



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

Examination Report

Connecticut Department of Energy
and Environmental Protection –
Energy Efficiency and Conservation
Block Grant Program Funds
Provided by the American Recovery
and Reinvestment Act of 2009



OAS-RA-13-14

February 2013



Department of Energy
Washington, DC 20585

February 28, 2013

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

A handwritten signature in blue ink, which appears to read "Rickey R. Hass", is positioned above the "FROM:" field.

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

SUBJECT: INFORMATION: Examination Report on "Connecticut Department of
Energy and Environmental Protection – Energy Efficiency and
Conservation Block Grant Program Funds Provided by the American
Recovery and Reinvestment Act of 2009"

INTRODUCTION AND OBJECTIVE

The attached report presents the results of an examination of the Connecticut Department of Energy and Environmental Protection'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 (OIG) contracted with an independent certified public accounting firm, Lopez and Company, LLP, to express an opinion on the Agency's compliance with Federal 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 grant award that was to be expended over a 3-year period from September 14, 2009 through September 13, 2012.

OBSERVATIONS AND CONCLUSIONS

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 14, 2009 through December 31, 2011. Specifically, the Agency did not receive certified payrolls on a weekly basis, as required, to ensure timely review of sub-grantee contractors' compliance with Davis-Bacon Act wage requirements. Additionally, the Agency reported inaccurate and

unsupported information on jobs created and retained for one quarter we reviewed. Further, the Agency failed to ensure sub-grantees were compliant with Federal requirements for recording and controlling fixed assets.

The report makes recommendations to the Agency to improve the administration of its EECBG Program. The Agency provided comments that expressed general disagreement with the findings and recommendations, but noted corrective actions it intended to take to address the issues identified. The Department of Energy (Department) needs to determine whether the planned corrective actions were adequate and ensure the recommendations outlined in the report are implemented.

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 it implements the recommendations outlined in the report and, where appropriate, evaluate the actions proposed or taken by the Agency to address the issues identified.

DEPARTMENT COMMENTS AND AUDITOR RESPONSE

The Department concurred with the recommendation and has been working with the Agency to ensure that all corrective actions are implemented. The Department stated it will continue to support the Agency through ongoing monitoring by the cognizant Project Officer to ensure the Agency reviews sub-grantee jobs data and complies with other appropriate regulations. Further, the Agency had completed a review of all Davis-Bacon certified payrolls. The Department's comments are included in their entirety in Attachment 2.

The Department's comments are 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 EECBG 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 OIG monitored the progress of the examination and reviewed the report and related documentation. Our review disclosed no instances where 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 December 26, 2012, and the conclusions expressed in the report.

Attachments

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



EXAMINATION REPORT ON COMPLIANCE

OF

Recovery Act Energy Efficiency and Conservation Block Grant Program

State of Connecticut – Department of Energy and Environmental Protection

PERFORMED FOR

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL

Prepared by

Lopez and Company, LLP

Report Date: December 26, 2012

CONTRACT NUMBER: DE-IG0000017

WORK ORDER NUMBER: 2011-09

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Lopez and Company, LLP
Certified Public Accountants and Business Consultants

INDEPENDENT ACCOUNTANT'S REPORT

To the Inspector General,
Department of Energy:

We have examined the Connecticut Department of Energy and Environmental Protection's (Agency) compliance with Federal and State 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 14, 2009 through December 31, 2011. The Agency is responsible for administering the EECBG Program for the State of Connecticut, 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 State 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 significant deficiencies 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 14, 2009 through December 31, 2011.

Lopez and Company, LLP

Lopez and Company, LLP
Chino Hills, California
December 26, 2012

**Section I Description of the Connecticut Department of Energy
and Environmental Protection Energy Efficiency
and Conservation Block Grant Program**

The Connecticut Department of Energy and Environmental Protection (Agency) is charged with making energy cheaper, cleaner and more reliable for the residents and businesses of the state. The Agency is also committed to playing a positive role in rebuilding Connecticut's economy by creating jobs that foster a sustainable and prosperous economic future for the state.

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 Reinvestment and Recovery 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, to be expended over a 3-year period from September 14, 2009 through September 13, 2012. It allocated these funds to local governments to implement programs that reduce fossil fuel emissions in a manner that is environmentally sustainable, reduce the total energy use of the entities, and improve energy efficiency in the building, transportation, and other appropriate sectors.

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. There were no material weaknesses contained in this report.

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 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. Advisory comments, if any, are provided along with recommendations and discussion of the significance of the comments. There were no advisory comments contained in this report.

