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Before the

Subcommittee on Investigations and Oversight

Committee on Science, Space, and Technology

U.S. House of Representatives

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Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to testify today at your request on the work of the Office of Inspector General (OIG) concerning the Department of Energy's (Department) activities related to the American Recovery and Reinvestment Act of 2009 (Recovery Act). The intent of the Recovery Act was to quickly stimulate the economy, create jobs and, in the case of the Department, help transform the agency's mission. All of this was to be achieved in an atmosphere of unprecedented accountability and transparency.

The Department's implementation of the Recovery Act has been an important topic for my office and I have testified several times on the Department's progress. On March 19, 2009, shortly after enactment, I testified before this Subcommittee about Recovery Act funding accountability and transparency. On March 17, 2011, I testified before the House Subcommittee on Oversight and Investigations, Committee on Energy and Commerce on oversight of the Department's Recovery Act spending. Most recently, on November 2, 2011, I testified before the House Subcommittee on Regulatory Affairs, Stimulus Oversight, and Government Spending, Committee on Oversight and Government Reform on aspects of the Department's use of Recovery Act funding to advance green energy development. My testimony today closely parallels my November 2, 2011, statement.

### **Recovery Act Funding**

The Department received \$35.2 billion in Recovery Act funding for various initiatives, eclipsing its Fiscal Year (FY) 2011 budget of about \$27 billion. Some existing Departmental programs received dramatic increases in funding. For example, the Weatherization Program received \$5 billion in Recovery Act funding, a more than 10-fold increase from its FY 2009 budget of \$450 million. In addition, Recovery Act funds were used to create essentially new Departmental efforts, such as the Energy Efficiency and Conservation Block Grant Program, which received \$3.2 billion in funding.

Recovery Act funding also allowed the Department to drastically expand its Loan Guarantee Program for certain renewable energy systems. With this expanded authority, the Department estimated that it could guarantee up to \$71 billion in loans. This was in addition to over \$6 billion in borrowing authority split evenly between the Bonneville and the Western Area Power Administrations to modernize and build transmission infrastructure.

Since the enactment of the Recovery Act, the OIG has:

- Issued 70 audit, inspection, and investigative reports covering all major program activities (attached to this testimony is a complete listing of the OIG's Recovery Act reports);
- Initiated a number of Recovery Act-related criminal investigations; and,
- Conducted nearly 300 fraud awareness briefings for over 15,700 Federal, contractor, state, and other officials.

### **Overall Observations**

As I have previously testified, while there has been significant progress, we found that the effort by the Department to use Recovery Act funds to stimulate the economy was more challenging than many had originally envisioned. Many Departmental programs required extensive advance planning, organizational enhancements, additional staffing, and training at the Federal, state, and local levels. A fairly consistent pattern of delays existed in the pace at which Recovery Act funds had been spent by grant and other financial assistance recipients. To place this in context, according to the Department's own records, as of November 18, 2011, about 43 percent of its Recovery Act funds had not been spent, largely by recipients such as state and local governments. The chart on the following page details Recovery Act funding by major program area.

<i>Recovery Act Funding (\$ million)</i>			
<b>Program Office</b>	<b>Authorized</b>	<b>Obligated</b>	<b>Spent</b>
Energy Efficiency and Renewable Energy	\$16,666	\$16,655	\$10,314
Environmental Management	5,989	5,988	5,450
Electricity Delivery and Energy Reliability	4,488	4,487	2,019
Fossil Energy	3,379	3,379	441
Loan Guarantee Programs	2,470	1,918	434
Science	1,669	1,669	1,204
Advanced Research Projects Agency–Energy	387	384	184
Departmental Administration	144	115	88
Western Area Power Administration	10	9	7
Energy Information Administration	8	8	8
<b>Total</b>	<b>\$35,210</b>	<b>\$34,612</b>	<b>\$20,149</b>

