



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

# Examination Report

Commonwealth of Puerto Rico  
Energy Affairs Administration –  
Energy Efficiency and Conservation  
Block Grant Program Funds  
Provided by the American Recovery  
and Reinvestment Act of 2009



OAS-RA-13-27

July 2013



**Department of Energy**  
Washington, DC 20585

July 15, 2013

**MEMORANDUM FOR THE ASSISTANT SECRETARY, ENERGY EFFICIENCY AND  
RENEWABLE ENERGY**

A handwritten signature in black ink, appearing to read "Rickey R. Hass".

**FROM:** Rickey R. Hass  
Deputy Inspector General  
for Audits and Inspections  
Office of Inspector General

**SUBJECT:** INFORMATION: Examination Report on "Commonwealth of Puerto Rico Energy Affairs Administration – Energy Efficiency and Conservation Block Grant Program Funds Provided by the American Recovery and Reinvestment Act of 2009"

**BACKGROUND**

The attached report presents the results of an examination of the Commonwealth of Puerto Rico Energy Affairs Administration's (Agency) implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act) Energy Efficiency and Conservation Block Grant (EECBG) Program. The Office of Inspector General contracted with an independent certified public accounting firm, Lopez and Company, LLP, to express an opinion on the Agency's compliance with Federal and Commonwealth of Puerto Rico laws, regulations and program guidelines applicable to the EECBG Program.

The Recovery Act was enacted to promote economic prosperity through job creation and encourage investment in the Nation's energy future. As part of the Recovery Act, the EECBG Program received \$3.2 billion to develop, promote, implement and manage energy efficiency and conservation projects and programs designed to reduce fossil fuel emissions, reduce total energy use of the eligible entities, and improve energy efficiency in the transportation, building and other appropriate sectors. The Agency received a \$9.6 million formula EECBG grant award that was to be expended over a 3-year period from September 21, 2009 through September 20, 2012. The Agency requested and received an extension of its grant to March 31, 2013.

**RESULTS OF EXAMINATION**

Lopez and Company, LLP, expressed the opinion that except for the significant deficiencies described in its report, the Agency complied in all material respects with the aforementioned requirements and guidelines relative to the EECBG Program for the period September 21, 2009 through December 31, 2011.

Specifically, the Agency did not know the status of and had not maintained supporting documentation for four cash advances totaling \$449,000 to ensure funds were used for allowable

costs. While the Agency ultimately provided the supporting documentation after multiple requests and over a year later, Lopez and Company, LLP, found two of the four sub-grantees had not expended funds totaling \$367,116 within 3 days as required by Federal regulations. Further, based on a review of two Agency quarterly job reports, Lopez and Company, LLP, found that the documentation maintained for one quarter did not agree with the Agency's report and for another quarter, the support did not contain information on all sub-grantees needed to conclude on the accuracy of the report.

The report also included an advisory comment that represents a control deficiency that came to Lopez and Company, LLP's attention that was not significant enough to adversely affect the Agency's ability to record, process, summarize and report data reliably. Specifically, the Agency could not support the estimates used to allocate \$242,258 of administrative labor costs charged to the EECBG grant. Advisory comments are offered to Agency management as an opportunity for improvement.

The report made recommendations to the Agency to improve the administration of its EECBG Program. The Agency provided comments that generally did not agree with the findings and did not specifically respond to the recommendations. As such, the Department of Energy (Department) needs to pursue with the Agency, the matters discussed in the report and its plans to improve administration of its EECBG Program.

#### RECOMMENDATION

We recommend that the Assistant Secretary for Energy Efficiency and Renewable Energy:

- Require the Agency to improve the administration of its EECBG Program by ensuring the Agency implements the recommendations outlined in the report.

#### DEPARTMENT COMMENTS AND AUDITOR RESPONSE

The Department expressed concurrence with our recommendation and with Lopez and Company, LLP's report findings and recommendations. The Department stated it was working with the Agency to ensure all corrective actions are resolved during the grant closeout process. The Department requested detailed support to substantiate the administrative costs and noted it would ensure sub-recipient monitoring policies and procedures were appropriately applied. In addition, the Department would ensure that job reporting data for prior quarters are recalculated to reflect complete information and assist the Agency in adjusting prior reports, if necessary.