Section III Summary of Findings

Area/Finding

Significant Deficiencies

Compensation – Davis-Bacon Act

IV.1 Lack of Sub-Grantee Monitoring for Compliance with the Davis-Bacon Act

Financial Management and Reporting

IV.2 Jobs Created and Retained Data Were Inaccurate and Unsupported

Fixed Assets

IV.3 Sub-Grantee Accounting for Fixed Assets Was Not Adequate

Section IV Schedule of Findings

COMPENSATION – DAVIS-BACON ACT

IV.1 Lack of Sub-Grantee Monitoring For Compliance With the Davis-Bacon Act (Significant Deficiency)

Condition

The Agency did not receive certified payrolls on a weekly basis, as required, to ensure timely review of sub-grantee contractors' compliance with Davis-Bacon Act wage requirements. The Agency had not required sub-grantees to submit contractor certified payrolls on a weekly basis, and instead, only required sub-grantees to submit certified payrolls when they requested reimbursement, which could be monthly, bi-monthly, semi-annually, or even at the end of a project. The Agency did perform reviews of certified payrolls in conjunction with the sub-grantees' reimbursement requests. Such requests were not paid until the certified payrolls had been reviewed and approved. The Agency's procedure, while providing assurance that, ultimately, all wages were properly paid, was not in compliance with the requirements of the Davis-Bacon Act.

We requested from the Agency all certified payrolls for 11 sub-grantees. The Agency had to request copies of these certified payrolls directly from certain sub-grantees since not all had yet requested reimbursement. After receiving information with respect to nine sub-grantees, the Agency then asked the remaining two to submit their certified payrolls directly to us. After several inquiries, we noted one sub-grantee produced certified payrolls that showed no wages were paid and the other did not respond to our request. The Agency believed the final sub-grantee was unresponsive because it had not yet sought reimbursement, but could not confirm whether the sub-grantee was required to collect certified payrolls. Additionally, the two sub-grantees that were delayed or unresponsive to our request for certified payrolls had also failed to include required Davis-Bacon Act flow down provisions in their vendor contracts. To note, we selected a judgmental sample of certified payrolls from the nine to test compliance with Davis-Bacon Act prevailing rates and concluded that all nine paid appropriate wages.

EECBG Program Guidance 10-04 states that grantees/sub-grantees of a Recovery Act-funded EECBG Program grant must ensure that all required Davis-Bacon Act provisions are flowed down to applicable contractors. The guidance also requires all eligible workers on EECBG Program projects be paid on a weekly basis, and that contractors submit weekly certified payroll records to the contracting and administering agency, beginning with the first week of the project.

Cause

The Agency delegated its responsibility as the administering agency for Davis-Bacon Act compliance for the collection, review, and initial retention of certified payrolls to sub-grantees. Agency officials believed that the sub-grantees were capable of monitoring Davis-Bacon Act compliance. Further, the Agency did not have a process in place to identify (1) whether sub-grantees were receiving Davis-Bacon Act certified payrolls from contractors in a timely manner;

Section IV Schedule of Findings (Cont.)

(2) when there were exceptions at the sub-grantee level regarding late submissions; and, (3) what steps, if any, the sub-grantees had taken to correct any issues identified.

Effect

The failure of the Agency to review certified payrolls on a weekly basis increases the risk that noncompliance with Davis-Bacon Act requirements will occur and underpayments will not be corrected in a timely manner.

Recommendation

We recommend the Agency:

- 1.1 Revise its procedures to require and review the weekly submission of certified payrolls by sub-grantees to the Agency in compliance with Davis-Bacon Act requirements.
- 1.2 Ensure sub-grantees are receiving certified payrolls from its contractors on a weekly basis and submitting them to the Agency as required.

Management Response

The Agency did not concur, in part, with the finding, because it believed its overall controls were adequate to ensure it ultimately complied with the Davis-Bacon Act. The Agency confirmed they did not interpret the EECBG Program guidance to require weekly submissions of certified payrolls. Further, they indicated they could not have complied with the requirement due to insufficient staffing levels.

Auditor Response

We acknowledge in the report that the Agency had a control in place to review certified payrolls when the sub-grantee requested reimbursement; however, it was not on a weekly basis as required. Further, as noted in the report, by not conducting timely review of certified payrolls, noncompliance with the Davis-Bacon Act will not be corrected in a timely manner.

Section IV Schedule of Findings (Cont.)

