



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

Special Report

The Department of Energy's Transportation Electrification Program



OAS-RA-12-11

May 2012



Department of Energy
Washington, DC 20585

May 10, 2012

MEMORANDUM FOR THE DEPUTY ASSISTANT SECRETARY FOR ENERGY
EFFICIENCY

FROM: *Joanne Hill*
Joanne Hill, Director
Central Audits Division
Office of Inspector General

SUBJECT: INFORMATION: Special Report on "The Department of Energy's
Transportation Electrification Program"

INTRODUCTION

The Department of Energy established the Transportation Electrification Program (Program) to demonstrate and evaluate the deployment of plug-in hybrid vehicles and their associated infrastructure needs. Funded by the American Recovery and Reinvestment Act of 2009, the Program provided about \$400 million to 18 grant recipients—12 non-profit entities and 6 for-profit entities. The grants are intended to further the development of the plug-in hybrid electric vehicle industry in the United States; ensure achievement of the President's goal to have one million of these vehicles on the road by 2015; and, create thousands of jobs.

The Department has faced challenges with ensuring adequate oversight of the financial condition of grant recipients. Specifically, in our audit [Solar Technology Pathway Partnerships Cooperative Agreements](#) (OAS-M-11-02, March 2011), we noted the Department had not ensured recipients complied with requirements regarding obtaining and reviewing annual audits of costs incurred by recipients. Because of the importance of the Recovery Act and the previous problems identified in this area, we initiated this review to evaluate whether the Department obtained and reviewed financial and compliance audits of the Program's six for-profit recipients and their reports on costs incurred under the grants.

RESULTS

The Department could improve its financial management of the Program. Specifically, the Department had not obtained and reviewed required financial and compliance audits and cost reports for the Program's six for-profit recipients to determine the financial condition of the recipients; the reasonableness of costs expended under their awards; and, the adequacy of internal controls and compliance with laws and regulations.

Audit Requirements

At the time of our review, the Department had neither obtained nor reviewed required financial and compliance audits of the Program's six for-profit recipients and their reports on costs incurred under the grants. Specifically, the Department had not:

- Ensured that recipients had completed independent audits as required by Federal regulations (10 CFR 600.316). In fact, as of May 2011, the Department had neither obtained nor reviewed such audits for any of the six for-profit recipients, even though all the grants were awarded by May 2010. Under Federal regulations, for-profit financial assistance recipients are required to obtain an independent audit each year they spend more than \$500,000 in Federal awards. The audits must determine and report on whether recipients have internal control structures in place that provide reasonable assurance that they have complied with Federal regulations and the terms and conditions of the awards. In addition, the audits must include testing a sample of Federal award expenditures and generally should be made a part of the regularly scheduled annual audit of the recipient's financial statements. During our review, the Department requested audit reports from its six for-profit recipients and as of February 2012, had obtained five reports.
- Requested and reviewed cost reports to determine the allowability of costs as required by Federal regulations (10 CFR 600.317). The terms and conditions of the awards for two of the for-profit recipients did not require submission of cost reports to the Department. The other four for-profit recipients were required to submit annual cost reports under the terms and conditions of their awards. Subsequently, Department officials requested and received the required reports from these four recipients over the course of our review. Because of delays in receiving cost information, we did not review recipient costs for allowability.

Initially, Department officials acknowledged they were unaware of whether recipients had received independent audits or submitted cost reports. Additionally, Department officials told us that they had not established a process to track, collect, review and follow-up on the receipt of required audits. Officials also explained that they had not obtained audits of financial statements, internal controls and compliance with laws and regulations because, in the past, the guidance on audit requirements related to for-profit recipients was not clear. Our prior report, *Solar Technology Pathway Partnerships Cooperative Agreements*, described the lack of guidance on reporting requirements related to for-profit recipients and recommended that the Department revise its guidance. The Department issued its final version of the updated guidance on audits of for-profit recipients and subrecipients in February 2011 requiring that entities expending more than \$500,000 per year obtain an audit for that year by an independent auditor.

SUGGESTED ACTIONS

Department officials began to take action to address identified issues during our review. Therefore, no formal recommendations are being made in this report. However, the Program's

experience in ensuring sufficient financial information is available to monitor recipients' financial performance provides valuable lessons learned for future Department projects. Accordingly, we suggest that the Deputy Assistant Secretary for Energy Efficiency:

- Develop a system to track the receipt and review of required audits and annual cost reports for the Program.

Because no formal recommendations are being made in this report, a formal response is not required. An exit conference was held with management on February 16, 2012.

We appreciated the cooperation of staff during this review.

cc: Deputy Secretary
Associate Deputy Secretary
Acting Under Secretary for Energy
Assistant Secretary for Energy Efficiency and Renewable Energy
Chief of Staff

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