In addition to concerns regarding the pace of expenditures, our reviews identified performance issues that affected the Department's ability to meet its Recovery Act goals. For example, our most recent work showed that:

- There were quality problems in some of the work done as part of the Weatherization Program;
- The Loan Guarantee Program had not properly documented and, as such, could not always readily demonstrate how it resolved or mitigated relevant risks prior to granting loan guarantees;
- ARPA-E had not instituted a number of policies and procedures in areas such as monitoring and oversight of awardees; termination of non-performing awards; technology transfer and outreach; and invoice review; and,
- Western Area Power Administration had not implemented the necessary safeguards to ensure a successful outcome for its commitment of \$161 million to finance the construction of a transmission line between Great Falls, Montana and Alberta, Canada. At the time of our review, this project was overrun by an estimated \$70 million and was nearly two years behind schedule.

Regarding the Office of Science, we found that the majority of the \$1.6 billion it received in Recovery Act funding was used to accelerate ongoing projects by purchasing equipment and completing construction projects, most of which were in process prior to the Recovery Act's

enactment. To date, we have issued seven reports on the Office of Science's use of Recovery Act funds.

In contrast to the previously discussed issues, we found that the Office of Science and its laboratory system generally complied with Recovery Act requirements, expended funds in a timely manner, and employed sound project management practices. However, in one case, we found that Lawrence Berkeley National Laboratory planned to use \$2.6 million in Recovery Act funds for an infrastructure project for which there was no current demand. After we brought this matter to the attention of management, the Department elected not to fund that particular facility.

### **Recovery Act Investigations**

The Office of Inspector General has initiated a number of investigations associated with Recovery Act activities. These involve various schemes, including the submission of false information, claims for unallowable or unauthorized expenses, and other improper uses of Recovery Act funds. To date, our Recovery Act-related investigations have resulted in over \$2.3 million in monetary recoveries as well as six criminal prosecutions.

### **Recovery Act Implementation and Performance Observations**

The Recovery Act established challenging goals for the Department. We noted during our work that there was what we considered to be an intense effort to implement and execute the various aspects of the Department's Recovery Act responsibilities. These efforts notwithstanding, we had a number of overarching observations about the Department's implementation of the Recovery Act. These observations, which I have described in prior testimony, include:

1. The pressure of achieving expeditious program implementation and execution (and doing so with great emphasis on transparency and accountability) placed an enormous strain on the Department's personnel and infrastructure.
2. The challenges associated with the Department's Recovery Act implementation efforts were complicated by the nature of the bureaucracy in which it operates, specifically the

diverse, complex, and often asymmetrical set of stakeholders, which play an integral role in this process. This includes literally thousands of state and local jurisdictions, community action organizations in every state and territory, universities and colleges, contractors, and other private sector entities.

3. The concept of "shovel ready" projects was not realized.
4. The Federal, state and local government infrastructures were, simply put, overwhelmed. In several states, the very personnel who were charged with implementing the Recovery Act's provisions had been furloughed due to economic situations. Ironically, this delayed timely allocation and expenditures of funds intended to boost the U.S. economy and create jobs.
5. The pace of actual expenditures was significantly slowed because of the time needed to understand and address specific requirements of the Recovery Act.
6. Recipients expressed their concern with what they described as overly complex and burdensome reporting requirements.

In summary, a combination of massive funding, high expectations, and inadequate infrastructure resulted, at times, in less than optimal performance.

### **Path Forward**

Given the significant amount of funds that remain to be spent, we have ongoing and planned reviews of Recovery Act implementation in a number of high-risk areas. Our investigative efforts also continue.

Additionally, we have used the body of our work, including Recovery Act audits, inspections and investigations, to identify a series of cost reduction and efficiency enhancement actions for consideration by Department management. These are provided in our recently issued report on "Management Challenges at the Department of Energy – Fiscal Year 2012" (DOE/IG-0858, November 10, 2011).