FINANCIAL MANAGEMENT AND REPORTING

IV.2 Jobs Created and Retained Data Were Inaccurate and Unsupported (Significant Deficiency)

Condition

The Agency reported inaccurate and unsupported information on jobs created and retained for one quarter we reviewed. The Agency only performed a reasonableness check of labor dollars to reported jobs, and did not (1) require the sub-grantees to provide supporting documentation to justify its job reporting, or (2) verify calculations in accordance with the Office of Management and Budget (OMB) guidance. Specifically, of the 16 sub-grantees in our review, 6 could not provide support for the jobs reported; therefore, we could not determine whether the information was accurate. Another 5 of the 16 sub-grantees reported inaccurate job information to the Agency for the quarter, including 4 sub-grantees that did not calculate their jobs created and retained data in accordance with the OMB guidance, and one sub-grantee that misreported one job. Finally, we noted that the Agency had erroneously reported 1.235 jobs for two sub-grantees that had actually reported no jobs for the quarter.

Section 1512 of the Recovery Act requires grant recipients to report estimates of the number of jobs created and retained by their Recovery Act projects or activities on a quarterly basis. OMB Memorandum M10-08 *Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, and Reporting Job Estimated* provided guidance for reporting this information and required that recipients be prepared to justify their estimates. It further stated that the estimated number of jobs created and retained be expressed in full time equivalents (FTE) which is done using the actual number of hours worked by personnel divided by the number of hours in a full work week schedule.

Cause

Because the Agency relied on a reasonableness test and did not require sub-grantees to justify their estimates, it was not aware of reporting errors until they were identified during this examination. The Agency stated that, given limited resources, it relied on the sub-grantees for the determination of jobs created and retained. It believed the sub-grantees understood the methodology for calculating and reporting jobs created and retained.

Effect

As a result of the inadequate review of sub-grantee calculations of jobs created and retained, the Agency was unable to use the jobs reporting correction period to resolve the inaccurate data. Further, the inadequate review increased the risk that the numbers reported in other quarters 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.)

Recommendation

We recommend the Agency:

- 2.1 Require sub-grantees to provide supporting documentation from previous quarters and verify that sub-grantees used accepted OMB methodologies and that the calculations are accurate; and,
- 2.2 Determine whether corrections to the previously submitted jobs data are needed.

Management Response

The Agency did not concur with the finding because it believed the controls put in place for the collection of jobs data, and the process for quality assurance was consistent with the Recovery Act and OMB guidance. The Agency cited the Recovery Act which required grant recipients to report estimates of the number of jobs created and retained. The Agency also cited OMB guidance that stated that there is no mandated methodology for conducting data quality review, and that to the maximum extent practicable, collection of the data should generate the most complete job numbers available. The Agency confirmed a reasonableness check was applied to job numbers provided by its sub-grantees, and noted that given limited staff resources, controls were implemented to the maximum extent practicable. The Agency stated it will reiterate the sub-grantees' responsibility to ensure the quality of jobs estimates through the issuance of a post-grant award closeout letter.

Auditor Response

Although OMB guidance does not mandate a methodology to conduct a data quality review, without requiring supporting documentation to verify the methodology used and the accuracy of calculations, the Agency would not be prepared, if necessary, to justify its estimates as required. As noted in the report, we identified instances where sub-grantees were unable to provide support for job numbers. Further, while OMB guidance does permit reporting of estimates it also notes that "consistent with requirements of Section 1512 (c) of the Recovery Act, recipients are required to make corrections to erroneous or missing data submitted in prior quarters." Due to its reliance on a reasonableness test and not requiring sub-grantees to provide supporting documentation, the Agency was unaware of the reporting errors identified and thus, could not make necessary corrections as required. Lastly, the Agency did not adequately address our recommendations to require supporting documentation from the sub-grantees, verify job calculations and the methodology were accurate, and determine whether corrections to previously submitted data were needed. The Agency instead responded that it would reiterate to sub-grantees' their responsibility for the accuracy of job estimates.

Section IV Schedule of Findings (Cont.)

