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# RECOVERY ACT

# Factors Affecting the Department of Energy's Program Implementation

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Natural Resources and Environment

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# Highlights

Highlights of GAO-10-497T, a testimony before the Committee on Energy and Natural Resources, United States Senate

# RECOVERY ACT

## Factors Affecting the Department of Energy's Program Implementation

## Why GAO Did This Study

The American Recovery and Reinvestment Act of 2009 (Recovery Act)—initially estimated to cost $787 billion in spending and tax provisions—aims to promote economic recovery, make investments, and minimize or avoid reductions in state and local government services. The Recovery Act provided the Department of Energy (DOE) more than $43.2 billion, including $36.7 billion for projects and activities and $6.5 billion in borrowing authority, in areas such as energy efficiency and renewable energy, nuclear waste clean-up, and electric grid modernization.

This testimony discusses (1) the extent to which DOE has obligated and spent its Recovery Act funds, and (2) the factors that have affected DOE's ability to select and start Recovery Act projects. In addition, GAO includes information on ongoing work related to DOE Recovery Act programs. This testimony is based on prior work and updated with data from DOE.

View GAO-10-497T or key components. For more information, contact Patricia A. Dalton at (202) 512-3841 or daltonp@gao.gov.

## What GAO Found

As of February 28, 2010, DOE reported it had obligated $25.7 billion (70 percent) and reported expenditures of $2.5 billion (7 percent) of the $36.7 billion it received under the Recovery Act for projects and activities. For context, as of December 31, 2009, DOE reported that it had obligated $23.2 billion (54 percent) and reported expenditures of $1.8 billion (4 percent). The percentage of Recovery Act funds obligated varied widely across DOE program offices and ranged from a high of 98 percent in the Energy Information Administration to a low of 1 percent for the Loan Guarantee Program Office. None of DOE's program offices reported expenditures of more than a third of their Recovery Act funds as of February 28, 2010.

**Recovery Act Funding, Obligations, and Expenditures (Cumulative) Reported by Department of Energy as of February 28, 2010**

Dollars in millions

| Recovery Act | Funding | Obligations | Percentage Obligated | Expenditures | Percentage Expended |
|---|---|---|---|---|---|
| DOE | $36,710 | $25,652 | 70% | $2,514 | 7% |

Source: GAO analysis of DOE data.

Officials from DOE and states that received Recovery Act funding from DOE cited certain federal requirements that had affected their ability to implement some Recovery Act projects. For example:

- *Davis Bacon Requirements.* Officials reported that Davis-Bacon requirements had affected the start of projects in the Weatherization Assistance Program because the program had previously been exempt from these requirements.
- *National Environmental Policy Act (NEPA).* DOE officials told us that NEPA may affect certain projects that are likely to significantly impact the environment, thereby requiring environmental assessments or environmental impact statements.
- *National Historic Preservation Act (NHPA).* Officials from the Michigan Department of Human Services told us that about 90 percent of the homes scheduled to be weatherized under the Weatherization Assistance Program would need a historic review.

Additionally, DOE and state officials told us that other factors also affected their ability to quickly select or start projects. For example:

- *Newness of programs.* In some cases, because some Recovery Act programs were newly created, officials needed time to establish procedures and provide guidance before implementing projects.
- *Staff capacity.* DOE officials also told us that they experienced challenges in hiring new staff to carry out Recovery Act work. Also, District of Columbia officials told us they needed to hire 6 new staff members to oversee and manage the weatherization program.
- *State, local, or tribal issues.* The economic recession affected some states' budgets, which also affected states' ability to use some Recovery Act funds, such as difficulty providing matching funds.