Finally, we are refining our observations on the Department's implementation of the Recovery Act and are drafting a report to highlight other lessons learned in the areas of risk management practices; financial management, accounting and reporting; human capital management; regulatory compliance; and delivery of public services. We are hopeful that the Department's decision makers and others with an interest in these matters will consider these lessons learned in the management of future programs and projects.

Mr. Chairman, this concludes my statement and I would be pleased to answer any questions that the Subcommittee may have.

**Department of Energy Office of Inspector General  
Recovery Act Reports**

	<b>Title</b>	<b>Report Number</b>	<b>Date Issued</b>
1.	The State of Nevada's Implementation of the Energy Efficiency and Conservation Block Grant Program	<a href="#">OAS-RA-12-02</a>	2011-11-09
2.	Western Area Power Administration's Control and Administration of American Recovery and Reinvestment Act Borrowing Authority	<a href="#">OAS-RA-12-01</a>	2011-11-04
3.	Action for a Better Community, Inc. – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009	<a href="#">OAS-RA-11-21</a>	2011-09-30
4.	People's Equal Action and Community Effort, Inc. – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009	<a href="#">OAS-RA-11-20</a>	2011-09-30
5.	The 12 GeV CEBAF Upgrade Project at Thomas Jefferson National Accelerator Facility	<a href="#">OAS-RA-L-11-13</a>	2011-09-30
6.	Cuyahoga County of Ohio Department of Development – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009	<a href="#">OAS-RA-11-19</a>	2011-09-29
7.	Community Action Partnership of the Greater Dayton Area – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009	<a href="#">OAS-RA-11-18</a>	2011-09-29
8.	Implementation of the Recovery Act at the Savannah River Site	<a href="#">OAS-RA-L-11-12</a>	2011-09-29
9.	The Department of Energy's Energy Efficiency and Conservation Block Grant Program Funded under the American Recovery and Reinvestment Act for the State of Pennsylvania	<a href="#">OAS-RA-L-11-11</a>	2011-09-23
10.	The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Tennessee	<a href="#">OAS-RA-11-17</a>	2011-09-19
11.	Management Alert on The Status of Energy Efficiency and Conservation Block Grant Recipients' Obligations	<a href="#">OAS-RA-11-16</a>	2011-09-01



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12.	The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the Commonwealth of Virginia	<a href="#">OAS-RA-11-14</a>	2011-08-25
13.	Los Alamos National Laboratory Environmental Management Activities Funded by the Recovery Act	<a href="#">OAS-RA-11-15</a>	2011-08-25
14.	The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Indiana	<a href="#">OAS-RA-11-13</a>	2011-08-26
15.	The Advanced Research Projects Agency – Energy	<a href="#">OAS-RA-11-11</a>	2011-08-22
16.	The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Missouri	<a href="#">OAS-RA-11-12</a>	2011-08-22
17.	The Department of Energy's American Recovery and Reinvestment Act – California State Energy Program	<a href="#">OAS-RA-11-10</a>	2011-07-28
18.	Department of Energy's Controls over Recovery Act Spending at the Idaho National Laboratory	<a href="#">OAS-RA-L-11-10</a>	2011-07-21
18.	Performance of Recovery Act funds at the Waste Isolation Pilot Plant	<a href="#">OAS-RA-L-11-09</a>	2011-07-07
20.	The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of West Virginia	<a href="#">OAS-RA-11-09</a>	2011-06-13
21.	The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Wisconsin	<a href="#">OAS-RA-11-07</a>	2011-06-06
22.	Use of American Recovery and Reinvestment Act of 2009 Funds on Solid Waste Project Activities at the Department of Energy's Hanford Site	<a href="#">OAS-RA-L-11-08</a>	2011-05-19
23.	Management Alert on Planned Actions Related to the National Energy Technology Laboratory's Simulation-Based Engineering User Center	<a href="#">OAS-RA-11-08</a>	2011-04-22
24.	The Department of Energy's American Recovery and Reinvestment Act – New Jersey State Energy Program	<a href="#">OAS-RA-L-11-07</a>	2011-04-15

