FINANCIAL ASSISTANCE ALLEGATIONS
AT THE GOLDEN FIELD OFFICE
MEMORANDUM FOR THE ACTING ASSISTANT SECRETARY, THE OFFICE OF ENERGY EFFICIENCY AND RENEWABLE ENERGY


The attached report discusses our review of allegations regarding the oversight of financial assistance awards at the Golden Field Office. This report contains four recommendations that, if fully implemented, should help ensure the issues identified during this inspection are corrected. Management fully concurred with our recommendations.

We conducted this inspection from October 2020 through August 2021 in accordance with the Council of the Inspectors General on Integrity and Efficiency’s *Quality Standards for Inspection and Evaluation*. We appreciated the cooperation and assistance received during this evaluation.

Anthony Cruz
Assistant Inspector General
for Inspections, Intelligence Oversight, and Special Projects
Office of Inspector General

cc: Deputy Secretary
Chief of Staff
Director, Golden Field Office
WHAT DID THE OIG FIND?

We substantiated the allegations that the Contracting Officer did not: (1) ensure indirect costs were properly reviewed prior to approving an invoice; (2) independently track the cumulative amount of indirect costs that were reviewed and approved during the invoice process for one of two awards; (3) modify one of two awards to properly reflect indirect rate changes; and (4) follow procedures to internally coordinate during project budget negotiations for one of two awards. However, we did not substantiate the allegation (5) that the Contracting Officer did not address adverse audit findings.

WHAT IS THE IMPACT?

As a result of indirect costs not being carefully reviewed, tracked, and approved, the indirect cost ceilings set in project budgets were exceeded. For three awards included in our inspection, indirect costs accounted for approximately one-third of the total project budget, if not more. Awards need to be up to date, and financial assistance spending needs to be carefully reviewed to ensure recipients are in full compliance with requirements.

WHAT IS THE PATH FORWARD?

To address the issues identified in this report, we have made four recommendations that, if fully implemented, will improve the Golden Field Office’s oversight of financial assistance awards.
BACKGROUND

The Golden Field Office provides the Office of Energy Efficiency and Renewable Energy (EERE) with enhanced capability to develop and commercialize renewable energy and energy-efficient technologies. Part of the Golden Field Office’s mission is to support the EERE as a Business Service Center by awarding grants and agreements for clean energy projects and facilitating research and development partnerships to support those technologies. The Golden Field Office’s Financial Assistance Office supports EERE’s technology offices by planning, issuing, negotiating, awarding, administering, and closing out financial assistance instruments, including grants, cooperative agreements, and technology investment agreements. The mission of the Financial Assistance Office is to ensure that EERE’s financial assistance instruments are managed in accordance with the Code of Federal Regulations (CFR) and the Department of Energy and EERE policies and guidance. Award management is a shared responsibility among multiple EERE entities, including the various EERE program offices (e.g., the Bioenergy Technologies Office and the Solar Energy Technologies Office), the Financial Assistance Office, and the Procurement Compliance and Analysis Office.

In September 2020, the Office of Inspector General received allegations that a Contracting Officer from the Financial Assistance Office did not adequately oversee certain recipients’ financial assistance awards. Specifically, it was alleged that the Contracting Officer did not:
1. ensure proper review of indirect costs prior to invoice approval;
2. independently track cumulative indirect costs during invoice reviews;
3. modify awards with indirect rate changes or for rates billed;
4. coordinate internally during project budget negotiations related to indirect costs; and
5. address adverse audit findings.

We initiated this inspection to determine the facts and circumstances regarding the alleged Contracting Officer’s inadequate oversight of financial assistance awards at the Golden Field Office.