The Department's comments were responsive to our recommendation.

#### EXAMINATION-LEVEL ATTESTATION

Lopez and Company, LLP, conducted its examination in accordance with attestation standards established by the American Institute of Certified Public Accountants, as well as those additional standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The examination-level procedures included gaining an understanding of the

Agency's policies and procedures and reviewing applicable Program documentation. The procedures also included an analysis of activity progress, reimbursement drawdown requests, and compliance with required reporting. Finally, an analysis of associated expenditure data was conducted to test the allowability of payments.

The Office of Inspector General monitored the progress of the examination and reviewed the report and related documentation. Our review disclosed no instances in which Lopez and Company, LLP, did not comply, in all material respects, with the attestation requirements. Lopez and Company, LLP, is responsible for the attached report dated April 18, 2013, and the conclusions expressed in the report.

Attachment

cc: Deputy Secretary  
Acting Under Secretary of Energy  
Chief of Staff



EXAMINATION REPORT ON COMPLIANCE

OF

Recovery Act Energy Efficiency and Conservation Block Grant Program

Commonwealth of Puerto Rico – Energy Affairs Administration

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PERFORMED FOR

U.S. DEPARTMENT OF ENERGY  
OFFICE OF INSPECTOR GENERAL

Prepared by

Lopez and Company, LLP

Report Date: April 18, 2013

CONTRACT NUMBER: DE-IG0000017

WORK ORDER NUMBER: 2011-07

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## INDEPENDENT ACCOUNTANT'S REPORT

To the Inspector General,  
Department of Energy:

We have examined the Commonwealth of Puerto Rico Energy Affairs Administration's (Agency) compliance with Federal and Commonwealth of Puerto Rico laws, regulations, and program guidelines applicable to the American Recovery and Reinvestment Act of 2009 (Recovery Act) Energy Efficiency and Conservation Block Grant (EECBG) Program for the period of September 21, 2009 through December 31, 2011. The Agency is responsible for administering the EECBG Program for the Commonwealth of Puerto Rico, in compliance with these laws, regulations, and program guidelines. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the U.S. Government Accountability Office; and, accordingly, included examining, on a test basis, evidence supporting management's compliance with relevant EECBG Program Federal and Commonwealth laws, regulations, and program guidelines; and performing other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Agency's compliance with specified requirements.

Because of inherent limitations in any internal control structure or financial management system, noncompliance due to error or fraud may occur and not be detected. Also, projections of any evaluation of compliance to future periods are subject to the risk that the internal control structure or financial management system may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate.

In our opinion, except for the weaknesses described in Section IV of this report, the Agency complied in all material respects with the aforementioned requirements and guidelines relative to the EECBG Program for the period September 21, 2009 through December 31, 2011. Our report includes an advisory comment that represents a control deficiency that came to our attention that was not significant enough to adversely affect the Agency's ability to record, process, summarize and report data reliably; advisory comments are offered to Agency management as an opportunity for improvement.



Lopez and Company, LLP  
Chino Hills, California  
April 18, 2013

## **Section I Description of the Commonwealth of Puerto Rico Energy Affairs Administration**

The Energy Affairs Administration (Agency) is dedicated to ensuring a sustainable energy future for the citizens of the Commonwealth of Puerto Rico (Commonwealth). The Agency works to increase energy efficiency, promote and increase the use of renewable energy and alternative fuels, along with serving as the principal source of information for these energy areas throughout the Commonwealth.

Under the Energy Efficiency and Conservation Block Grant (EECBG) Program, grantees receive assistance in developing, promoting, implementing and managing energy efficiency and conservation projects and programs. These projects and programs are designed to reduce fossil fuel emissions, reduce total energy use of the eligible entities, and improve energy efficiency in the transportation, building, and other appropriate sectors. As part of the American Recovery and Reinvestment Act of 2009 (Recovery Act), the U.S. Department of Energy's (Department) Office of Energy Efficiency and Renewable Energy received \$3.2 billion in EECBG Program funding. Of this amount, \$2.7 billion was awarded through formula grants and \$454 million was allocated through competitive grants.