PROJECT MANAGEMENT

IV.3 Sub-Grantee Accounting for Fixed Assets Was Not Adequate (Significant Deficiency)

Condition

During our review of fixed asset purchases for 13 sub-grantees selected, we noted that 3 sub-grantees were not compliant with Federal requirements for recording and controlling fixed assets. Specifically,

- One sub-grantee's fixed asset listing did not include required information such as the source of equipment; including grant award number, title-holder; percentage of Federal participation and the condition of the asset. The sub-grantee also did not perform any biennial physical inventories. We noted these conditions during our testing of a HVAC system purchase with a total cost of \$123,206, of which the EECBG grant funded \$60,303, or 49 percent.
- Another sub-grantee incorrectly recorded the acquisition cost of an HVAC system in its fixed asset ledger as \$110,750 (grant-funded amount) instead of \$127,539 (total cost). The sub-grantee corrected this error because of this examination. Further, the sub-recipient's fixed asset listing did not include the percentage of Federal participation of 87 percent for this item.
- The third sub-grantee did not perform physical inventories of light fixtures even though they were included in the fixed asset records. Further, the sub-grantee's fixed asset listing did not include data required by regulations for assets purchased with Federal funding, such as a unique identification number (e.g. tag number), the funding source, the title-holder, the percentage of Federal participation and the condition. Our examination identified 14 light fixtures purchased with a total cost of \$97,164, of which the EECBG grant funded \$93,507, or 96 percent.

Federal regulations require fixed asset records to be recorded accurately, including information disclosing the percentage of Federal participation in the cost of fixed assets. Federal regulations also require a physical inventory of property be completed and the results reconciled with the property records at least once every 2 years.

Cause

The sub-grantees stated that they were not aware of the Federal requirements related to fixed assets. The Agency asserted that it included applicable Federal requirements in its contracts with sub-grantees. However, based on a review of the contract documentation we found that specific Federal regulations, such as 10CFR600, which stipulated fixed asset requirements, were not cited in the contracts.

Section IV Schedule of Findings (Cont.)

Effect

The lack of biennial physical inventories may result in fixed assets being lost or stolen without detection and possible fraud, waste and abuse. Additionally, the lack of required equipment cost information in the sub-grantees' fixed asset records, including funding source and percentage of Federal participation, could result in the failure to properly compute any necessary refund of Federal funds in the event that fixed assets are either sold or disposed of. Federal guidance requires a determination of potential reimbursement for fixed assets with a per unit fair market value in excess of \$5,000 at the time of disposal. The Agency is required to remit to the awarding agency an amount calculated by multiplying the current market value or proceeds from sale by the awarding agency's share of the equipment.

Recommendation

We recommend the Agency:

- 3.1 Develop and distribute sub-grantee guidance with respect to fixed asset management. The guidance should reference specific Federal requirements regarding recording assets and conducting physical inventories.

Management Response

The Agency did not concur with the finding because it asserted it properly included applicable Federal statutes, regulations, and guidelines in the Special Conditions of sub-grantee contracts. The Agency also indicated that during the course of the examination and after discussion with the auditors, it sent each sub-grantee a property/equipment inventory reporting form and instructions for filing the form with the Agency. The Agency was responsive to our recommendation and noted its intention to reiterate Federal requirements concerning the recording of assets and conducting physical inventories to all of its sub-grantees as part of its post-grant closeout guidance.

Auditor Response

While the Agency asserted it properly flowed down applicable Federal statutes, regulations, and guidelines in the terms and conditions of the sub-grantee grants, the Agency did not indicate how or if it ascertained whether the sub-grantees complied with the terms and conditions of their awards, including adherence to Federal regulations related to fixed assets. We recognize that the Agency plans to provide closeout guidance to sub-grantees reiterating Federal requirements for recording and inventorying fixed assets.

Section V Complete Management Response




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Affirmative Action/Equal Opportunity Employer

Memo

To: Lopez and Company LLC

From: Dennis Thibodeau, Chief of Fiscal Administrative Services 

CC: D. Kalafa, A. Kerr, T. Babbidge, E. Omer

Date: 11/13/2012

Re: State of Connecticut Audit Response

Below please find the State of Connecticut Department of Energy and Environmental Protection (DEEP) responses to the three audit findings outlined in your October 2012 Report.

IV.1 - Lack of Sub-grantee Monitoring For Compliance With The Davis-Bacon Act

The State of Connecticut, Department of Energy and Environmental Protection (DEEP), disagrees in part with this finding. The controls put in place were sufficient to assure that all laborers and mechanics working on projects funded with Recovery Act funds were paid on a weekly basis in compliance with prevailing wages as determined by the Secretary of Labor. While the Compliance report acknowledges this, it also indicates that the DEEP procedure was not in compliance with the Act (meaning Section 1606 of the Recovery Act) as articulated in USDOE Program Guidance 10-004.