INDIRECT COSTS NOT PROPERLY REVIEWED PRIOR TO INVOICE APPROVAL

We substantiated the allegation that indirect costs were not properly reviewed because the Contracting Officer did not coordinate with the Procurement Compliance and Analysis Office’s CostPrice prior to approving an invoice that allowed indirect rates to increase for one recipient’s award¹, noted in the complaint. In February 2019, the Contracting Officer approved an invoice from the recipient that included approximately $122,000 of additional funding to cover an increase in its indirect rates from the prior year. By approving this retroactive adjustment, the Contracting Officer finalized indirect cost rates with the recipient directly without involving CostPrice in the review and approval process. CostPrice supports contracting officers from the Financial Assistance Office in conducting detailed reviews of a recipient’s indirect costs and rates. The Lead CostPrice Analyst holds a contracting officer’s warrant for negotiating indirect cost rates with recipients and acts as the Cognizant Federal Agency Official at the Golden Field Office who is responsible for establishing final indirect cost rates. EERE S 543.002, Cost Price Indirect Cost Rate Review & Reconciliation Standard Operating Procedure, shows that contracting officers are not responsible for negotiating and finalizing indirect rates with recipients; rather, this was CostPrice’s responsibility.

¹ The complaint included six awards related to this recipient. We selected one active award with the highest value and longest performance period to include in our review.
Without ensuring CostPrice’s review of the indirect rate increase, the Contracting Officer did not have the information necessary to determine whether the proposed or incurred indirect costs were reasonable and could not perform an adequate invoice review to ensure that costs billed were allocable, allowable, and reasonable.

**CUMULATIVE INDIRECT COSTS NOT INDEPENDENTLY TRACKED**

We substantiated one of two allegations that the Contracting Officer did not independently track the cumulative amount of indirect costs paid to recipients during the invoice review and approval process.

**Substantiated Invoice Process Allegation**

We substantiated the first allegation that the Contracting Officer did not independently track the cumulative amount of indirect costs that were paid over the life of an award during the invoice review and approval process, and as a result, the indirect cost ceiling set in the project budget was exceeded. Specifically, at the beginning of an award in October 2017, the indirect cost ceiling was set at approximately $760,000. CostPrice had stressed the importance of ensuring that the recipient reconciled its indirect costs annually, which could have been achieved by tracking the recipient’s indirect costs billed in each invoice it submitted for reimbursement. However, the recipient exceeded its indirect cost ceiling, and we did not identify evidence that the Contracting Officer had ensured that the recipient reconciled its indirect costs annually. Instead, the Contracting Officer and the subsequent Contracting Officer each approved an award modification that increased the recipient’s indirect cost ceiling by about $84,000 total to retroactively adjust the budget to match the project’s spending. The Financial Assistance Office did not request input from CostPrice prior to increasing the ceiling.

In addition, our review of documentation related to several other recipients mentioned in the complaint showed that the Contracting Officer had not independently tracked recipients’ indirect costs billed during invoice reviews. When CostPrice asked the Contracting Officer for information regarding the cumulative amount of indirect costs billed to date for four recipients, the Contracting Officer did not have any cumulative information to provide. Further, it appeared that the Contracting Officer approved an indirect rate increase and then months later seemed to be unaware that he had done so when the Contracting Officer made an inquiry to the Grants Management Specialist, asking whether the recipient had increased its rates from what it proposed at the start of the award. In addition to approving an invoice for increased indirect cost rates without proper review, as substantiated above, the invoice approval resulted in the indirect cost ceiling being exceeded. If indirect costs had been tracked, the indirect cost ceiling being exceeded could have been avoided.

We identified that the Financial Assistance Office does not require contracting officers to independently track the amount of indirect costs billed throughout the life of a financial assistance award as part of its invoice review process. Requiring an invoice tracking mechanism could have improved efficiencies to oversight controls, including increased continuity when there were staff changes in the Financial Assistance Office’s contracting officers and grants management specialist positions, as well as more effective coordination with CostPrice.
Unsubstantiated Invoice Process Allegation

We did not substantiate the second allegation that the Contracting Officer should not have approved indirect costs included in another recipient’s invoices submitted for reimbursement. Although we confirmed that indirect costs were not allocated to the proper cost category throughout the life of the award, we determined that the Contracting Officer was not responsible for the misallocation. The Contracting Officer had responsibility for this award for approximately the last 2 years of the award’s 10-year performance period. The previous Contracting Officer for this award was responsible for the misallocation of indirect costs and had recommended that the Contracting Officer continue to approve invoices with the 12.99 percent indirect rate applied to direct costs. During our inspection, we noted that the recovery of indirect costs was allowed per updated terms and conditions of the award; however, budget documents were not updated to reflect those changes. As part of the invoice review and approval process, contracting officers were responsible for ensuring that recipients complied with award terms and conditions. In this instance, we determined that the Contracting Officer’s invoice review and approval was adequate.