The Agency received a \$9.6 million formula EECBG grant award, which was to be expended over a 3-year period from September 21, 2009 through September 20, 2012. It allocated these funds to 38 municipalities, 3 governmental agencies, and various community-based organizations to reduce energy usage at buildings and facilities owned by governmental and community based organizations. The Agency requested and received an extension of its grant to March 31, 2013.

## **Section II Classification of Findings**

### **Material Weakness**

For purposes of this engagement, a material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the subject matter will not be prevented or detected.

### **Significant Deficiency**

For purposes of this engagement, a significant deficiency is a deficiency in internal control, or combination of deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report data reliably in accordance with the applicable criteria or framework, such that there is more than a remote likelihood that a misstatement of the subject matter that is more than inconsequential will not be prevented or detected.

### **Advisory Comment**

For purposes of this engagement, an advisory comment represents a control deficiency that is not significant enough to adversely affect the Agency's ability to record, process, summarize, and report data reliably.

Advisory comments presented, if any, represent matters that came to our attention during the course of the review, and are offered to the Agency's management as an opportunity for improvement. The advisory comments are provided along with recommendations and discussion of the significance of the comments.

## **Section III Summary of Findings**

### **Area/Finding**

#### **Significant Deficiencies**

##### Grants Management

IV.1 Oversight over Cash Advances to Sub-Grantees

##### Financial Management and Reporting

IV.2 Reporting of Jobs Created/Retained Lacks Sub-Grantee Information

#### **Advisory Comment**

##### Allowable Costs

IV.3 Lack of Documentation in Support of Administrative Charges

## **Section IV Schedule of Findings**

### **Grants Management**

#### IV.1 Oversight over Cash Advances to Sub-Grantees (Significant Deficiency)

##### **Condition**

During our review of 20 Agency cash drawdowns from the U.S. Department of the Treasury and related disbursements to sub-grantees, we noted the Agency did not know the status of and had not maintained supporting documentation for 4 cash advances totaling \$449,000 to ensure funds were used for allowable costs. After multiple requests and over a year later, the Agency provided documentation supporting disbursements of the advanced funds for allowable costs. However, we found 2 of the 4 sub-grantees had not expended funds totaling \$367,116 within 3 days as required by Federal regulations, and instead held a majority of the funds for several months. In fact, one sub-grantee received a cash advance totaling \$280,000 in November 2011 that was not fully disbursed until July 2012, or 254 days later. The second sub-grantee received an advance of \$87,116 in October 2011 that was not fully disbursed until April 2012, or 123 days later.

EECBG Program Guidance 10-013, regarding cash advances, requires grantees and sub-grantees to minimize the time elapsed between the transfer of the funds and their disbursement. The Program Guidance also notes that State grantees should not draw down funds unless they anticipate disbursing the funds within 3 working days. Further, States must ensure that sub-grantees substantially conform to the same standards of timing for cash advances. In addition, Federal regulations require grantees to "monitor the use of funds that are drawn down for any advances to sub-grantees." A review of the grant agreements between the Agency and its sub-grantees notes each month the sub-grantee "must submit an explained draw down invoice detailing the expenses incurred and paid with grant funds for the approved project." Additionally, Office of Management and Budget (OMB) Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments* requires grant recipients to maintain adequate expenditure documentation so allowability of such costs can be determined.

##### **Cause**

Although the Agency ultimately provided the supporting documentation for the four advances, the Agency had not provided sufficient oversight of its sub-grantees for compliance with Federal requirements involving advances because it had not established an adequate sub-grantee monitoring program. Specifically, we examined Agency files for 20 of its 48 sub-grantees, and found that while the files did contain initial grant documents such as budgets and points of contact information, 70 percent of the files examined had no indication of what, if any, Agency monitoring had occurred, such as progress reports from the sub-grantees on projects. During discussions with the Program Manager, he asserted that he had communicated with sub-grantees through telephone calls and had made site visits to some of the grants; however, there was no evidence in the files and he could not produce documentation to substantiate this assertion.

