

U.S. Department of Energy
Office of Inspector General

Statement
of
The Honorable Teri L. Donaldson, Inspector General
U.S. Department of Energy

before the

U.S. Senate
Committee on Energy and Natural Resources

October 19, 2023

Introduction

Chairman Manchin, Ranking Member Barrasso, and members of the committee:

Thank you for inviting me to testify today on the risks arising from the major expansion of both the Department of Energy’s loan programs and its grant¹ programs, as funded by recent pieces of legislation which collectively appropriated \$99 billion to the Department and increased the Department’s loan authority by an estimated \$385 billion.

The current situation brings tremendous risk to the taxpayers — the combination of standing up 72 new Department programs, a real risk of funding entities with foreign ownership or control, and a historic expansion of the Department’s loan program. As you know, these loan packages are on an accelerated schedule. One category of loan guarantees worth an estimated \$250 billion will expire on September 30, 2026. Another category of loan guarantees worth an estimated \$40 billion will expire on the same date—\$290 billion over the next 3 years or, put another way, roughly \$8 billion per month over the next 36 months. There is no precedent in the Department for this level and pace of financing. To put that amount into perspective, Wells Fargo, one of the Nation’s largest banks, had an outstanding domestic commercial and industrial loan balance of \$292 billion as of the end of 2022.² Further, many of these projects are designed to promote innovation by financing projects not otherwise acceptable by private equity investors – projects the markets do not view acceptable.

These massive new risks to the taxpayer are occurring in tandem with substantial underfunding of the Office of Inspector General (OIG). Underfunding oversight makes an inherently risky situation much more amenable to fraud, waste, and abuse. Without substantially increased resources, the OIG’s oversight will be a fraction of what it should be, and it will not include any oversight of many key areas. For example, with current funding, the OIG may only be able to conduct 50 oversight projects pertaining to the \$65 billion of grant and financial assistance awards, even though we have determined that more than 400 oversight projects are necessary to protect the taxpayers. Moreover, the OIG will not be able to provide the near-term audit and inspection assistance that the President has specifically requested to minimize the longer-term impacts from the large-scale frauds that often plague Federal programs that provide such funding on an expediated timeline. The current level of OIG funding for oversight is both inadequate and irresponsible.

Additionally, without proper funding, critical pre-existing risk areas such as research security, contracting and payment integrity, stockpile stewardship, environmental cleanup, and pit production—to name a few—will not receive appropriate OIG oversight.

¹ For purposes of the document, the term “grants” includes cooperative agreements and other transactions such as direct subsidies, prize competitions, etc. Both grants and cooperative agreements deliver Federal funds to recipients. With cooperative agreements, the Federal Government may be more involved in guiding or participating in project activities.

² <https://www08.wellsfargomedia.com/assets/pdf/about/investor-relations/annual-reports/2022-annual-report.pdf> (p.18)

As the Pandemic Response Accountability Committee (PRAC) continues to identify the billions and billions of dollars lost or stolen from the pandemic related federal funding programs, there are lessons to be learned. Earlier this year, PRAC chairman Michael Horowitz testified about the use of over 69,000 questionable social security numbers to obtain \$5.4 billion in fraudulent pandemic loans and grants.³ PRAC estimates a total of \$60.4 billion has been lost to fraud from the total \$655 billion in benefits provided in response to the pandemic, and other sources place that number at over \$200 billion.⁴ Fast money must be balanced against the need for thoughtful and effective internal controls and independent audits.

Due to the spending caps proposed in the Fiscal Responsibility Act of 2023, I am recommending that Congress reallocate funds from the Department's unobligated balances under the Infrastructure Investment and Jobs Act (IIJA), Inflation Reduction Act (IRA), and Puerto Rico Energy Resilience Fund to provide 0.35 percent of funding in those statutes to the OIG. This can be done with no increases in appropriations. This makes sense. In fact, the Environmental Protection Agency has already agreed to transfer additional funds to its OIG in the same manner for the same reason.

I have asked for the administration's support of this proposal. I am here today to ask the same of this committee, and to further discuss some of the risks associated with this unprecedented influx of funding. Please support my request to be properly funded as discussions continue to finalize the fiscal year 2024 budget.