AWARDS NOT MODIFIED TO REFLECT INDIRECT RATE CHANGES

We substantiated one of two allegations that the Contracting Officer did not modify awards to reflect changes in indirect rates.

Substantiated Award Modification Allegation

We substantiated the first allegation that the Contracting Officer did not modify a recipient’s award to properly reflect indirect rate changes, as required. Title 2 CFR 200.211(b)(15), Information contained in a Federal Award, requires specific indirect cost rates be included in Federal awards. However, we found that the Contracting Officer had not updated award terms and conditions to reflect increased indirect cost rates and approved invoices with indirect rates that were higher than those included in the award. In December 2020, the Contracting Officer told us that management had recently provided more specific direction that awards needed to be modified with new, higher rates before the rates could be applied to invoices.

The Director of the Financial Assistance Office explained that staffing resources were limited; therefore, contracting officers were advised to prioritize procurement actions and only process modifications if the indirect rates increased but not if the rates decreased. The Director also told us that in retrospect the Financial Assistance Office should not have assigned this award to a new contracting officer given that this recipient had several awards with different rates which would be difficult to administer. In addition, the Contracting Officer’s supervisor provided guidance on updating the terms and conditions for the financial assistance award; however, the Contracting Officer told us the terms and conditions were supposed to be revised to reflect new indirect rates, but that update was accidentally overlooked. The supervisor explained that he did not review all the award files to ensure that employees completed what was asked. Instead, he conducted quality assurance oversight by conducting random file reviews.

The complaint included six awards related to this recipient. We selected one active award with the highest value and longest performance period to include in our review.
Unsubstantiated Award Modification Allegation

We did not substantiate the allegation that the Contracting Officer did not modify a different recipient’s award to properly reflect the indirect rates being billed. Although we verified that the official project budget was never properly adjusted to show that indirect costs were being charged to the recipient’s award, we determined that the award terms and conditions were not required to be updated. Because this award started in August 2010, Title 2 CFR 200.211(b)(15) was not applicable, and the criteria applicable to this award, Title 10 CFR 600, Financial Assistance Rules, does not require specific indirect cost rates be included in Federal awards.

COORDINATION PROCEDURES NOT FOLLOWED DURING NEGOTIATIONS

We substantiated one of two allegations that the Contracting Officer did not follow internal procedures related to coordinating with CostPrice during project budget negotiations.

Substantiated Project Budget Negotiation Allegation

We substantiated the first allegation that the Contracting Officer inappropriately negotiated an increase of indirect costs for a recipient because the Contracting Officer did not coordinate with CostPrice in completing the award modification. EERE G 543.001, Budget/Proposal Review — Pre-Award Guidance relating to Indirect Rates, requires contracting officers to inform CostPrice of any nonconcurrences with CostPrice’s recommendations. In completing a modification to this financial assistance agreement in January 2019, the recipient requested to reallocate approximately $666,000 from direct costs to indirect costs in its project budget. Although CostPrice recommended against allowing the recipient to increase its total amount of indirect costs, the Contracting Officer approved the reallocation and did not inform CostPrice.

We noted that EERE G 543.001 does not include specific procedures for addressing disagreements between CostPrice analysts and Financial Assistance Office personnel (e.g., documenting justifications for nonconcurrences or escalating certain disagreements with EERE management). The Director of the Financial Assistance Office, as well as the Contracting Officer’s supervisor, informed us that the Financial Assistance Office is currently trying to improve its coordination efforts with CostPrice. Without clear policies and procedures that require the Golden Field Office’s Financial Assistance Office personnel to consistently coordinate with CostPrice, funds may not be adequately protected from being disbursed to recipients for unreasonable or unallowable indirect costs.