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss the status of the Department of Energy's (DOE) implementation of programs funded under the American Recovery and Reinvestment Act of 2009 (Recovery Act). Congress and the administration have fashioned a significant response to what is generally considered to be the nation's most serious economic crisis since the Great Depression. The Recovery Act is intended to promote economic recovery, make investments, and minimize or avoid reductions in state and local government services. Enacted on February 17, 2009, the act was a response to the economic recession at a time when the jobless rate was approaching 8 percent. In early 2009, the Congressional Budget Office estimated that the Recovery Act's combined spending and tax provisions would cost approximately $787 billion. On January 26, 2010, CBO updated its estimate of the cost of the Recovery Act. It now estimates that the Recovery Act will cost $75 billion more than originally estimated—or a total of $862 billion from 2009 through 2019. That amount includes more than $43.2 billion for DOE efforts in areas such as energy efficiency and renewable energy, nuclear waste cleanup, and electric grid modernization.

The Recovery Act specifies several roles for GAO, including conducting ongoing reviews of selected states' and localities' use of funds made available under the act. We recently completed our fifth review, issued yesterday, which examined a core group of 16 states, the District of Columbia, and selected localities.[1] We also recently completed a review on the impact of certain federal requirements and other factors on Recovery Act project selection and starts.[2]

My statement today is based largely on these two prior reviews and updated with data from DOE and focuses on (1) the extent to which DOE has obligated and spent its Recovery Act funds, and (2) the factors that have affected DOE's ability to select and start Recovery Act projects. In addition, we include information on ongoing GAO work

[1]GAO, *Recovery Act: One Year Later, States' and Localities' Uses of Funds and Opportunities to Strengthen Accountability*, GAO-10-437 (Washington, D.C.: Mar. 3, 2010).
[2]GAO, *Recovery Act: Project Selection and Starts Are Influenced by Certain Federal Requirements and Other Factors,* GAO-10-383 (Washington, D.C.: Feb. 10, 2010).

on DOE Recovery Act programs. We obtained financial data from DOE on its obligations and expenditures for Recovery Act projects and also asked DOE—and 26 other federal agencies—which federal requirements, if any, affected the timing of project selection and start dates, as well as whether any requirements at the state and local levels, or any other factors, affected project selection and start dates. To supplement the federal agencies' responses, we spoke with officials in 16 states and the District of Columbia who are responsible for implementing Recovery Act projects. We are reviewing these 16 states and the District of Columbia for our bi-monthly reviews on Recovery Act implementation. The states selected contain about 65 percent of the U.S. population and are estimated to receive collectively about two-thirds of the intergovernmental federal assistance funds available through the Recovery Act. We selected these states and the District of Columbia on the basis of federal outlay projections; percentage of the U.S. population represented; unemployment rates and changes; and a mix of states' poverty levels, geographic coverage, and representation of both urban and rural areas. We also spoke with representatives from the National Governors Association; the National Association of State Auditors, Comptrollers, and Treasurers; and the National Association of Counties.

Our prior work was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Background**

The Recovery Act provided DOE more than $43.2 billion, including $36.7 billion for projects and activities and $6.5 billion in borrowing authority.[3] Of the $36.7 billion for

[3]DOE was initially appropriated $45.2 billion in the Recovery Act; however, $2 billion for the Loan Guarantee Program was transferred from DOE's Recovery Act appropriation. As a result, DOE's appropriations under the Recovery Act now total $43.2 billion.

projects and activities, almost half—$16.8 billion—was provided to the Office of Energy Efficiency and Renewable Energy for projects intended to improve energy efficiency, build the domestic renewable energy industry, and restructure the transportation industry to increase global competitiveness. The Recovery Act also provided $6 billion to the Office of Environmental Management for nuclear waste cleanup projects, $4.5 billion to the Office of Electricity Delivery and Energy Reliability for electric grid modernization, $4 billion to the Loan Guarantee Program Office to support loan guarantees for renewable energy and electric power transmission projects, $3.4 billion to the Office of Fossil Energy for carbon capture and sequestration efforts, and $2 billion to the Office of Science and the Advanced Research Projects Agency-Energy for advanced energy technology research.

**DOE Obligated 70 Percent and Reported Expenditures of 7 Percent of its Recovery Act Funds as of February 28, 2010**

As of February 28, 2010, DOE reported that it had obligated $25.7 billion (70 percent) and reported expenditures of $2.5 billion (7 percent) of the $36.7 billion it received under the Recovery Act for projects and activities (see table 1). By comparison, as of December 31, 2009, the department reported it had obligated $23.2 billion (54 percent) and reported expenditures of $1.8 billion (4 percent).

