



U.S. Department of Energy
Office of Inspector General
Office of Audit Services

Audit Report

The Department of Energy's
American Recovery and
Reinvestment Act – Georgia State
Energy Program



OAS-RA-L-10-06

September 2010

Memorandum

DATE: September 15, 2010 Audit Report Number: OAS-RA-L-10-06

REPLY TO
ATTN OF: IG-32 (A10RA011)

SUBJECT: Report on "The Department of Energy's American Recovery and Reinvestment Act – Georgia State Energy Program"

TO: Acting Program Director, Weatherization and Intergovernmental Program,
Office of Energy Efficiency and Renewable Energy

INTRODUCTION AND OBJECTIVE

The Department of Energy's (Department) Office of Energy Efficiency and Renewable Energy (EERE) provides grants to states, territories and the District of Columbia (states) to support their energy priorities through the State Energy Program (SEP). Federal funding is based on a grant formula that considers the population and energy consumption in each state, and amounted to \$25 million for Fiscal Year (FY) 2009. The American Recovery and Reinvestment Act of 2009 (Recovery Act) expanded the SEP by authorizing an additional \$3.1 billion to states using the existing grant formula. EERE made grant awards to states after reviewing plans that summarize the activities each state will undertake to achieve SEP Recovery Act objectives, including preserving and creating jobs; saving energy; increasing renewable energy sources; and, reducing greenhouse gas emissions. EERE program guidance emphasizes that states are responsible for administering the SEP within each state, and requires each state to implement internal controls over the use of Recovery Act funds.

The State of Georgia received \$82.5 million in SEP Recovery Act funds; a 78-fold increase over its FY 2009 SEP grant of approximately \$1.1 million. Georgia's SEP is managed by the Energy Division of the Georgia Environmental Facilities Authority (GEFA). As part of the Office of Inspector General's strategy for reviewing the Department's implementation of the Recovery Act, we initiated this review to determine if GEFA had internal controls in place to provide assurance that the goals of the SEP and the Recovery Act will be accomplished efficiently and effectively.

CONCLUSION AND OBSERVATIONS

We found that GEFA was substantially in compliance with major Recovery Act requirements for SEP projects. For example, we found that GEFA had established a SEP funding strategy, was generally in compliance with Recovery Act reporting guidelines, had segregated Recovery Act costs and had ensured that Recovery Act requirements were included in subcontracts. In addition, we determined that GEFA had established technical and fiscal monitoring plans for its SEP Recovery Act funded projects.

Georgia's Funding Strategy

Georgia's strategy for its \$82.5 million in Recovery Act SEP funding focused primarily on state facility retrofits with the remaining funds being utilized for rebate, grant, and monitoring programs. For example, GEFA entered into Intergovernmental Agreements with the Construction Division of the Georgia State Financing and Investment Commission (GSFIC) and the Board of Regents of the University System of Georgia (BOR) to administer the State Facilities Retrofit Program (Retrofit Program). GEFA allocated \$64 million of the \$82.5 million in Recovery Act SEP funds to the Retrofit Program- \$36 million for GSFIC and \$28 million for BOR – to offset the incremental cost of energy efficient retrofits and renewable energy equipment in state government facilities. The remaining \$18.5 million in Recovery Act SEP funds will be administered by GEFA to support a Clean Energy Rebate Program, Renewable Energy and Energy Efficiency Grants Programs, program management expenses and a building code update program.

Recovery Act Compliance

GEFA submitted quarterly reports to EERE that included appropriate Recovery Act information such as funds expended and milestones achieved. In addition GEFA segregated Recovery Act costs by establishing separate accounts for those costs, which we verified through review of GEFA's financial documentation. Finally, GEFA ensured that Recovery Act requirements were included in subcontracts. Specifically, provisions regarding access to records by oversight organizations, open competition for contracts, and separate accounting for Recovery Act funds were appropriately flowed down to contractors.

Technical Monitoring Plan

GEFA acted to implement technical monitoring programs for its Recovery Act funded SEP projects. Specifically, the Intergovernmental Agreements with GSFIC and BOR require on-site inspection and/or status reports during performance, a final inspection by an inspector or design professional upon project completion, and a measurement and verification program to validate energy savings. For the remaining SEP programs, GEFA has prepared a draft monitoring plan which outlines its intention to obtain technical monitoring services. In particular, the draft monitoring plan states that GEFA will issue a technical monitoring Request for Proposal from which either an individual or an organization will be selected to evaluate technical aspects of SEP projects. It also lists elements that will be reviewed during both desk and field monitoring for SEP projects.

Fiscal Monitoring Plan

GEFA developed a monitoring plan for fiscal oversight of the \$82.5 million in SEP Recovery Act funds it received. Specifically, GEFA hired one fiscal monitor to perform financial audits of projects based on risks such as the level and type of expenditure, size of the subgrantee's business operation, and level of funding. The fiscal auditor is also

responsible for monitoring the Weatherization Assistance Program and Energy Efficiency and Conservation Block Grants, and has expressed concern as to his ability to effectively monitor such a large amount of funding. EERE has advised grantees that the substantial expansion of SEP program funds requires a new level of oversight to ensure that resources are used in an appropriate manner. Accordingly, GEFA plans to hire an assistant to support fiscal monitoring efforts. In addition, as required by their Intergovernmental Agreements, GISFIC and BOR are developing their fiscal monitoring approaches which will include processes such as invoice reviews. GEFA's fiscal auditor plans to rely on their work if it is deemed acceptable.

Since no formal recommendations are being made in this report, a formal response is not required. We appreciated the cooperation of the various Department elements and the staff at GEFA during this effort.



David Sedillo, Director
NNSA & Science Audits Division
Office of Inspector General

Attachment

cc: Director, Office of Risk Management, CF-80
Team Leader, Office of Risk Management, CF-80
Audit Resolution Specialist, Office of Risk Management, CF-80
Audit Liaison, Energy Efficiency and Renewable Energy, EE-3A
Audit Liaison, National Energy Technology Laboratory

SCOPE AND METHODOLOGY

The audit was performed between January 2010 and July 2010. We conducted work at the Georgia Environmental Facilities Authority in Atlanta, Georgia.

To accomplish the audit objective, we:

- Reviewed laws and regulations, State Energy Program Formula Grants Recovery Act Funding Opportunity, and Office of Management and Budget policies and procedures relevant to the management of the Department of Energy's (Department) Energy Efficiency and Renewable Energy American Recovery and Reinvestment Act of 2009 (Recovery Act) funding;
- Reviewed grant award files, terms and conditions, and correspondence documents;
- Held discussions with Georgia and Department officials;
- Reviewed Georgia's State Energy Program (SEP) Recovery Act state plan and the methodology used for the assumptions in the state plan;
- Reviewed prior SEP grants, policies and procedures for managing SEP projects, requests for proposals; and,
- Performed transaction testing for SEP Recovery Act transactions.

We conducted this performance audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We assessed the significant internal controls and found no significant weaknesses. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. We did not rely upon computer processed data to accomplish our audit objective.

State of Georgia and Department officials waived an exit conference.

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