Unsubstantiated Project Budget Negotiation Allegation

We did not substantiate the second allegation that the Contracting Officer did not follow internal procedures related to coordinating with CostPrice during project budget negotiations. Specifically, we did not substantiate that the Contracting Officer had approved subrecipient indirect costs against CostPrice’s recommendation during project budget negotiations with one recipient. The Financial Assistance Office requested CostPrice to review a proposed project

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3 The complaint included two awards that were associated with this recipient. We reviewed the award that was still active and had the most information in the complaint.
budget from a recipient’s potential subrecipient because there was a concern that the subrecipient’s indirect costs were too high with a proposed indirect rate of 230 percent. EERE § 540.130, Award Negotiation Standard Operating Procedure, requires potential subrecipients with project costs exceeding $250,000 to submit a separate budget justification to the EERE for review. The EERE was required to review the potential subrecipient’s budget because it was more than $250,000. In July 2020, CostPrice recommended that the Contracting Officer question the reasonableness of the subrecipient’s budget and implement an indirect cost ceiling to decrease the amount of allowable indirect costs of the subrecipient’s budget from 70 percent to 40 percent. We discussed the potential subrecipient’s budget with the Grants Management Specialist and the Contracting Officer in December 2020, and both agreed that the subrecipient’s budget had not been approved. As of May 2021, there was a different Contracting Officer assigned to oversee the recipient’s award.

AUDIT FINDINGS WERE ADDRESSED

We did not substantiate the allegation that the Contracting Officer disregarded audit findings related to labor hours and continued to pay for project costs that were most likely unsupported for two awards with the same recipient. According to the Department of Energy’s Guide to Financial Assistance, contracting officers are responsible for placing new controls on recipients that had negative audit findings during a project period. After CostPrice notified the Contracting Officer of adverse findings from an ongoing audit, the Contracting Officer’s initial response was to wait for the conclusion of the audit to determine how best to proceed. However, after additional communication between the Contracting Officer and CostPrice regarding the findings, the Contracting Officer implemented CostPrice’s recommended actions to put controls in place for the recipient’s awards. The Contracting Officer sent official letters to inform the recipient that there would be a decrement applied to the recipient’s labor costs because the audit revealed the recipient had not tracked its actual labor hours spent on awards, as required. Further, we found that the Contracting Officer did not approve any invoices after being notified of the adverse audit findings until the recipient submitted invoices that included retroactive decrements applied for unsupported labor costs.

IMPACT AND PATH FORWARD

By employing more efficient coordination efforts and budget tracking procedures, the EERE can help ensure that recipients are performing effectively, and that the Government pays only for allowable, allocable, and reasonable costs applicable to financial assistance awards. Awards need to be up-to-date, and financial assistance spending needs to be carefully reviewed to ensure that all recipients are in full compliance with the CFR and Department and EERE policies and guidance. Award management is a shared responsibility among multiple EERE entities, including the Financial Assistance Office and the Procurement Compliance and Analysis Office, and increased coordination is needed for more effective oversight of indirect rates and indirect costs paid to recipients. For three awards included in our inspection, indirect costs accounted for approximately one-third of the total project budget, if not more. This is particularly important at a time when EERE financial assistance award funding is anticipated to increase significantly in the future with the new administration’s focus on renewable energy investments.
In October 2020, the Golden Field Office issued guidance, *CostPrice Desk Guide & Best Practices for Financial Assistance*, which provides detailed information about the proper oversight of indirect cost management for recipients throughout the life of a financial assistance award, including coordination efforts with CostPrice regarding indirect cost reviews. When *CostPrice Desk Guide & Best Practices for Financial Assistance* was issued, it replaced EERE S 543.002 and EERE G 543.001. CostPrice conducted a series of voluntary trainings in 2021 aimed at educating the Golden Field Office’s employees about indirect cost management. While we agree that *CostPrice Desk Guide & Best Practices for Financial Assistance* will be a helpful resource, it is not considered an official policy; therefore, the procedures in this document are not required.

**RECOMMENDATIONS**

We recommend that the Acting Assistant Secretary, EERE, work with the Director, Golden Field Office to:

1. Require Financial Assistance Office personnel to consistently coordinate with CostPrice on matters that concern recipients’ indirect costs and indirect rate management.

2. Modify Financial Assistance Office invoice review policies to include independently tracking cost categories throughout the life of financial assistance awards.

3. Establish and implement more formalized quality assurance procedures to better ensure that awards are up to date, and recipients are complying with award terms and conditions related to indirect costs.


**MANAGEMENT RESPONSE**

Management concurred with our recommendations and stated proposed actions will be completed by July 1, 2022. Management stated that any deviation from the *CostPrice Desk Guide & Best Practices for Financial Assistance* will require written justification with appropriate concurrence and must be documented in the award file.