**Table 1: Recovery Act Funding, Obligations, and Expenditures (Cumulative) Reported by Department of Energy as of February 28, 2010**

Dollars in millions

| Program Office | Funding | Obligations | Percent Obligated | Expenditures | Percent Expended |
|---|---|---|---|---|---|
| Advanced Research Projects Agency - Energy | $389 | $156 | 40% | $2 | 1% |
| Departmental Administration | 42 | 26 | 61 | 13 | 31 |
| Energy Efficiency and Renewable Energy | 16,764 | 14,559 | 87 | 823 | 5 |
| Energy Information Administration | 8 | 8 | 98 | 0 | 0 |
| Environmental Management | 6,000 | 5,525 | 92 | 1,378 | 23 |
| Fossil Energy | 3,396 | 961 | 28 | 9 | 0 |
| Loan Guarantee Program Office | 3,970 | 56 | 1 | 25 | 1 |
| Office of Electricity Delivery and Energy Reliability | 4,495 | 2,924 | 65 | 20 | 0 |
| Office of Science | 1,636 | 1,435 | 88 | 241 | 15 |
| Western Area Power Administration | 10 | 3 | 32 | 3 | 26 |
| **Total** | **$36,710[a]** | **$25,652** | **70%** | **$2,514** | **7%** |

Source: GAO analysis of DOE data

Note: The numbers in this table are rounded to the nearest million.

[a]The Recovery Act also provided DOE with $6.5 billion in borrowing authority ($3.25 billion for the Bonneville Power Administration and $3.25 billion for the Western Area Power Administration), which is not included in this table. DOE was also appropriated $15 million in the Recovery Act for the Office of Inspector General, which is also not included in this table.

The percentage of Recovery Act funds obligated varied widely across DOE program offices. Several program offices—Energy Efficiency and Renewable Energy, the Energy Information Administration, Environmental Management, and Science—had obligated more than 85 percent of their Recovery Act funds by February 28, 2010, while other program offices—Fossil Energy, the Loan Guarantee Program, and the Western Area Power Administration—had obligated less than a third of their Recovery Act funds by that time.

The percentage of Recovery Act funds spent also varied across DOE program offices, though to a lesser degree than the percentage obligated. None of the program offices reported expenditures of more than a third of their Recovery Act funds as of February 28, 2010. The percentage of funds spent ranged from a high of 31 percent for Departmental Administration to a low of zero percent for the Electricity Delivery and Energy Reliability, Energy Information Administration, and Fossil Energy offices.

## Federal Requirements and Other Factors Affected the Timing of Project Selection and Starts

Officials from DOE and states that received Recovery Act funding from DOE cited certain federal requirements and other factors that had affected their ability to implement some Recovery Act projects. In particular, DOE officials reported that Davis-Bacon requirements and the National Environmental Policy Act affected the timing of some project selection and starts, while state officials reported that the National Historic Preservation Act affected their ability to select and start Recovery Act projects. Other factors unrelated to federal requirements—including the newness of programs, staff capacity, and state and local issues—also affected the timing of some projects, according to federal and state officials.

### DOE and State Officials Reported that Certain Federal Requirements Affected Project Selection and Starts

Officials from DOE and states that received DOE funding cited certain federal requirements that had affected their ability to select or start some Recovery Act projects. For example:

- *Davis-Bacon requirements.*[4] DOE's Weatherization Assistance Program became subject to the Davis-Bacon requirements for the first time under the Recovery Act