Recent Legislation Increased Loan Program by \$385 Billion

Three recent legislative actions expanded existing Department authorities for loans and loan guarantees by an estimated \$385 billion. Beginning with the most recent legislation:

- The 2023 Consolidated Appropriations Act expanded the Department's loan guarantee authority by \$15 billion. This authority supports commitments to guarantee loans for eligible projects under title Title XVII of the Energy Policy Act of 2005 for Innovative Technology Loan Guarantee, Section 1703. Eligible projects must: (1) avoid, reduce, or sequester air pollutants or anthropogenic greenhouse gas emissions, and (2) employ new or significantly improved technologies. This authority does not have a statutory expiration date but is available until the appropriations for credit subsidy supporting it are expended.

³ Congressional Hearing, February 1, 2023, on Federal Pandemic Spending: A Prescription for Waste, Fraud, and Abuse (Page 3): oversight.house.gov

⁴ Pandemic Unemployment Insurance: How much has been paid to fraudsters?: pandemicoversight.gov

- IRA expanded the Department’s loan and loan guarantee authority up to approximately \$350 billion, covering several authorities:
 - Title XVII Innovative Technology Loan Guarantee, Section 1703, was expanded by \$40 billion and covers the same type of work as discussed in the preceding paragraph. This authority is available until September 30, 2026, or until the appropriations for credit subsidy supporting it are expended.
 - Title XVII Innovative Technology Loan Guarantee, Section 1706, authorized and appropriated funds to support guarantees of up to \$250 billion. Section 1706 should be used to help retool, repower, repurpose, or replace existing energy infrastructure that has ceased operations, or to enable operating energy infrastructure to avoid, reduce, utilize, or sequester air pollutants or anthropogenic emissions of greenhouse gases. This authority is available until September 30, 2026, or until the appropriations for credit subsidy supporting it are expended.
 - Advanced Technology Vehicles Manufacturing Direct Loan Program is estimated to support approximately \$40 billion of loans. These loans finance U.S. manufacturing of fuel-efficient, advanced technology vehicles and qualifying components. Although the legislation does not provide a “cap” for this loan authority, the Loan Programs Office (LPO) estimates that appropriations for credit subsidy may support an estimated \$40 billion.⁵ This authority is available through September 30, 2028, or until appropriations for credit subsidy costs supporting it are expended.
 - Tribal Energy Loan Guarantee Program (TELGP). IRA changed and increased this \$20 billion program. These loans can finance a broad range of energy development projects owned by Tribal Nations. The math for this authority contains two parts: (1) \$18 billion in new IRA expanded TELGP authority, (2) plus IRA created new rules and applicability for an existing \$2 billion TELGP authority that was authorized in the FY 2017 Consolidated Appropriations Act (Public Law 115-31) in such manner as to subsume the prior \$2 billion authority and to combine it with the new \$18 billion IRA authority, resulting in \$20 billion. This authority is available until expended.

- The IIJA authorized and appropriated funds for the Carbon Dioxide Transportation Infrastructure Finance and Innovation Program loan guarantee program by an estimated \$20 billion. The LPO will manage this Program in partnership with the Department’s Office of Fossil Energy and Carbon Management. The loans are designed to support large capacity, common carrier carbon dioxide transport projects. The legislation does not include a ceiling for the maximum amount of loans that can be made for this authority; however, the LPO estimates that appropriations for credit subsidy and administrative costs may support an estimated \$20 billion.⁶ This authority is available until expended.

⁵ The LPO Annual Portfolio Status Report (Page 4): <https://www.energy.gov>

⁶ The LPO Annual Portfolio Status Report (Page 5): <https://www.energy.gov>

The preceding information is summarized in the following table:

Law	Amount	Program	Purpose	Expiration	Statutory or estimated
2023 Consolidated Appropriations Act \$15 billion	\$15 billion	Section 1703. Title XVII Innovative Loan Technology Guarantee	Eligible projects must (1) avoid, reduce, or sequester air pollutants or anthropogenic greenhouse gas emissions, and (2) employ new or significantly improved technologies	Available until credit subsidy appropriation is expended	Statutory ceiling
Inflation Reduction Act \$350 billion	\$40 billion	Section 1703. Title XVII Innovative Loan Technology Guarantee	Identical to 2023 Consolidated Appropriations authority described above	Sept. 30, 2026	Statutory ceiling
	\$250 billion	Section 1706. Title XVII Energy Infrastructure Reinvestment Program / Innovative Loan Technology Guarantee	Retool, repower, replace, or repurpose existing energy infrastructure that ceased operations, or to enable energy infrastructure to avoid, reduce, utilize, or sequester air pollutants or anthropogenic emissions of greenhouse gases	Sept. 30, 2026	Statutory ceiling
	\$40 billion	Advanced Technology Vehicles Manufacturing Direct Loan Program	Finance U.S. manufacturing of fuel-efficient, advanced technology vehicles and qualifying components	Sept. 30, 2028	IRA removed a \$25 billion cap. \$40 billion is current estimated amount that may be supported by the credit subsidy appropriation
	\$20 billion	Tribal Energy Loan Guarantee Program	These loans can finance a broad range of energy development projects owned by Tribal Nations	Available until expended	Statutory ceiling
Infrastructure Investment and Jobs Act \$20 billion	\$20 billion	Carbon Dioxide Transportation Infrastructure Finance and Innovation Program Loan Guarantee Program	The loans are designed to support large capacity, common carrier carbon dioxide transport projects	Available until expended	Estimated amount based on the loan dollars supported by the credit subsidy appropriation

Recent Legislation Expanded Department's Grant Programs

Of the \$99 billion in supplemental appropriations to the Department, we estimate that \$65 billion will be distributed in grants and other financial assistance awards,⁷ including the creation of 72 new programs. Beginning with the most recent legislation:

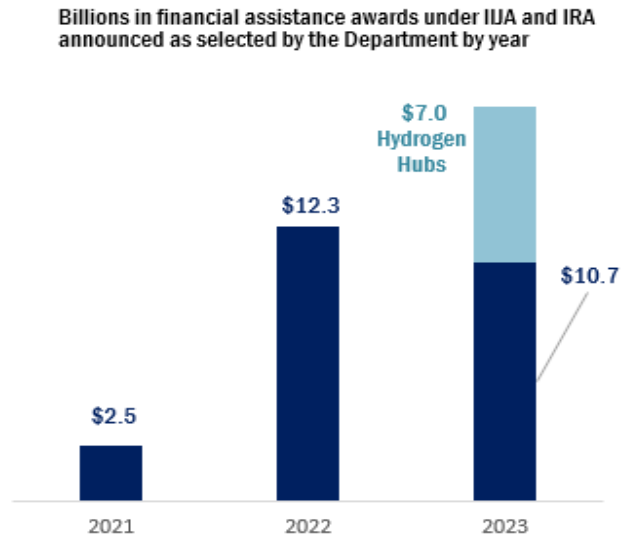
- The 2023 Consolidated Appropriations Act⁸—Congress added \$1 billion to the Department's appropriations to provide grants to the Puerto Rico Energy Resilience Fund to build energy system resilience to major natural disasters. This is a new grant program.

⁷ In this context, "grants" include all types of Financial Assistance programs, including grants, cooperative agreements, direct subsidies, prizes, and other non-contractual transactions. It is important to note that this number is not settled since awards are still being made, and the Department has some flexibility in the manner that the program funds are disbursed.

⁸ Public Law 117-328

- IRA⁹—Of the \$35 billion in appropriations, we estimate that \$16 billion is slated for grants. The legislation funds 21 programs,¹⁰ 15 of which are new programs.¹¹
- IJA¹²—Of the \$62 billion, we estimate that \$48 billion is slated for grants. The legislation funds 69 programs,¹³ 56 of which are new programs.

The Department is already moving these funds. The Department reports that more than \$32 billion in awards have been selected, increasing rapidly over time, as shown in this chart. The volume and pace of these awards will increase significantly from FY 2024 through FY 2025. By way of comparison with historical awards volumes, in FY 2021, the Department awarded \$3.9 billion in financial assistance awards for enduring mission grants, not including the IJA funds.



Due Diligence Challenges Facing Both Loan and Grants Programs

History teaches us that certain factors make applied due diligence less rigorous, even when due diligence procedures may seem well drafted.

Fast moving funds incentivize cutting corners in due diligence. One category of loan guarantees worth an estimated \$250 billion expires on September 30, 2026—3 years from now. Another category of loan guarantees worth an estimated \$40 billion expires on the same date—\$290 billion over the next 3 years or, put another way, roughly \$8 billion per month over the next 36 months. There is no precedent for this level and pace of financing. In the interest of moving these funds out, on schedule, the Department may be incentivized to cut corners and skip rigorous due diligence steps that are needed to properly manage the risk of default.