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25.	Department's Management of Cloud Computing Services	<a href="#">OAS-RA-L-11-06</a>	2011-04-01
26.	The Department of Energy's Geothermal Technologies Program under the American Recovery and Reinvestment Act	<a href="#">OAS-RA-11-05</a>	2011-03-22
27.	The Department of Energy's American Recovery and Reinvestment Act – Massachusetts State Energy Program	<a href="#">OAS-RA-11-06</a>	2011-03-22
28.	Recovery Act Funded Projects at the SLAC National Accelerator Laboratory	<a href="#">OAS-RA-L-11-05</a>	2011-03-08
29.	The Department of Energy's Loan Guarantee Program for Clean Energy Technologies	<a href="#">IG-0849</a>	2011-03-03
30.	The Department's Infrastructure Modernization Projects under the American Recovery and Reinvestment Act of 2009	<a href="#">OAS-RA-L-11-04</a>	2011-03-02
31.	Management of the Tank Farm Recovery Act Infrastructure Upgrades Project	<a href="#">OAS-RA-L-11-03</a>	2011-02-09
32.	The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the Capital Area Community Action Agency – Agreed-Upon Procedures	<a href="#">OAS-RA-11-04</a>	2011-02-01
33.	Audit of Environmental Cleanup Projects Funded by the Recovery Act at the Y-12 National Security Complex	<a href="#">OAS-RA-L-11-02</a>	2010-12-20
34.	Management Alert on the State Energy Efficient Appliance Rebate Program	<a href="#">INV-RA-11-01</a>	2010-12-03
35.	The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the City of Phoenix – Agreed-Upon Procedures	<a href="#">OAS-RA-11-03</a>	2010-11-30
36.	Management of the Plutonium Finishing Plant Closure Project	<a href="#">OAS-RA-L-11-01</a>	2010-11-10
37.	Selected Aspects of the Commonwealth of Pennsylvania's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program	<a href="#">OAS-RA-11-02</a>	2010-11-02
38.	The State of Illinois Weatherization Assistance Program	<a href="#">OAS-RA-11-01</a>	2010-10-14
39.	Management Controls over the Department of Energy's American Recovery and Reinvestment Act – Michigan State Energy Program	<a href="#">OAS-RA-10-18</a>	2010-09-29
40.	Review of Allegations Regarding Hiring and Contracting in the Office of Energy Efficiency and Renewable Energy	<a href="#">OAS-SR-10-04</a>	2010-09-22

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41.	Status Report: The Department of Energy's State Energy Program Formula Grants Awarded under the American Recovery and Reinvestment Act	<a href="#">OAS-RA-10-17</a>	2010-09-21
42.	The Department of Energy's American Recovery and Reinvestment Act - Georgia State Energy Program	<a href="#">OAS-RA-L-10-06</a>	2010-09-15
43.	Office of Science's Energy Frontier Research Centers	<a href="#">OAS-RA-L-10-09</a>	2010-08-27
44.	Decommissioning and Demolition Activities at Office of Science Sites	<a href="#">OAS-RA-L-10-05</a>	2010-08-12
45.	The Department of Energy's Implementation of the Energy Efficiency and Conservation Block Grant Program under the Recovery and Reinvestment Act: A Status Report	<a href="#">OAS-RA-10-16</a>	2010-08-11
46.	Review of the Department's of Energy's Plan for Obligating Remaining Recovery Act Contract and Grant Funding	<a href="#">OAS-RA-10-15</a>	2010-08-04
47.	Management Controls over the Development and Implementation of the Office of Energy Efficiency and Renewable Energy's Performance and Accountability for Grants in Energy System	<a href="#">OAS-RA-10-14</a>	2010-07-22
48.	The Department of Energy's Use of the Weatherization Assistance Program Formula for Allocating Funds Under the American Recovery and Reinvestment Act	<a href="#">OAS-RA-10-13</a>	2010-06-11
49.	The Department of Energy's American Recovery and Reinvestment Act-Florida State Energy Program	<a href="#">OAS-RA-10-12</a>	2010-06-07
50.	Management Controls over the Commonwealth of Virginia's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program	<a href="#">OAS-RA-10-11</a>	2010-05-26
51.	Waste Processing and Recovery Act Acceleration Efforts for Contact-Handled Transuranic Waste at the Hanford Site	<a href="#">OAS-RA-10-10</a>	2010-05-25
52.	Management Controls over the Department of Energy's American Recovery and Reinvestment Act-Louisiana State Energy Program	<a href="#">OAS-RA-10-09</a>	2010-05-03