[4]The Davis-Bacon Act requires that contractors and subcontractors pay workers the locally prevailing wages on most federally funded construction projects, and it imposes several administrative requirements relating to the payment of workers on qualifying projects. The Recovery Act generally applies Davis-Bacon requirements to all Recovery Act-funded projects, requiring contractors and subcontractors to pay all laborers and mechanics at least the prevailing wage rates in the local area where they are employed, as

after having been previously exempt from those requirements.[5] Thus, the Department of Labor (Labor) had to determine the prevailing wage rates for weatherization workers in each county in the United States. In July 2009, DOE and Labor issued a joint memorandum to Weatherization Assistance Program grantees authorizing them to begin weatherizing homes using Recovery Act funds, provided they paid construction workers at least Labor's wage rates for residential construction, or an appropriate alternative category, and compensated workers for any differences if Labor established a higher local prevailing wage rate for weatherization activities. On September 3, 2009, Labor completed its determinations; later that month, we reported that Davis-Bacon requirements were a reason why some states had not started weatherizing homes.[6] Specifically, we reported that 7 out of 16 states and the District of Columbia decided to wait to begin weatherizing homes until Labor had determined county-by-county prevailing wage rates for their state. Officials in these states explained that they wanted to avoid having to pay back wages to weatherization workers who started working before the prevailing wage rates were known. In general, the states we reviewed used only a small percentage of their available funds in 2009, mostly because state and local agencies needed time to develop the infrastructures required for managing the significant increase in weatherization funding and for ensuring compliance with Recovery Act requirements, including Davis-Bacon requirements. According to available DOE data, as of December 31, 2009, 30,252 homes had been weatherized with Recovery Act funds, or about 5 percent of the approximately 593,000 total homes that DOE originally planned to weatherize using Recovery Act funds.[7]

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determined by the Secretary of Labor. In addition, contractors are required to pay these workers weekly and submit weekly certified payroll records, generally to the contracting federal agency.

[5]The Recovery Act appropriated $5 billion for the Weatherization Assistance Program, which DOE is distributing to each of the states, the District of Columbia, and seven territories and Indian tribes. The program seeks to assist low-income families by making such long-term energy efficiency improvements to their homes as installing insulation; sealing leaks; and modernizing heating equipment, air circulation fans, and air conditioning equipment.

[6]GAO, *Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Fully Addressed*, GAO-09-1016 (Washington, D.C., Sept. 23, 2009).

[7]DOE collects data reported by states and territories on the number of homes weatherized and on state and territory expenditures of funds on a quarterly basis. The data reported by states as of a certain date (such as for the quarter ending December 31, 2009) can change as states finalize figures for homes weatherized

- *National Environmental Policy Act (NEPA).*[8] DOE officials told us that while NEPA is unlikely to impose a greater burden on Recovery Act projects than on similar projects receiving federal funds, the timing of certain projects may be slowed by these requirements. However, DOE officials reported that the agency had taken steps to expedite the NEPA review process and said that the agency's funding opportunity announcements specified that projects must be sufficiently developed to meet the Recovery Act's timetable for commitment of funds. Nevertheless, DOE officials also told us that several program offices—including Loan Guarantee, Fossil Energy, Electricity Delivery and Energy Reliability, and the Power Marketing Administrations—will likely have projects that significantly impact the environment and will therefore require environmental assessments or environmental impact statements. DOE officials told us that they plan to concurrently complete NEPA reviews with other aspects of the project selection and start process. State officials in California and Mississippi also told us that NEPA had caused delays in DOE Recovery Act projects. For example, California officials said that the State Energy Commission must submit some of its Recovery Act projects to DOE for NEPA review because they are not covered by DOE's existing categorical exclusions.[9] State officials said that such reviews can take up to 6 or more weeks. Both California and Mississippi officials told us that activities that are categorically excluded under NEPA (e.g., road repaving or energy-efficient upgrades to existing buildings) still require clearance before the state can award funds. Staff must spend time filling out forms and supplying information to DOE on projects that may qualify for a categorical exclusion.

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and funds spent. DOE originally planned to weatherize 593,000 homes with Recovery Act funding by March 31, 2012. A DOE report issued on February 24, 2010, indicated that 30,252 homes had been weatherized nationwide as of December 31, 2009, though numbers are not yet finalized.

[8]NEPA established national environmental policies and goals to ensure that federal agencies properly consider environmental factors before deciding on a project. Under NEPA, federal agencies evaluate the potential environmental effects of projects they are proposing using an environmental assessment or, if projects may significantly affect the environment, a more detailed environmental impact statement.