## **Section IV Schedule of Findings (Cont.)**

Further, the Agency may not have sufficient resources assigned to the program to ensure adequate monitoring. The Program Manager noted he was the only full-time person assigned to the Program even though the Agency's monitoring policies and procedures clearly noted roles and responsibilities of other personnel as part of the Program. The Program Manager further indicated he could utilize staff from other programs when needed but we saw no evidence such personnel had been used for EECBG sub-grantee monitoring activities.

EECBG Program Guidance 10-07 requires each grantee to develop its own sub-grantee monitoring process. The Agency's Operational Policies and Procedures manual formalized the sub-grantee monitoring program. The manual required the Agency to conduct on-site and desk monitoring and that files contain all data applicable to the sub-grantees including written and verbal communications, desk monitoring results, site inspection reports, and monthly/quarterly reports used to report the status of each sub-grant to the Department of Energy.

### **Effect**

Without an adequate monitoring program, the nearly \$7.4 million allocated to the sub-grantees and in particular, cash advances, may subject those funds to fraud, waste, and abuse.

### **Recommendation**

We recommend the Agency:

- 1.1 Review the allocation of resources to the EECBG Program to ensure the Agency is sufficiently monitoring sub-grantees in accordance with Federal requirements and its own policies and procedures.

### **Management Response**

The Agency partially concurred with the finding. They did agree that for certain sub-grantees a portion of the funds was not expended within the required period, however, they disagreed that the Agency had failed to adequately monitor the funds allocated to the sub-grantees. They noted that the Agency had developed a monitoring guide, formalized through its Operational Policies and Procedures Manual, which provided a framework for monitoring activities of Federal funds. They stated that the Program Manager had established these monitoring activities through electronic methods, which created a record according to the manual.

### **Auditor Response**

The Agency's comments were generally responsive to the finding and recommendation. We acknowledged in the report that the Agency had documented a sub-grantee monitoring program through its policies and procedures; however, we noted there was little evidence (written or electronic) provided by the Program Manager to document that such a program had been adequately implemented.

## **Section IV Schedule of Findings (Cont.)**

### **Financial Management and Reporting**

#### IV.2 Reporting of Jobs Created/Retained Lacks Sub-Grantee Information (Significant Deficiency)

##### **Condition**

During our review of two Agency quarterly job reports, we noted the supporting documentation maintained for one quarter either did not agree with the Agency's report or was incomplete. For the quarter ending December 31, 2011, we found the Agency had only reported jobs based on its own staff and omitted to report the job data from its sub-grantees even though the Agency had received such data. Additionally, for the other quarter we reviewed, the supporting documentation was not complete for us to determine the accuracy of the reported job figure. Specifically, in the quarter ending September 30, 2011, the Agency only had documentation showing 23 of its 48 sub-grantees had been compiled.

The Agency is required by OMB Guidance M-10-08 to ensure timely, complete, and effective reporting under Section 1512 of the Recovery Act. Further, EECBG Program Guidance 10-07C notes job reports are due on the 10th day after the quarter, and from the 11th thru the 21st day, recipients can correct significant reporting errors or omissions. From the 33rd thru 75th day, corrections can be made during what is known as a continuous quality assurance (QA) period.

##### **Cause**

The Agency was aware that its reporting was not initially complete or effective but failed to use the correction period available for amending its reports. For the September 30, 2011 report, the Program Manager offered no explanation why the remaining 24 sub-grantees had not been included in the documentation. In January 2012, the Program Manager told us he intended to correct the reporting deficiencies in the December 31, 2011 report; however, a review of the report on the Recovery Act job reporting website in February 2013 revealed no corrections had been made.

##### **Effect**

The failure to ensure accurate reporting increases the risk that the numbers reported may contain inaccuracies that will go undetected. Because one of the goals of the Recovery Act is job creation, a failure to ensure accurate reporting of such jobs could lead to erroneous conclusions on the performance of the Recovery Act.