Similarly, for grant programs, Department officials are under pressure to award grants and thereby move the clean climate program forward as quickly as possible. This goal directed pressure may also lead to cutting corners in due diligence procedures.

There is a real risk that awards will be made to ineligible recipients. For the innovative technology loan guarantee program, the loan applicant must demonstrate innovation

⁹ Public Law 117-169

¹⁰ <https://www.energy.gov/infrastructure/clean-energy-infrastructure-programs-department-energy>

¹¹ One of the new programs is Department Oversight for \$20 million, which captures funding for the OIG.

¹² Public Law 117-58

¹³ <https://www.energy.gov/infrastructure/clean-energy-infrastructure-programs-department-energy>

in the technology being financed in the project. There is a real risk that “innovation” claims will be exaggerated by the applicant, or that baseless or marginally innovative proposals may be awarded financing. Compounding this risk is the pressure on the Department to make loans before authority expires. Should this occur, there is less money available for truly innovative technology projects.

Similarly, in the grants program, due diligence is crucial to ensure that awardees satisfy program participation criteria. The same incentives exist for grant applicants to cheat on eligibility and for Federal officials to approve the applications with too little verification.

Due diligence is essential to prevent awards to foreign entities. Both IJA and IRA include requirements that call for both loan and grant awards to be made to entities that advance the agenda of domestic technology development and jobs creation, and that seek to prevent awards to foreign entities. To help manage this risk, in March of this year, the Department set up a pilot “vetting” process through the “Research, Technology, and Economic Security Vetting Center.” This office intends to screen loan and grant awards for foreign influence, ownership, and control. However, this pilot process is new, still under development, untested, and will be called upon to screen numerous projects on a truncated timeline. This office is currently staffed by only three people. All these factors increase the risk that awards will be made to entities with foreign entanglements that go undetected.

Yet, award determinations were already underway, well ahead of the vetting center pilot. One of these projects raises the issue of balancing competing goals. Kore Power, an Idaho-based company that currently makes lithium-ion battery cells in China with Chinese technology and intellectual property, won a conditional commitment from the LPO in June 2023 for an \$850 million loan to help build its first major U.S. manufacturing facility in Arizona. In this case, the Department is moving the project forward on the grounds that U.S. jobs will be created deploying Chinese technology in the U.S., and with the belief that U.S. technology will not go overseas. While it appears that this financing project may support Congress’ goals of U.S. job creation, it clearly does not support the legislation’s goals of U.S. technology development since this project deploys Chinese intellectual property.

The OIG has conducted a number of investigations related to the theft of intellectual property and violations of grant terms and conditions. In fact, 35 percent of the grant fraud cases currently open are related to research security with a real risk that this research will go overseas. For example, a recent investigation conducted jointly by my office and the National Science Foundation OIG found that a principal investigator at the University of Kansas created a scheme to defraud the Government by failing to disclose on grant proposals to the Department an existing affiliation with, and contractual obligations to, a Chinese university. The grant recipient also failed to disclose this conflict of interest to the University of Kansas.¹⁴

There is every reason to conclude that foreign actors will seek IJA and IRA funds to advance development of clean energy technology, and that the Department’s due diligence procedures may not be sufficient to deal with this reality.

¹⁴ <https://www.justice.gov/opa/pr/jury-convicts-university-kansas-researcher-hiding-ties-chinese-government>

Due diligence needed to prevent “double dipping.” Since 2009, there has been a broad prohibition against “double dipping”—the notion that an entity that was funded through one sort of Federal funding, such as a grant, would then use those Federal grant funds to apply for more Federal monies such as a loan. This risk is accentuated with the loan applicants and grant applicants competing for funding to develop innovative clean energy technologies. In other words, projects deemed worthy of grants may be considered as good candidates for the loans as well, but need to be carefully screened to ensure that double dipping is not occurring.

Additional Risks - Loan Program

What rate of loan default is acceptable? The LPO faces enormous challenges. First, these loans are designed to create partial or total financing for projects that are otherwise too risky for commercial banks or private equity to accept. Stated differently, these projects would fail commercial due diligence. This raises the most fundamental question: What amount of risk is acceptable? This question should be discussed; acceptable risk should be defined; overall success for the program should also be defined; and the results should be tracked and reported.