[9]If an agency determines that activities of a proposed project fall within a category of activities the agency has already determined has no significant environmental impact—called a categorical exclusion—then the agency generally does not need to prepare an environmental assessment or environmental impact statement.

- *National Historic Preservation Act (NHPA).*[10] State officials told us that NHPA had also affected DOE Recovery Act project selection and starts.[11] Mississippi officials, in particular, cited NHPA's clearance requirements as one of the biggest potential delays to project selection in energy programs. Many of the city- and county-owned facilities that could benefit from the Energy Efficiency and Conservation Block Grant program could be subject to historic preservation requirements, which mandate that projects must be identified within 180 days of award.[12] In part because of this requirement, the state had to adjust program plans and limit the scope of eligible recipients and projects to avoid historic preservation issues. Likewise, officials from the Michigan Department of Human Services told us that NHPA requires that weatherization projects receiving federal funds undergo a state historic preservation review. According to Michigan officials, this requirement means that the State Historic Preservation Office may review every home over 50 years of age if any work is to be conducted, regardless of whether the home is in a historic district or on a national registry. These officials estimated that 90 percent of the homes scheduled to be weatherized would need a historic review. These reviews are a departure from Michigan's previous experience; the State Historic Preservation Office had never considered weatherization work to trigger a review. Furthermore, Michigan officials told us that their State Historic Preservation Office's policy is to review weatherization applications for these homes within 30 days after receiving the application and advise the Michigan Department of Human Services on whether the work can proceed. However, as of October 29, 2009, the State Historic Preservation Office had only two employees, so state officials were concerned that this process could

[10]NHPA declares that the federal government has a responsibility to expand and accelerate historic preservation programs and activities in order to preserve the nation's historical and cultural foundations. The act requires that for all projects receiving federal funding or a federal permit, federal agencies must take into account the project's effect on any historic site, building, structure, or other object that is or can be listed on the National Historic Register. Under the act and its implementing regulations, the agency must consult with relevant federal, state, and tribal officials with regard to such a project.

[11] DOE officials told us in January 2010 that they were in the process of developing an agreement with the Advisory Council on Historic Preservation and the National Conference of State Historic Preservation Officers to create a manageable framework for streamlining DOE's compliance with NHPA requirements.

[12]The Energy Efficiency and Conservation Block Grants program, administered by DOE, provides funds through competitive and formula grants to units of local and state government and Indian tribes to develop and implement projects to improve energy efficiency and reduce energy use and fossil fuel emissions in their communities. The Recovery Act includes $3.2 billion for the program.

cause a significant delay. To avoid further delays, Michigan officials told us that in November 2009, they signed an agreement with the State Historic Preservation Office that is designed to expedite the review process. They also told us that with the agreement in place, they expect to meet their weatherization goals.

- *Buy American provisions.*[13] DOE officials told us that Buy American provisions could cause delays in implementing Recovery Act projects. Officials from other federal agencies said those provisions have affected or may affect their ability to select or start some Recovery Act projects. In some cases, those agencies had to develop guidance for compliance with Buy American provisions, including guidance on issuing waivers to recipients that were unable to comply. For example, according to Environmental Protection Agency officials, developing Buy American guidance was particularly challenging because of the need to establish a waiver process for Recovery Act projects. At the local level, officials from the Chicago Housing Authority (CHA) reported that the only security cameras that are compatible with the existing CHA system and City of Chicago police systems are not made in the United States. CHA worked with the Department of Housing and Urban Development to determine how to seek a waiver for this particular project. Moreover, an industry representative told us that the Buy American provisions could interrupt contractors' supply chains, requiring them to find alternate suppliers and sometimes change the design of their projects, which could delay project starts.