The United State Department of Energy (hereinafter "DOE"), Program Guidance on Implementation of the Davis-Bacon Act, Notice 10-004, December 17, 2009, states that grantees/sub-grantees must, "ensure that all laborers and mechanics on a project funded or assisted in whole or part with Recovery Act funds are paid on a weekly basis and must submit weekly certified payroll records to the contracting and administering agency". The DEEP control process required that weekly certified payroll records be submitted by contractors and subcontractors to the sub-grantee municipality and then to DEEP, prior to any reimbursement being made by the State of Connecticut to the sub-grantee. Review of these records by DEEP and the Connecticut State Department of Labor (CTDOL) provided the required assurance that laborers and mechanics were paid the correct prevailing wage on a weekly basis.

It appears that the finding is based on the timeliness of the control process review. While DEEP did not interpret the aforementioned guidance as meaning each weekly payroll was to be submitted to DEEP and reviewed on a weekly basis, staffing levels were not sufficient to have done so. Again, DEEP's control process insured that all laborers and mechanics were paid the prevailing wage on a weekly basis. No sub-grantee was reimbursed any Recovery Act funding that was not in compliance with Davis-Bacon Act requirements under Section 1606 of the Recovery Act.

Given that the Compliance Report does conclude that the DEEP procedure did provide assurance that all wages were properly paid, the DEEP believes this finding should be more appropriately categorized as an 'Advisory Comment'. As all work under the State of Connecticut's EECBG program is complete and all wages were properly paid, DEEP does not believe that any corrective action is necessary or appropriate at this time.

Section V Complete Management Response (Cont.)

IV.2 - Jobs Created and Retained Data Were Inaccurate and Unsupported

The State of Connecticut DEEP disagrees with this finding and submits that the controls put in place for the collection of jobs data and the process for quality assurance were consistent with Section 1512 of the Recovery Act and Office of Management and Budget (OMB) Memorandum M-09-21 and M-10-08.

As indicated in the compliance report, Section 1512 of the Recovery Act requires grant recipients to report *estimates* of the number of jobs created and retained. Section 4.3 of OMB Memorandum M-09-21 states that there is no specifically mandated methodology for recipients or sub-recipients to conduct data quality review. Section 5.2 goes on to state that "to the maximum extent practicable" information should be collected to generate the most complete job numbers available. OMB memorandum M-10-08, which updates M-09-21 relative to jobs data, does not indicate any change to the original guidance promulgated in sections 4.3 or 5.2 of M-09-21. Section 5.1 of M-10-08 does serve to clarify that recipients must report jobs data on a quarterly basis. The State of Connecticut DEEP required sub-recipients to report *estimates* of jobs created and retained on a quarterly basis. Sub-recipients were instructed to report these *estimates* based on full time equivalents (FTEs) as indicated in OMB guidance. Staff assigned to this program reviewed submitted jobs figures for each quarter against reported expenditures for the quarter as a control to determine if the jobs *estimates* appeared to be within reason. If *estimates* did not appear to be within reason, sub-grantees were contacted and required to double check their calculations and re-submit.

Given available staff resources, controls were implemented *to the maximum extent practicable*. Based on the condition as indicated in the audit report, it appears that the controls put in place, while consistent with OMB guidance, were not sufficient to insure 100% accuracy.

Although the State of Connecticut's DEEP ARRA EECBG program is now concluded and all sub-recipient projects are complete, we will take corrective action through the issuance of a post grant award close-out letter to all sub-recipients reminding them of their responsibility to insure the quality of jobs estimates under this and all ARRA programs they are participating in. The letter will reference and include as an attachment OMB Memorandum M-09-21 and M-10-08.

IV.3 Sub-Grantee Accounting for Fixed Assets Was Not Adequate

The State of Connecticut DEEP disagrees with this finding. At the time of granting funds to sub-recipients, the State of Connecticut DEEP included Special Conditions with each sub award contract, which specifically stated that the Recipient was required to comply with all statutes, regulations, guidelines and requirements, to the extent applicable and mandated by the controlling underlying federal grant program, including, 10 C.F.R. Part 600, 10 C.F.R. Part 420 and the DOE National Policy Assurances. In addition, during the course of the audit procedure and after discussion with the audit consultant, on March 13, 2012, the State of Connecticut DEEP sent each sub-grantee a property/equipment inventory reporting form and instructions for filling the form with the State of Connecticut DEEP.

Although the State of Connecticut's ARRA EECBG program is now concluded and all sub-recipient projects are complete, we will develop and distribute a post grant award close out guidance that will reiterate the specific federal requirements concerning the recording of assets and conducting physical inventories.