In a commercial setting, default on the loan is what defines failure. If the lender is paid on the loan, the lender has been successful. Here, the LPO will be financing projects in full anticipation of some amount of default. What amount of default of these \$385 billion is acceptable?

Indian Energy Loan Guarantee Program no longer requires “skin in the game.” We note that IRA loosened controls that came with this program’s 2017 authority in two fundamental ways. First, the 2017 authority was for a partial loan guarantee, not to exceed 90 percent. Put another way, the loan applicant had 10 percent “skin in the game.” No deals were closed under these standards. IRA removed the 90 percent partial loan guarantee requirement and now allows for 100 percent financing of project costs. Second, IRA now guarantees loans from, and allows access to, the U.S. Treasury’s Federal Financing Bank loans, which reduces both fees and interest expenses. Together, these changes are certain to increase participation in the program and the risk of default. With increased risk should come increased due diligence procedures to add assurance that the taxpayer is being protected in this increasingly risky program.

Additional Risks - Grants

New programs are pushing out billions in grant money through newly designed processes using untested internal controls. Overwhelmingly, the 72 new programs are for grants and financial assistance awards, awarding an estimated \$65 billion in appropriations. These new Federal programs raise immediate concerns such as acquiring and training expert staff and quickly developing effective internal controls. For these new programs in particular, there is a critical need for external oversight of these new Federal programs to help prevent foreseeable problems as early as possible.

The Department has not taken concrete steps to ensure that sufficient resources are reserved to perform proper oversight over significant increases in grants to states, local government, and tribes. As this money is awarded to these entities, it is then further dispersed to subrecipients. It is not yet clear whether the states, local governments, or tribes are equipped with sufficient staffing, or have adequate internal control systems in place, to protect these funds. Our early indicators are that states' oversight resources are stretched and strained due to multiple competing priorities, including ongoing pandemic oversight commitments. Importantly, the passing of these Federal funds to others neither removes the Federal nature of the expenditure nor excuses Federal oversight, but it certainly increases risk. My office has been notifying Department leadership of these concerns for more than a year.

The Department is planning to disburse billions of dollars using award vehicles it has little or no experience with. The Department has some experience in administering financial assistance programs in the form of grants and cooperative agreements. However, the IJA mandates programs that do not fit neatly into these categories. Some examples of these include direct subsidies for the \$6 billion Civil Nuclear Credit Program, competitive "prize" programs, and others. Accordingly, the Department established a Working Group on Innovative Funding Mechanisms to develop processes, policies, and procedures to use Partnership Intermediary Agreements¹⁵ and "Other Transaction Authority" to make these atypical awards. We note that there are real risks associated with developing new processes to pay billions of dollars using award instruments for which the Department has little or no experience.

Modern data analytics tools are not being used to prevent improper payment or to detect fraud, waste, and abuse in grant programs. Historically, the Department has not gathered or required data from its many grantees in sufficient detail to support modern data analytics capabilities, prevent and detect improper payments, or detect fraud. Other Federal agencies have learned a great deal about the power afforded by data analytics capabilities applied to high volume transactions. In late July 2023, the Department issued program requirements and grant application instructions that appear to miss an opportunity to require the type of data that has served other agencies so well during the pandemic. The OIG is currently evaluating opportunities for the Department to require additional data to be gathered by grantees for rebate program beneficiaries, in a secure manner, that can be used to prevent improper payments and to detect fraudulent patterns and actions. Additionally, the OIG team is exploring questions related to information sharing opportunities and other tools such as using the U.S. Treasury's "Do Not Pay" tool. This work is already well underway. The OIG report will identify additional opportunities for the Department to use on other grant programs to modernize data analytics capabilities.