<u>DOE and State Officials Reported that Other Factors Have Also Affected the Timing of Project Selection and Starts</u>

[13]The Buy American Act generally requires that raw materials and manufactured goods acquired for public use be made or produced in the United States, subject to limited exceptions. Federal agencies may issue waivers for certain projects under specified conditions, for example, if using American-made goods is inconsistent with the public interest or the cost of those goods is unreasonable. Agencies also need not use American-made goods if they are not sufficiently available or of satisfactory quality. The Recovery Act has similar provisions, including one limiting the "unreasonable cost" exception to those instances when inclusion of American-made iron, steel, or other manufactured goods would increase the overall project cost by more than 25 percent.

Officials from DOE and states also told us that factors other than federal requirements have affected the timing of project selection or starts. For example:

- *Newness of programs*. Because some Recovery Act programs were newly created, in some cases, officials needed time to establish procedures and provide guidance before implementing projects. In particular, the DOE Inspector General noted that the awards process for the Energy Efficiency and Conservation Block Grant program, newly funded under the Recovery Act, was challenging to implement because there was no existing infrastructure. Hence, Recovery Act funds were not awarded and distributed to recipients in a timely manner.

- *Staff capacity*. Officials from DOE stated that they would need to hire a total of 550 staff—both permanent and temporary—to carry out Recovery Act-related work. However, several issues affected DOE's ability to staff these federal positions, including the temporary nature and funding of the Recovery Act and limited resources for financial management and oversight. To address those issues, DOE was granted a special direct hire authority as part of the Recovery Act for certain areas and program offices. The authority allowed DOE to expedite the hiring process for various energy efficiency, renewable energy, electricity delivery, and energy reliability programs and helped DOE fill longer term temporary (more than 1 year, but not more than 4 years) and permanent positions. However, according to DOE officials, government-wide temporary appointment authority does not qualify an employee for health benefits, and thus few candidates have been attracted to these temporary positions. According to DOE officials, the Office of Management and Budget recently approved direct-hire authority for DOE, which officials believe will alleviate issues related to health care benefits.

  Some officials told us that they experienced heavy workloads as a result of the Recovery Act, which impaired their ability to implement programs. As we reported in December 2009, smaller localities, which are often rural, told us that they faced challenges because of a lack of staff to understand, apply for, and comply with requirements for federal Recovery Act grants.[14] For example, some local government officials reported that they did not employ a staff person to handle grants and therefore did not have the capacity to understand which grants they were eligible for and how to apply for them. In the District of Columbia, Department of the Environment officials explained that weatherization funds had not been spent as quickly as anticipated because officials needed to develop the infrastructure to administer the program. For example, the department needed to hire 6 new staff members to oversee and manage the program. Officials reported that, as of late January 2010, the department had still not hired any of the six new staff required. Officials from the National Association of Counties said that some localities had turned down Recovery Act funding to avoid the administrative burdens associated with the act's numerous reporting requirements.

- *State, Local, or Tribal Issues.* In our recently issued report on factors affecting the implementation of Recovery Act projects, we noted that the economic recession affected some states' budgets, which, in turn, affected states' ability to use some Recovery Act funds.[15] For example, according to a recent report by DOE's Office of Inspector General, implementation of the Weatherization Assistance Program's Recovery Act efforts was delayed in part by state hiring freezes, problems resolving local budget shortfalls, and state-wide furloughs.[16] State-level budget challenges have affected the implementation of Recovery Act projects. For example, officials from the Department of Defense told us that because states were experiencing difficulties in passing their current-year budgets, some were unable to provide matching funds for certain Army National Guard programs. As a result, the Department of Defense had to revise its Recovery Act project plan to cancel or reduce the number of Army National Guard projects with state matching

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[14]GAO, *Recovery Act: Status of States' and Localities' Use of Funds and Efforts to Ensure Accountability*, GAO-10-231 (Washington, D.C.: Dec. 10, 2009).
[15]GAO-10-383.
[16]DOE Office of Inspector General, OAS-RA-10-04, *Special Report: Progress in Implementing the Department of Energy's Weatherization Assistance Program Under the American Recovery and Reinvestment Act* (February 19, 2010).

funds and replace them with other projects that did not require matching funds. Officials from the Department of Housing and Urban Development also told us that project starts in some instances were affected by the need for state and local governments to furlough employees as a result of the economic downturn.