Management comments are included in Appendix 3.

**INSPECTOR COMMENTS**

Management’s comments and corrective actions are responsive to our recommendations.
Appendix 1: Objective, Scope, and Methodology

OBJECTIVE

We initiated this inspection to determine the facts and circumstances regarding the alleged Contracting Officer’s inadequate oversight of financial assistance awards at the Golden Field Office.

SCOPE

The inspection was performed from October 2020 through August 2021. There were 6 financial award recipients mentioned in the complaint, representing a total of 14 awards and nearly $46.5 million in obligated award funds. We selected 7 of the 14 awards, representing nearly $30 million of the $46.5 million in total obligated award funds, to include in our inspection scope for review. The inspection was conducted under Office of Inspector General project number S21DN004.

METHODOLOGY

To accomplish our inspection objective, we:

- Reviewed Federal regulations, Department of Energy guidance, and Office of Energy Efficiency and Renewable Energy policies and procedures;

- Identified related reports from the Office of Inspector General and the U.S. Government Accountability Office;

- Held discussions with the Golden Field Office’s personnel from the Financial Assistance Office, Procurement Compliance and Analysis Office, and an Office of Energy Efficiency and Renewable Energy program office;

- Reviewed documentation (e.g., email correspondence, indirect rate agreements, recipients’ financial assistance agreements, and budgets);

- Conducted a limited invoice review for four of the six recipients included in our scope; and

- Reviewed supporting documentation provided by the complainant.

We conducted our inspection in accordance with the Quality Standards for Inspection and Evaluation (January 2012) as put forth by the Council of the Inspectors General on Integrity and Efficiency. We believe that the work performed provides a reasonable basis for our conclusions.

Management officials waived an exit conference on October 7, 2021.
Office of Inspector General

- Audit Report on *Management of Selected Financial Assistance Agreements under the Wind Program* (DOE-OIG-19-05, November 2018). The report found that the Office of Energy Efficiency and Renewable Energy (EERE) had not always effectively monitored project costs for one of the two recipients’ financial assistance awards reviewed. Specifically, the recipient had not sufficiently managed its indirect and fringe costs because it did not annually reconcile, or true-up, its provisional billing rates with actual indirect and fringe costs incurred throughout the performance period. As a result, indirect and fringe costs were overstated by approximately $3.2 million from 2013 through 2015. We also found that the EERE did not ensure that the recipient annually trued-up the indirect and fringe costs due to insufficient coordination among the three EERE groups that managed the award: the Financial Assistance Office, the Wind Program, and the Risk Management and Audit Oversight Group. In response to the report’s recommendations, EERE officials agreed that increased coordination between these three groups would be beneficial and stated that they had taken several steps to improve coordination. The report also recommends that the EERE incorporate a step into its invoice review process to ensure that indirect and fringe costs are reconciled annually. EERE management partially concurred with this recommendation, noting that the invoice review process should be used to verify that the indirect cost reconciliations were completed; however, it did not agree that the invoice review was the appropriate control to ensure indirect costs were reconciled annually.

U.S. Government Accountability Office

- Audit Report on *Department of Energy: Use of Leading Practices Could Help Manage the Risk of Fraud and Other Improper Payments* (GAO-17-235, March 2017). The report found that the Department of Energy does not have a department-wide invoice review policy or well-documented procedures at five of the six sites reviewed. Department Contracting Officers are responsible for ensuring that contract invoices are properly reviewed and analyzed prior to payment, but the Department’s Offices of the Chief Financial Officer and Acquisition Management only provide them with tools and guidance and not specific policies or procedures. The Department’s *Acquisition Guide* contains a chapter that discusses reviewing and approving invoices, but these are general guiding principles for approving officials to consider when reviewing and analyzing cost elements included in contract invoices and do not contain the detail necessary to serve as an operating procedure. Due to this lack of policy and procedures, the report noted that the Department has no assurance that control activities at these sites are operating as intended. The report also found that the Department’s ability to conduct comprehensive invoice reviews is limited by the large number of transactions associated with individual invoices and the limited amount of time the Department has to submit payment after receipt of an invoice. As an example, the U.S. Government Accountability Office noted one contractor submits biweekly invoices that average over 10,000 transactions and the terms of the contract specify that the Department has 10 business days to submit payment. The report recommends that the Department establish a department-wide invoice review policy that includes requirements
for sites to establish well-documented invoice review operating procedures. As of July 2021, this recommendation remained open.
Appendix 3: Management Comments