## **Section IV Schedule of Findings (Cont.)**

### **Recommendations**

We recommend the Agency:

- 2.1 Ensure job reporting data for prior quarters are recalculated to reflect complete information from sub-recipients, and if applicable, submit corrected data for those periods.

### **Management Response**

Agency officials did not concur with the finding. They noted that the report reveals that the information reported in its required ARRA reports coincides with the Agency's internal records, and they believe both quarters cited in the report were reported accurately and are supported.

### **Auditor Response**

The Agency's comments were not responsive to our finding and recommendation. We agree the Agency filed those reports using the records in its possession. However, as noted in the report, our conclusion was that the documentation maintained for one quarter did not agree with the Agency's report. For the other quarter, the support did not contain information for all sub-grantees, therefore, we were unable to conclude on the accuracy of the figure.

## **Section IV Schedule of Findings (Cont.)**

### **Allowable Costs**

IV.3 Lack of Documentation in Support of Administrative Charges (Advisory Comment)

### **Condition**

The Agency could not support the estimates used to allocate \$242,258 of administrative labor costs charged to the EECBG grant. The Agency allocated administrative personnel costs to the EECBG Program using estimates assigned to individual staff positions. The Agency was unable to provide adequate documentation, such as timesheets using EECBG project codes to demonstrate actual hours incurred or time studies, to support the estimated percentage of time expended by individuals assigned to the EECBG grant.

OMB Circular A-87 Attachment A (C1j) states, "To be allowable under Federal awards, costs must meet the following general criteria: Be adequately documented." In addition, the Agency's policies and procedures state that allowable costs should be adequately documented.

### **Cause**

The Agency stated it was acceptable to estimate the percentage of time administrative employees would incur on the EECBG award because those estimated rates had received approval from the Department of Energy. The Agency was not aware that it needed to justify those estimates with some level of support.

### **Effect**

The inability of the Agency to support estimates used in the allocation of administrative costs could result in inappropriate costs being charged to the EECBG Program.

### **Recommendation**

3.1 We recommend the Agency review and comply with Federal regulations and its own policies and procedures to adequately support administrative labor costs charged to the EECBG Program.

### **Management Response**

The Agency partially concurred with the finding. Officials did agree that time records should provide adequate documentation to demonstrate actual hours incurred and charged to the EECBG Program, however, they did not agree that the inability to support the estimates could result in inappropriate costs being charged to the EECBG Program, as stated in the report. The actual hours charged are documented in the analysis/estimates prepared as part of the budget process.

## **Section IV Schedule of Findings (Cont.)**

### **Auditor Response**

The Agency's comments were not responsive to our finding and recommendation. As indicated in the report and in the draft report response, the Agency had previously provided an estimate of time charges by employee to the EECBG Program; however, it was unable to demonstrate how those estimates were developed (time studies, task allocations, etc.) as required by OMB A-87. Further, the Agency could not provide actual time, through payroll records, that was charged to the grant because officials were not tracking hours separately. In addition, documentation provided later in the audit supported administrative costs that were significantly less than what had already been reimbursed by the Department of Energy. As a result, the risk of inappropriate costs being charged to the EECBG Program still exists.

## **SECTION V Management Comments**



### **Section IV Schedule of Findings**

#### **Grants Management**

##### **IV.1 Oversight over Cash Advances to Sub-Grantees (Significant Deficiency)**

#### **Management Response**

The PREAA partially concurs with the audit finding. We agree that for certain sub-grantees a portion of the funds was not expended within a specific period, as required by Federal Regulations. However, we do not agree with the statement in the audit finding about the PREAA failing to adequately monitor the funds allocated to the sub-recipients.

The PREAA appreciates the importance of ensuring that sub-grantees substantially conform to the same standards as the grantees. It is for this reason that the PREAA developed a monitoring guide, which provides a framework of monitoring activities for the federal funds received and used in compliance with its inherent responsibility as a federal funds pass-through entity. Within this responsibility, it has the primary purpose of assuring that sub-recipients use and/or administer federal awards in compliance with the law, regulations, and any contractual provision, and that the performance goals are achieved.

