverage the government-wide audit requirement for non-profit recipients and state and local governments, as defined by the Office of Management and Budget Circular A-133. For for-profit recipients, we recently provided detailed guidance for the recipients' audit firms outlining the issues they should review when conducting required annual audits; this guidance implements a pre-existing DOE audit requirement. The Department has also established centralized processes to track and ensure the resolution of these audit findings.

In addition to these operational and risk management efforts, the Department established special monitoring and oversight procedures for its largest Recovery Act programs: the Weatherization Assistance Program, the State Energy Program, the Energy Efficiency and Conservation Block Grant Program, and Research, Development, Demonstration and Deployment (RDD&D) activities. Each of these programs developed a robust plan to monitor direct grant recipients and verify that those recipients are monitoring their sub-recipients and vendors. These plans include detailed manuals, checklists, and procedures for prioritizing monitoring efforts based on recipient risk. The Weatherization monitoring plan includes a direct, third-party quality assurance check of up to 10 percent of homes weatherized. To date, the Department has conducted over 700 monitoring visits for the Weatherization Assistance Program, the Energy Efficiency and Conservation Block Grant Program, and State Energy Program. Additionally, the Department is conducting formal Independent Project Reviews on a sample of Research, Development, Demonstration and Deployment projects to verify and validate recipient performance and evaluate project management oversight.

Inspector General and Government Accountability Office Oversight and Monitoring

Audits and inspections conducted by the DOE Office of Inspector General and the Government Accountability Office are an integral part of the Department's monitoring and oversight efforts, and we are committed to working with the Inspector General and GAO to facilitate their work and address any substantive issues that they identify. For example, we have given IG and GAO staff direct access to all content on our iPortal system and provided training on using the system.

To date, the Inspector General has issued 47 reports related to our Recovery Act implementation. For 16 of these reports, the Inspector General did not identify any issues significant enough to warrant recommendations for management action. For the other reports, the Inspector General issued 111 separate recommendations, and the Department has already resolved approximately 50 percent of these. Costs questioned by the Inspector General represent only 0.03 percent of the Department's Recovery Act spending authority. We are actively working to address the remaining 50 percent of recommendations that have not yet been resolved.

The Government Accountability Office has issued 10 reports relating to the Department's Recovery Act implementation, only 3 of which contained recommendations for management action. The Department is working actively to address the issues identified in these reports.

Thanks to the recommendations in these reports, we have begun implementing more comprehensive programmatic and financial internal controls; improving the quality of oversight and guidance to grantees; increasing communication with state personnel; and ensuring meticulous record-keeping. We will continue to work to improve and fine tune the implementation of our programs in order to maximize effectiveness and minimize inefficiencies.

Mr. Chairman, I would like to thank you again for inviting me to testify about the Department's efforts under the Recovery Act to create jobs while investing in the future. The Department was charged to ensure that the money was spent quickly, but also that it was spent prudently, and that waste, fraud, and abuse were addressed promptly and decisively. I hope I have conveyed the Department's seriousness in facing that responsibility.

I look forward to responding to your questions, and I would like to introduce two of my colleagues who will help me in doing so: Ines Triay is the Assistant Secretary of Energy for Environmental Management, and Steven Chalk is the Chief Operating Officer for the Office of Energy Efficiency and Renewable Energy.