MEMORANDUM FOR: Anthony Cruz
Assistant Inspector General for Inspections,
Intelligence Oversight, and Special projects
Office of Inspector General

FROM: Derek G. Passarelli
Head of Contracting Activity
Director, Golden Field Office
Office of Energy Efficiency and Renewable Energy

SUBJECT: Response to the Inspection Report on “Financial Assistance Allegations at the Golden Field Office” (IG-60 S21 DN004)

Summary of the Golden Field Office Position:


We recognize that even the most effective programs can benefit from an external evaluation and appreciate the input of the OIG as we continue to work to strengthen our programs and processes. Golden is in concurrence with the findings and recommendations identified in the report. Specific responses to your recommendations are provided below.

Response to Recommendations

RECOMMENDATION #1: Require Financial Assistance Office personnel to consistently coordinate with CostPrice on matters that concern recipients’ indirect costs and indirect rate management.

GOLDEN RESPONSE: Golden concurs with the recommendation.

of a financial assistance award and coordination between the Financial Assistance Office (FAO) and Procurement Compliance and Analysis Office (PCAO)-CostPrice.

Golden will further update the CostPrice Guide to clarify the Head of Contracting Activity’s (HCA) expectations for coordination between PCAO-CostPrice and FAO. Further, the CostPrice Guide will be updated to include an HCA statement and approval, establishing the CostPrice Guide as the HCA’s general views of appropriate practices. Any deviation from the guidance will require written justification with appropriate supervisory concurrence and must be documented in the award file. Golden will have these actions completed by July 1, 2022.

RECOMMENDATION #2: Modify Financial Assistance Office invoice review policies to include independently tracking cost categories throughout the life of financial assistance awards.

GOLDEN RESPONSE: Golden concurs with the recommendation.

Golden will update its policies and procedures, including the invoice review policies documented in EERE S 413.130 Financial Assistance Invoice Approval SOP, to include independently tracking cost categories throughout the life of selected financial assistance awards based upon EERE’s assessment of risk. Golden will have these actions completed by July 1, 2022.

RECOMMENDATION #3: Establish and implement more formalized quality assurance procedures to better ensure that awards are up to date, and recipients are complying with award terms and conditions related to indirect costs.

GOLDEN RESPONSE: Golden concurs with the recommendation.

Golden will update its policies and procedures to enhance procedures requiring review of recipient compliance with award terms and conditions related to indirect costs prior to paying an invoice. Policies and procedures to be updated include EERE S 413.130 Financial Assistance Invoice Approval SOP and the CostPrice Guide. Golden will have these actions completed by July 1, 2022.

RECOMMENDATION #4: Establish procedures for Financial Assistance Office personnel to document explanations for deviations from CostPrice’s recommendations.

GOLDEN RESPONSE: Golden concurs with the recommendation.

Golden will update the CostPrice Guide to clarify the HCA’s expectations for coordination between PCAO-CostPrice and FAO, to include requirements for addressing disagreements between PCAO-CostPrice and FAO personnel. Further, the CostPrice Guide will be updated to include an HCA statement and approval, establishing the CostPrice Guide as the HCA’s general views of appropriate practices. Any deviation from the guidance will require written justification with appropriate supervisory concurrence and must be documented in the award file. Golden will have these actions completed by July 1, 2022.
FEEDBACK

The Office of Inspector General has a continuing interest in improving the usefulness of its products. We aim to make our reports as responsive as possible and ask you to consider sharing your thoughts with us.

Please send your comments, suggestions, and feedback to OIG.Reports@hq.doe.gov and include your name, contact information, and the report number. You may also mail comments to us:

Office of Inspector General (IG-12)
Department of Energy
Washington, DC 20585

If you want to discuss this report or your comments with a member of the Office of Inspector General staff, please contact our office at 202–586–1818. For media-related inquiries, please call 202–586–7406.