Also, as stated by the audit finding, the PREAA's Operational Policies and Procedures Manual (OPPM) formalized the sub-grantee monitoring program. Section II. 6. (Grant Management Procedures – Monitoring) of the OPPM states that both federal and state fiscal rules and regulations require the establishment and execution of activities that will track, document, and measure the use of sub-granted funds for the following purposes: compliance with federal and state rules and laws; quantitative and qualitative data collection; progress in meeting goals and objectives; evaluation and outcome measures and project effectiveness; strategic planning and collaborative activities; and reporting to state and federal funding sources. In addition, one of the criteria to select sub-grantees for monitoring is the spending time frame.

During project implementation, the Program Manager established monitoring activities through electronic methods, which create a record according to the monitoring guide and/or PREAA's OPPM. Notwithstanding, the auditor's interpretation was that such efforts were not appropriately documented.

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**SECTION V Management Comments (Cont.)**

**Financial Management and Reporting**

**IV.2** Reporting of Jobs Created/Retained Lacks Sub-Grantee Information (Significant Deficiency)

**Management Response**

The PREAA does not agree with the audit finding.

To address the issues identified in this finding, reference was made to the Federal Financial Reports under Section 1512 of the American Recovery and Reinvestment Act (ARRA) that were prepared for the quarters ended September 30, 2011 and December 31, 2011. Such reference reveals that the information reported coincides with the PREAA's internal records.

For the quarter ended September 30, 2011, the reported job data considers and supports documentation on 47 sub-grantees that had been compiled.

For the quarter ended December 31, 2011, the reported job data includes sub-grantees job figures.

**SECTION V Management Comments (Cont.)**

**Allowable Costs**

**IV.3 Lack of Documentation in Support of Administrative Charges (Advisory Comment)**

**Management Response**

We concur with the auditor's assessment that time records should provide adequate documentation to demonstrate actual hours incurred and charged to the program. However, we do not agree with the statement in the audit finding about the inability of the PREAA to support estimates, which could result in "inappropriate costs being charged to the EECBG Program".

Currently, the charges to the Program for actual hours incurred are based in the amounts/distribution analyzed in the preparation of the Grant budget. The PREAA's records on actual hours charged to the program are documented on the analysis/estimates prepared in this budgetary process.

The PREAA's Operational Policies and Procedures Manual (OPPM) states that timekeeping and attendance records should be created for each employee. We recognize that the current attendance record system could be changed to an electronic system. In that scenario, the procedures to record the attendance and obtain the information of working hours for each federal program may vary.

Cordially,



José Maeso González  
Executive Director  
Energy Affairs Administration

**DEPARTMENT COMMENTS**



**Department of Energy**  
Washington, DC 20585

June 27, 2013

MEMORANDUM FOR: RICKEY R. HASS  
DEPUTY INSPECTOR GENERAL  
FOR AUDITS AND INSPECTIONS  
OFFICE OF INSPECTOR GENERAL

FROM: KATHLEEN B. HOGAN   
DEPUTY ASSISTANT SECRETARY  
FOR ENERGY EFFICIENCY AND  
RENEWABLE ENERGY

SUBJECT: Response to the Office of Inspector General Draft Examination  
Report, "Commonwealth of Puerto Rico Energy Affairs  
Administration – Energy Efficiency and Conservation Block Grant  
Program Funds Provided by the American Recovery and Reinvestment  
Act of 2009"

The Office of Energy Efficiency and Renewable Energy (EERE) appreciates the opportunity to review and make comments related to the Office of Inspector General's (OIG) May 2013 Draft Examination Report on Puerto Rico Energy Affairs Administration's implementation of the American Recovery and Reinvestment Act of 2009 Energy Efficiency and Conservation Block Grant Program.

EERE provides guidance and support to all grantees pursuant to Code of Federal Regulations (CFR), 10 CFR 600 and 2 CFR 225 (A-87). Also when applicable, EERE will provide grantees with guidance pursuant to 2 CFR 220 (A-21), and 2 CFR 230 (A-122). EERE seeks to ensure compliance with Federal regulations through ongoing monitoring and communications with grantees.