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53.	Progress in Implementing the Advanced Batteries and Hybrid Components Program under the American Recovery and Reinvestment Act	<a href="#">OAS-RA-L-10-04</a>	2010-04-27
54.	The Department of Energy's Program to Assist Federal Buyers in the Purchasing of Energy Efficient Products	<a href="#">OAS-RA-10-08</a>	2010-04-27
55.	Moab Mill Tailings Cleanup Project	<a href="#">OAS-RA-L-10-03</a>	2010-04-23
56.	Fermi National Accelerator Laboratory's NOvA Project	<a href="#">OAS-RA-L-10-02</a>	2010-04-16
57.	Management Alert on Environmental Management's Select Strategy for Disposition of Savannah River Site Depleted Uranium Oxides	<a href="#">OAS-RA-10-07</a>	2010-04-09
58.	The Department of Energy's Management of the NSLS-II Project	<a href="#">OAS-RA-L-10-01</a>	2010-04-06
59.	Accounting and Reporting for the American Recovery and Reinvestment Act by the Department of Energy's Funding Recipients	<a href="#">OAS-RA-10-06</a>	2010-04-01
60.	Management Controls over the Department's WinSAGA System for Energy Grants Management Under the Recovery Act	<a href="#">OAS-RA-10-05</a>	2010-03-25
61.	Progress in Implementing the Department of Energy's Weatherization Assistance Program Under the American Recovery and Reinvestment Act	<a href="#">OAS-RA-10-04</a>	2010-02-19
62.	Review of Allegations Involving Potential Misconduct by a Senior Office of Environmental Management Official	<a href="#">S09IS024</a>	2009-12-29
63.	Management Challenges at the Department of Energy	<a href="#">IG-0832</a>	2009-12-11
64.	Selected Department of Energy Program Efforts to Implement the American Recovery and Reinvestment Act	<a href="#">OAS-RA-10-03</a>	2009-12-07
65.	Management Alert on the Department's Monitoring of the Weatherization Assistance Program in the State of Illinois	<a href="#">OAS-RA-10-02</a>	2009-12-03
66.	The Department of Energy's Quality Assurance Process for Prime Recipients' Reporting for the American Recovery and Reinvestment Act of 2009	<a href="#">OAS-RA-10-01</a>	2009-10-21
67.	Department of Energy's Efforts to Meet Accountability and Performance Reporting Objectives of the American Recovery and Reinvestment Act	<a href="#">OAS-RA-09-04</a>	2009-09-04

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68.	Department of Energy Efforts to Manage Information Technology Resources in an Energy-Efficient and Environmentally Responsible Manner	<a href="#">OAS-RA-09-03</a>	2009-05-27
69.	The Department of Energy's Acquisition Workforce and its Impact on Implementation of the American Recovery and Reinvestment Act of 2009	<a href="#">IG-RA-09-02</a>	2009-03-30
70	The American Recovery and Reinvestment Act at the Department of Energy	<a href="#">OAS-RA-09-01</a>	2009-03-20