MANAGEMENT COMMENTS



Department of Energy
Washington, DC 20585

FEB 14 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
ENERGY EFFICIENCY AND RENEWABLE ENERGY

SUBJECT: Response to Office of Inspector General Draft Examination Report on
"Connecticut Department of Energy and Environmental Protection –
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) Examination Report on the Connecticut Department of Energy, Energy Efficiency and Conservation Block Grant (EECBG) 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, as applicable, EERE will provide grantees with guidance pursuant to 2 CFR 220 (A-21), 2 CFR 230 (A-122), and 10 CFR 400. EERE seeks to ensure compliance with Federal regulations through ongoing monitoring and communications with grantees.

The OIG made one recommendation directly to EERE. EERE concurs with the OIG's recommendation and has been working with Connecticut to ensure that all corrective actions are implemented. The following response by EERE addresses the OIG finding as outlined in the draft examination report on the Connecticut Department of Energy, Energy Efficiency and Conservation Block Grant (EECBG) Program.

OIG Recommendation 1: *Require the Agency to improve the administration of its EECBG Program by ensuring it implements the recommendations outlined in the CPA's report and, where appropriate, evaluate the actions proposed or taken by the Agency to address the issues identified.*

EERE Response: EERE concurs, and continues to support the Connecticut Department of Energy through the cognizant Project Officer. As recommended by the OIG, EERE



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will ensure to implement the recommendations outlined in the CPA report, which include:

CPA Report Recommendation 1.1: Revise its procedures to require and review the weekly submission of certified payrolls by sub-grantees to the Agency in compliance with Davis-Bacon Act requirements.

CPA Report Recommendation 1.2: Ensure sub-grantees are receiving certified payrolls from its contractors on a weekly basis and submitting them to the Agency as required.

EERE Response: On January 3, 2013, per the recommendation of the auditors, the Connecticut Department of Energy sent a letter to all of its sub-grant recipients clarifying the requirements highlighted in the draft examination report. As recommended on page 6 of the report, the Connecticut Department of Energy has already reviewed all Davis Bacon certified payrolls and ensured that all wages were properly paid and submitted to the Agency as required.

CPA Report Recommendation 2.1: Require sub-grantees to provide supporting documentation from previous quarters and verify that sub-grantees used accepted OMB methodologies and that the calculations are accurate; and,

CPA Report Recommendation 2.2: Determine whether corrections to the previously submitted jobs data are needed.

EERE Response: The Connecticut Department of Energy in its January 3, 2013 letter to sub grantees referred sub-grantees to The U.S Office of Management and Budget (OMB) guidance M-09-21, which governs the collection of jobs data and the quality required of that data. Connecticut asked that sub-grantees submit corrected job-number calculations where appropriate.

After EERE's discussion with the IG, the cognizant Project Officer informed Connecticut that supporting documentation for jobs numbers should be collected and retained. However, it should be noted that these projects are closed, and this documentation in some cases does not exist. Additionally, the letter to sub grantees stipulated requirements regarding fixed assets and reiterated the importance of properly collecting and retaining records of these assets. The cognizant Project Officer has informed Connecticut that the correct reference for this requirement is 10 CFR 600. The terms and conditions of Connecticut's EECBG grant state that "Additionally, as required by 10 CFR 600.2(b), 10 CFR 600.236, and 10 CFR 600.237, any new, continuation, or renewal award and any subsequent subaward shall comply with any applicable Federal statute, Federal rule, Office of Management and Budget (OMB) Circular and Government-wide guidance in effect as of the date of such award." EERE will continue to monitor compliance with 10 CFR 600, as referenced in the terms and conditions. The Connecticut EECBG program is in the process of closing out its grants, and the cognizant Project Officer is working with the State to ensure that all required actions are adhered to during closeout.

CUSTOMER RESPONSE FORM

The Office of Inspector General has a continuing interest in improving the usefulness of its products. We wish to make our reports as responsive as possible to our customers' requirements, and, therefore, ask that you consider sharing your thoughts with us. On the back of this form, you may suggest improvements to enhance the effectiveness of future reports. Please include answers to the following questions if applicable to you:

1. What additional background information about the selection, scheduling, scope, or procedures of the audit or inspection would have been helpful to the reader in understanding this report?
2. What additional information related to findings and recommendations could have been included in the report to assist management in implementing corrective actions?
3. What format, stylistic, or organizational changes might have made this report's overall message more clear to the reader?
4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report that would have been helpful?
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