The audit firm expressed the opinion that except for its finding of three significant deficiencies described in its report, the Commonwealth of Puerto Rico Energy Affairs Administration (Agency) complied in all material respects with the aforementioned requirements and guidelines related to EECBG for the period extending from September 21, 2009 through December 31, 2011. The report noted three deficiencies for 1. grants management; 2. financial management and reporting; and 3. allowable costs. In the first finding, the audit firm found that the Agency did not provide adequate oversight to ensure all sub-recipients expended cash drawdowns within three days, as required by Federal regulations, and as affirmed in EECBG guidance. In the second finding, the audit firm found two instances of noncompliance with quarterly jobs reporting requirements that resulted from inaccuracies with reported sub-recipient job numbers. In the third finding, the audit firm found that the Agency did not have supporting documentation to verify \$242,258 of administrative labor costs charged to the EECBG grant.



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EERE continues to address the OIG's recommendations for corrective actions and has been working with the award recipient to ensure that all corrective actions are implemented. The response below addresses the individual OIG findings:

**OIG Recommendation 1:** Require the Agency to improve the administration of its EECBG Program by ensuring the Agency implements the recommendations outlined in the report.

**EERE Response:** The Agency's grant entered closeout on March 31, 2013. EECBG will work closely with the Agency to ensure that all actions are resolved during the closeout process. The cognizant EECBG Project Officer has requested detailed information from the agency to substantiate the administrative charges. The Project Officer will also work to ensure that job reporting data for prior quarters are recalculated to reflect complete information from all sub-recipients, and assist the Agency in updating prior reports wherever possible.

**Finding 1:** *Grants Management – Oversight over Cash Advances to Sub-Recipients*

In a review of 20 cash drawdowns, the Agency did not know the status of and had not maintained supporting documentation for four cash advances to ensure funds were used for allowable costs. The audit firm found that two sub-recipients had not expended funds totaling \$367,116 within three days as required by Federal regulations as outlined in 31 CFR 205.12 and 10 CFR 600.237.

**Recommendation 1:** The Agency should review the allocation of sub-recipient resources under the EECBG Program to ensure the Agency is sufficiently monitoring sub-recipients in accordance with Federal requirements and its own policies and procedures.

**EERE Response:** The report states that the Agency was responsive to the finding and the recommendation. Per OIG's report, the Agency did establish a sub-recipient monitoring program, which included policies and procedures for drawdowns. EECBG will continue to work with the Agency through closeout to ensure these sub-recipient monitoring policies and procedures have been appropriately applied.

**Finding 2:** *Financial Management and Reporting – Reporting of Jobs Created/Retained Lacks Sub-Recipient Information*

The audit firm found two instances of non-compliance with quarterly jobs reporting requirements as outlined in OMB Circular M-10-08. For the quarter ended December 31, 2011, the audit firm found that the Agency had only reported jobs based on its own staff, and had not included job data from its sub-recipients even though the Agency had received such data. For the quarter ended September 30, 2011, the Agency only had documentation showing that 23 of its 48 sub-recipients had complied with the requirement to report job data.

**Recommendation 2:** The Agency should ensure job reporting data for prior quarters are recalculated to reflect complete information from sub-recipients, and if applicable, submit corrected data for those periods.

**EERE Response:** EECBG is working diligently with the Agency to compile and verify job data for sub-recipients for all periods in question as soon as practicable, but no later than July 31, 2013.

**Finding 3:** *Allowable Costs – Lack of Documentation in Support of Administrative Charges*

The Agency could not support the estimates used to allocate \$242,258 of administrative labor costs charged to the EECBG grant.

**Recommendation 3:** The Agency should review and comply with Federal regulations and its own policies and procedures to adequately document administrative labor costs charged to the EECBG program.

**EERE Response:** EECBG is actively working with the Agency to resolve this issue as part of the closeout process. EECBG recipients are subject to a detailed cost review of all grant expenditures during closeout, which includes a review of administrative costs billed to the grant to verify that they have been adequately documented. The Agency is working diligently to compile documentation for payroll expenses billed to EECBG. EECBG will continue monitoring the recipient's progress to ensure that the finding is resolved as soon as practicable, but no later than July 31, 2013.

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