The Department has a poor track record auditing grantees. Federal regulations require that recipients spending more than \$750,000 in Federal funds must undergo an annual audit by an independent auditor. Commonly called "Single Audits" these audits are designed to help ensure that recipients have adequate accounting systems and effective internal controls. It is critical that these independent audits are conducted. It is also critical that the granting agency monitor compliance and follow up on the issues identified by these and other audits. This

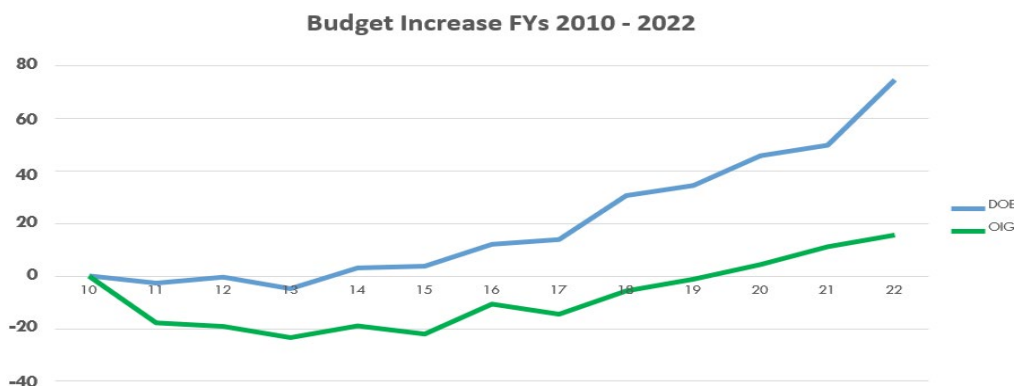
¹⁵ 15 U.S.C. § 3715, Use of Partnership Intermediaries

oversight framework is only effective if it is implemented and overseen appropriately by granting agencies.

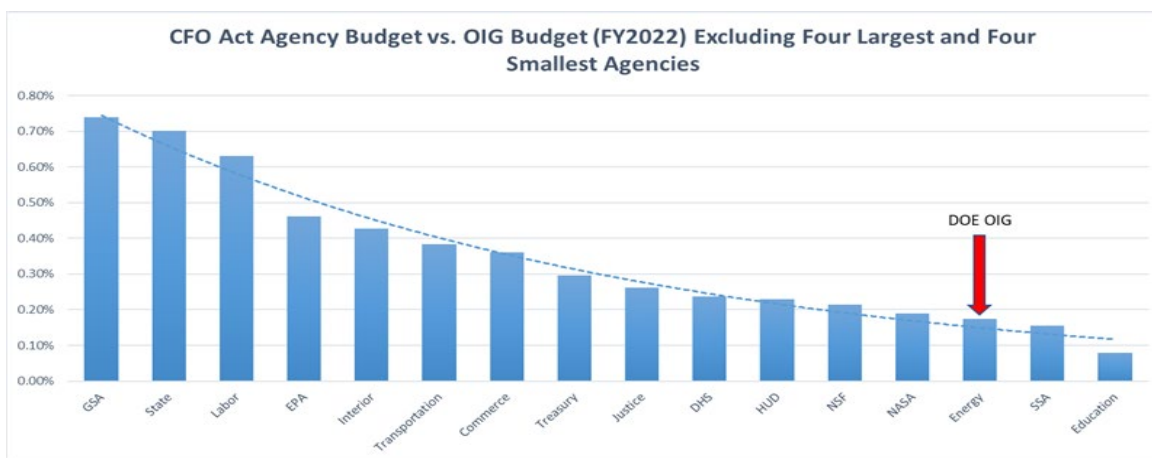
The OIG has identified areas where the Department could improve its oversight in this area. For example, a March 13, 2023, Department OIG audit found that the Department’s Office of Science failed to ensure that required annual audits of for-profit recipients of Small Business Innovation Research grants had been completed. Award expenditures totaling \$56,835,650 that were not audited, as required, exposed the Department to an increased risk of fraud, waste, and abuse.

Underfunded OIG Oversight

Lack of adequate base funding for the OIG. Prior to the passing of the three pieces of supplemental legislation discussed above, the OIG was already significantly underfunded. The following chart demonstrates the long-term and growing gap of OIG funding growth compared with the growth of the Department’s budget prior to the more recent legislation:



The next chart provides a glance of Inspector General discretionary funding for many Chief Financial Officers Act agencies, as of FY 2022:



Supplemental legislation underfunded the OIG. To further exacerbate the historic underfunding issue, the OIG received only \$62 million, or 0.10 percent of the funding provided

to the Department over a 5-year period under IJJA, to provide oversight of these new infrastructure projects. When compared with other OIGs that received money under IJJA, we were again substantially underfunded as shown in the following table:

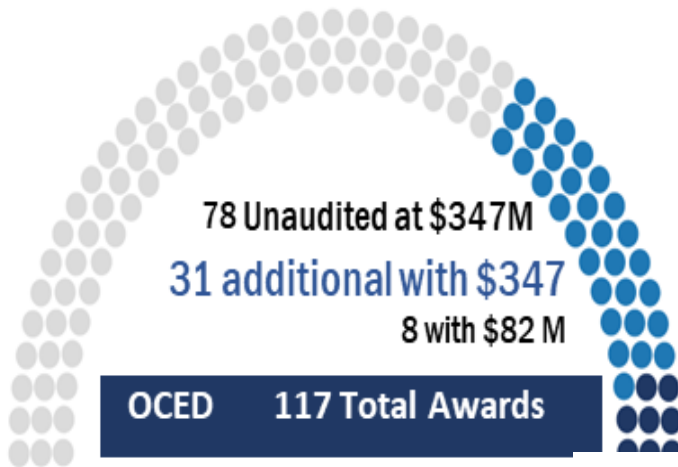
	IJJA Agency Funding	IJJA OIG Funding	OIG Percent of Agency Funding
EPA	\$61billion	\$269 million	0.44%
HHS	\$4 billion	\$17 million	0.44%
DOI	\$28 billion	\$99 million	0.35%
USDA	\$8 billion	\$27 million	0.34%
DHS	\$8 billion	\$20 million	0.25%
DOE	\$64 billion ¹	\$62 million	0.10%

Also, IRA appropriated only \$20 million to the OIG, or 0.05 percent of the funding provided to the Department, to oversee those programs. Notably, there was no provision for additional OIG funding in the expanded programs in the FY 2023 appropriations to include an expansion of \$15 billion in loan program authority and a new \$1 billion in appropriations for the Puerto Rico Energy Resilience Fund. Notice the pattern: The OIG has increasing oversight mandates for supplemental programs while getting reduced resources for oversight.

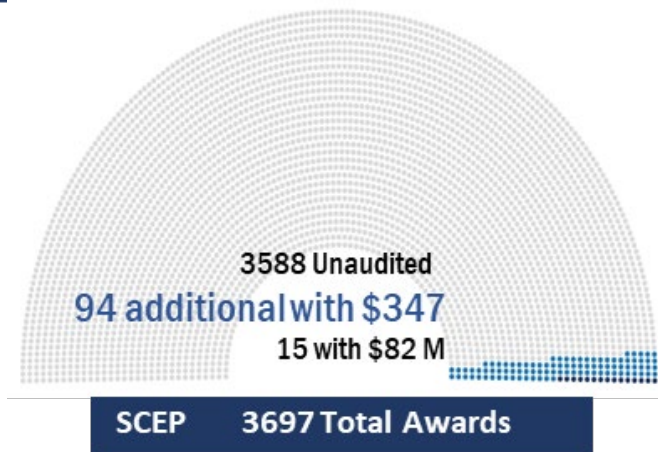
An appropriate starting point for proper funding for the OIG is at 0.35 percent of the Department’s budget. We arrived at this conclusion by examining FY 2022 funding levels for the OIGs of the Chief Financial Officers Act agencies, as well as the more current funding of the OIGs impacted by IJJA and IRA. The 0.35 percent falls into the mid-range. Given the significant risks for the Department, this percentage may be too low. However, it is a starting point and much needed.

Needed oversight work is not being performed, and cannot be performed, without significant increases in funding. It is crucial for policymakers in Congress and Department leadership to understand how the current underfunding of OIG programs constrains the OIG’s oversight plans. Our oversight plan for audits and inspections is organized into two categories – Federal- level programs and award level projects. First, it is imperative that the Department’s 72 new programs receive independent oversight. If properly funded, the OIG’s oversight plans would include about 80 audits and inspections for the **Federal- level programs**, including most of the 72 new programs. Currently, the OIG is only funded to perform about 20 reviews of Federal-level programs over a very long-time horizon. Regarding the second category, the OIG’s audits and inspections at the **award-level**, the OIG is currently only able to plan for about 50 award-level oversight projects—less than 1 percent of the anticipated more than 5,000 awards. The OIG should be planning more than 400 projects at the award level. This level of oversight is both inadequate and irresponsible.

