

United States Government**Department of Energy**

memorandum

DATE: APR 17 2003

Audit Report No.: OAS-L-03-14

REPLY TO
ATTN OF: IG-34 (A03PT040)SUBJECT: Audit of the Office of Energy Efficiency and Renewable Energy's (EE) Grants, Subsidies,
and Cost Sharing Arrangements

TO: Assistant Secretary for Energy Efficiency and Renewable Energy, EE-1

The purpose of this report is to inform you of the results of our review of the Office of Energy Efficiency and Renewable Energy's (EE) incentive payments and cost-share arrangements. The review was initiated in February 2003, and fieldwork was conducted through April 2003 at Department of Energy (Department) Headquarters. Our methodology is described in the attachment to this report.

INTRODUCTION AND OBJECTIVE

EE's mission is to enhance energy efficiency and productivity by bringing clean, reliable and affordable energy to the marketplace. This includes funding energy projects at private firms, nonprofit organizations, state and local governments and Native American organizations. EE uses grants, cost-share arrangements and subsidies to encourage the efficient production of energy. The objective of our audit was to determine whether the Department's payments for grants, subsidies and cost-share arrangements were efficient and were satisfying the goals and objectives of the Energy Efficiency and Renewable Energy programs.

CONCLUSIONS AND OBSERVATIONS

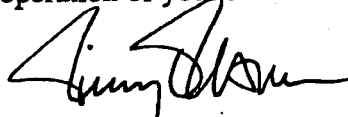
Issues relating to the Department's Energy Efficiency program have been identified in the President's Management Agenda for Fiscal Year 2002, a National Academy of Public Administration Report issued in March of 2000 and a Strategic Program Review completed in March 2002. These issues included but were not limited to the appropriateness of energy incentives and cost sharing programs, such as the Renewable Energy Production Incentive, and the reasonableness of EE's balances for uncosted obligations.

As a result of the above, the program has taken actions on the President's Management Agenda, responded to the National Academy's recommendations, and has reorganized to address the problems identified in the 2002 Strategic Program Review. For example, EE has taken several financial and procurement actions to reduce its uncosted obligations that the Strategic Program Review identified as a major problem. EE has identified the reasons for the large dollar value of the uncosted obligations, created a mechanism to track them, and has developed an action plan to address this issue.

-2-

In light of EE's efforts and the National Academy of Public Administration's current involvement in monitoring EE corrective actions, we elected to discontinue this audit. At the conclusion of the Academy's assessment, we may evaluate whether additional actions are needed.

Since no recommendations are being made in this report, a formal response is not required. We appreciated the cooperation of your staff throughout the audit.



Rickey R. Hass, Director
Science, Energy, Technology,
and Financial Audits
Office of Audit Services
Office of Inspector General

Attachment

cc: Team Leader, Audit Liaison, ME-2.1

Attachment

METHODOLOGY

To accomplish the audit objective, we:

- Reviewed the President's Management Agenda for Fiscal Year 2002, the National Academy of Public Administration Report "A Review of Management in the Office of Energy Efficiency and Renewable Energy" issued in March 2000 and the EE Strategic Program Review issued in March 2002 to determine the extent of findings and recommendations;
- Reviewed EE's strategy to reduce Fiscal Year 2003 uncosted obligations to determine its methodology and appropriateness; and
- Held discussions and collected data from appropriate Departmental officials to determine the progress and status of their actions to address issues identified in the President's Management Agenda for 2002, the National Academy of Public Administration Report "A Review of Management in the Office of Energy Efficiency and Renewable Energy," issued in March 2000 and the EE Strategic Program Review issued in March 2002.
- Reviewed performance measures in accordance with the Government Performance and Results Act of 1993 to determine whether performance plans and measures existed relative to specific energy efficiency and renewable energy efforts.

We conducted the audit according to generally accepted Government auditing standards for performance audits and included tests for internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Accordingly, we assessed the Department's internal controls with regard to EE management's response to findings and recommendations of recent reviews of their program. 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 on computer generated data, therefore, we did not assess data reliability. Management waived the exit conference.

United States Government**Department of Energy**

memorandum

DATE: **APR 25 2003**

REPLY TO
ATTN OF: **IG-34 (A03PT040)**

SUBJECT: **Final Report Package for Audit of the "Office of Energy Efficiency and Renewable Energy's (EE) Grants, Subsidies, and Cost Sharing Arrangements" Audit Report Number: OAS-L-03-14**

TO: **Frederick D. Doggett, Deputy Assistant Inspector General for Audit Services**

Attached is the required final report package on the subject audit. The pertinent details are:

1. Actual Staff days: 77

Actual Elapsed days: 51

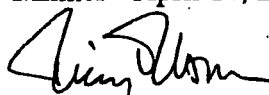
2. Names of OIG and/or contractor audit staff:

Assistant Director: George W. Collard
Team Leader: Robert W. Lewandowski
Auditor-in-Charge: George G. Daugherty
Audit Staff: Eileen E. Metz

3. Coordination with Investigations and Inspections:

Investigations: Yvette Milam - April 14, 2003

Inspections: Henry Minner - April 14, 2003



Rickey R. Hass, Director
Science, Energy, Technology,
and Financial Audits
Office of Audit Services
Office of Inspector General

Attachments:

1. Final Report (3)
2. Monetary Impact Report
3. Audit Project Summary Report
4. Audit Database Information Sheet

Attachment 2

MONETARY IMPACT OF REPORT NO.: OAS-L-03-14

1. Title of Audit: "Office of Energy Efficiency and Renewable Energy's (EE) Grants, Subsidies, Cost Sharing Arrangements"

2. Division: Science, Energy, Technology, and Financial Audits

3. Project No.: A03PT040

4. Type of Audit:

Financial: _____ Performance: X
 Financial Statement _____ Economy and Efficiency X
 Financial Related _____ Program Results _____
 Other (specify type): _____

5.

FINDING		BETTER USED				QUESTIONED COSTS			MGT. POSITION	POTENTIAL BUDGET IMPACT
(A)	(B) Title	(C) One Time	Recurring			(G) Questioned Portion	(H) Unsupported Portion	(I) Total	(J) C=Concur N=Noncon U=Undec	(K) Y=Yes N=No
			(D) Amount Per Year	(E) No. Yrs.	(F) Total Amount					
	None	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTALS--ALL FINDINGS										

6. Remarks: There is no current monetary impact or potential future savings.

7. Contractor: _____
 8. Contract No.: _____
 9. Task Order No.: _____

10. Approvals:
 Division Director & Date DLA 4/24/03
 Technical Advisor & Date SW

Office of the Inspector General (OIG)
 Audit Project Office Summary (APS)

Report run on: April 22, 2003 1:25 PM

Audit#: A03PT040 Ofc: PTA Title: EE GRANTS SUBSIDIES & COST SHARING AGREEMENTS

*** Milestones ***

	Planned		Revised	Actual
	Profile	End of Survey		
Entrance Conference:	01-OCT-02	25-FEB-03	25-FEB-03	25-FEB-03
Survey Completed:			25-APR-03	
Field Work Complete:				
Draft Report Issued:		25-JUN-03		
Exit Conference:				
Completed with Report:	30-SEP-03		25-AUG-03	17-APR-03 (R)
-----Elapsed Days	364		181	51
-----Staff Days:	0	0		77
Date Suspended:		Date Terminated:		
Date Reactivated:		Date Cancelled:		
DaysSuspended(Cur/Tot):	0 () Report Number:	OAS-L-03-14	
Rpt Title:	OFFICE OF ENERGY EFFICIENCY AND RENEWABLE ENERGY'S (EE) GRANTS, SUBSIDIES, AND COST SHARING ARRANGEMENTS			

*** Audit Codes and Response ***

Aud Type: Not Found
 Category: OTH OTHER AD: 376 LEWANDOWSKI
 DOE-Org: Not Found AIC: 500 DAUGHERTY
 Maj Iss: 009 CONTRACT/GRANT ADMIN HDQ-Mon: 421 SCHULMAN
 Site: MRA MULTI-REGION AUDIT ARM: 459 COLLARD

*** Task Information ***

Task No:
 Task Order Dt: CO Tech. Rep:
 Orig Auth Hrs: Orig Auth Costs:
 Current Auth: Current Auth Cost:
 Tot Actl IPR Hr: Tot Actl Cost:

*** Time Charges ***

Emp/Cont Name	Numdays	Last Date
BARWATT, T	0.9	19-APR-03
LEWANDOWSKI, R	6.5	19-APR-03
METZ, E	31.7	19-APR-03
DAUGHERTY, G	37.9	19-APR-03
Total:	77.0	

Attachment 4

AUDIT DATABASE INFORMATION SHEET

1. Project No.: A03PT040
2. Title of Audit: Office of Energy Efficiency and Renewable Energy's (EE) Grants, Subsidies, and Cost Sharing Arrangements
3. Report No./Date: OAS-L-03-14/April 17, 2003
4. Management Challenge Area: R&D Investment and Energy Supply
5. Presidential Mgmt Initiative: Better R&D Investment Criteria
6. Secretary Priority/Initiative: Identify New Sources of Energy for the Future
7. Program Code: EE
8. Location/Sites: MRA/HER and SEI
9. Finding Summary: Due to EE's efforts and the National Academy of Public Administration's current involvement in monitoring EE corrective actions, we elected to discontinue this audit. At the conclusion of the Academy's assessment, we may evaluate whether additional actions are needed.
10. Keywords: National Academy of Public Administration Report
energy incentives and cost sharing programs
Renewable Energy Production
uncosted obligations
EE
Strategic Program Review