## GAO Has Ongoing Work on DOE Recovery Act Programs

In a report issued yesterday, we discussed recipient reporting in DOE's Weatherization Assistance Program.[17] Specifically, we noted that reporting about impacts to energy savings and jobs created and retained at both the state and local agency level is still somewhat limited. Although many local officials that we interviewed for that review have collected data about new hires, none could provide us with data on energy savings. Some states told us they plan to use performance measures developed by DOE, while others have developed their own measures. For example, Florida officials told us they plan to measure energy savings by tracking kilowatts used before and after weatherization, primarily with information from utility companies. In addition, local agencies in some states either collect or plan to collect information about other aspects of program operations. For example, local agencies in both California and Michigan collect data about customer satisfaction. In addition, a local agency in California plans to report about obstacles, while an agency in New York will track and report the number of units on the waiting list.

As we reported, DOE made several outreach efforts to their program recipients to ensure timely reporting. These efforts included e-mail reminders for registration and Webinars that provided guidance on reporting requirements. For the first round of reporting, DOE developed a quality assurance plan to ensure all prime recipients filed quarterly reports, while assisting in identifying errors in reports. The methodology for the quality assurance review included several phases and provided details on the role and responsibilities for DOE officials. According to DOE officials, the data quality assurance plan was also

[17] GAO-10-437.

designed to emphasize the avoidance of material omissions and significant reporting errors.

In addition to our reviews of states' and localities' use of Recovery Act funds, GAO is also conducting ongoing work on several DOE efforts that received Recovery Act funding, including the Loan Guarantee Program and the Office of Environmental Management's activities.

As I noted earlier, Congress made nearly $4 billion in Recovery Act funding available to DOE to support what the agency has estimated will be about $32 billion in new loan guarantees under its innovative technology loan guarantee program. However, we reported in July 2008 that DOE was not well positioned to manage the loan guarantee program effectively and maintain accountability because it had not completed a number of key management and internal control activities.[18] To improve the implementation of the loan guarantee program and to help mitigate risk to the federal government and American taxpayers, we recommended that, among other things, DOE complete internal loan selection policies and procedures that lay out roles and responsibilities and criteria and requirements for conducting and documenting analyses and decision making, and develop and define performance measures and metrics to monitor and evaluate program efficiency, effectiveness, and outcomes. We are currently engaged in ongoing work to determine the current state of the Loan Guarantee Program and what progress DOE has made since our last report, and we expect to report on that work this summer.

Ongoing work also focuses on DOE's Office of Environmental Management, which also received Recovery Act funding. The Office of Environmental Management oversees cleanup efforts related to decades of nuclear weapons production.[19] The Recovery Act provided DOE with $6 billion—in addition to annual appropriations of $6 billion—for cleanup activities including packaging and disposing of wastes, decontaminating and decommissioning facilities, and removing contamination from soil. DOE has begun work

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[18] GAO, *Department of Energy: New Loan Guarantee Program Should Complete Activities Necessary for Effective and Accountable Program Management*, GAO-08-750 (Washington, D.C., July 7, 2008).
[19] DOE estimates that the total cost to complete this work will come to about $300 billion and that it will take several more decades.

on the majority of its more than 85 Recovery Act projects at 17 sites in 12 states and has spent nearly $1.4 billion (about 23 percent of its total Recovery Act funding) on these projects. We are currently conducting work to evaluate the implementation of these projects, including the number of jobs that have been created and retained, performance metrics being used to measure progress, DOE's oversight of the work, and any challenges that DOE may be facing. We expect to report on that work this summer.

Mr. Chairman, this completes my prepared statement. We will continue to monitor DOE's use of Recovery Act funds and implementation of programs. I would be happy to respond to any questions you or other Members of the Committee may have at this time.

## Contact and Acknowledgments

For further information regarding this testimony, please contact me or Mark Gaffigan, Director, at (202) 512-3841. Kim Gianopoulos (Assistant Director), Amanda Krause, Jonathan Kucskar, David Marroni, Alise Nacson, and Alison O'Neill made key contributions to this testimony.

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