The following charts show what impact the OIG’s budget shortfall has on our oversight responsibilities. Specifically, the Department’s Office of Clean Energy Demonstrations is the largest new program with about \$25.7 billion in appropriations that anticipates making about 117 total awards. However, the OIG can fund only 8 award-level audits at current funding levels (dark blue) compared with the 31 additional (39 total) award-level projects we conclude that we should do (light blue) given the massive amount of risk.



Similarly, for the Department’s State and Community Energy Program, a \$15.3 billion program that anticipates making about 3,700 awards, the OIG can only fund 15 award level projects at current funding levels (dark blue) whereas risk factors indicate we should perform 94 more (light blue) award-level reviews (total of 109). These are just two examples from our oversight plans.



How much is the OIG funding shortfall? The President’s FY 2024 Budget includes \$165.2 million for the Department OIG to be used until expended. If the President’s Budget is enacted as is, it would leave a remaining shortfall of \$16.8 million in our base budget. However, the current version of the Senate Energy and Water Development Fiscal Year 2024 Appropriations Bill provides only \$86 million to the OIG, leaving a base budget shortfall of \$96 million.

Additionally, the OIG has a shortfall of \$264.7 million to oversee IIJA, IRA, and the Puerto Rico Energy Resilience Fund. The following chart shows the OIG’s funding shortfall to conduct proper oversight of the three pieces of recent supplemental legislation:

Supplemental Shortfall -- Exclusive of the Loan Portfolio

Bills	DOE	OIG	Current Percent OIG to DOE	OIG Estimated Requirements	OIG Estimated Funding Shortfall
IIJA	\$62.5 B	\$62.5 M	0.10%	\$218.6 M	\$156.2 M
IRA	\$35.0 B	\$20.0 M	0.06%	\$125.0 M	\$105.0 M
PR-ERF	\$1.0 B	\$0.0 M	0.00%	\$3.5 M	\$3.5 M
Total	\$98.5 B	\$82.5 M	0.08%	\$347.1 M	\$264.7 M

The Department is apparently seeking to enhance its own oversight resources using the same type of transfer mechanism. The statutory 3 percent funding cap for Program Direction placed on the Department under IIJA limits the Department’s ability to conduct effective oversight. This funding cap applies to the following programs: Energy Efficiency and Renewable Energy; Cybersecurity, Energy Security, and Emergency Response; Electricity; Fossil Energy and Carbon Management; and the Office of Clean Energy Demonstrations. The Department is apparently seeking to correct this. The FY 2024 Senate Bill contains language increasing the 3 percent cap on “Program Direction” to 5 percent. The OIG supports the Department receiving additional funds for conducting its own oversight.

The FY 2024 House Bill provides a transfer of funds from the Department’s unobligated balances under both IIJA and IRA to the OIG; however, the transfer falls short of the 0.35% necessary, and does not provide for a transfer of funds from the Puerto Rico Energy Resilience Fund. Our requested transfers would provide the OIG with the \$264.7 million shortfall by transferring funds from the Department’s unobligated balances under IIJA, IRA, and the Puerto Rico Energy Resilience Fund. Therefore, the transfers do not require any new appropriations. These transfers are critical for ensuring that the funding provided to the Department under these pieces of legislation are used for their intended purposes.

The OIG has important work underway and planned. Although the OIG remains significantly underfunded, we have engaged in a great deal of work to help prevent fraud, waste, and abuse in the Department’s expanded loan and grants programs. Since the passage of IIJA, the OIG has conducted 227 Fraud Awareness Briefings that reached more than 9,160 Federal employees, contractors, grantees, external auditors, law enforcement, as well as state, local government, and tribal representatives. We have also worked closely with other OIGs who have received funding under these pieces of legislation to identify risks and best practices. I am

currently serving as the co-chair of the Council of the Inspectors General on Integrity and Efficiency's IJA Working Group.

Since early 2022, my office has held dozens of meetings with senior Department leadership to pose questions to them regarding risks faced by the new programs and to identify issues the OIG has reported during the performance of prior work. In this way, we have safeguarded our independence while helping the Department identify risks. Additionally, between April 2022 and August 2022, the OIG issued four capstone reports summarizing previous work. These reports targeted specific programmatic areas that will receive substantial funding under the new legislation. These reports discuss the loan program;¹⁶ the Weatherization Assistance Program;¹⁷ financial assistance awards;¹⁸ and Clean Energy Demonstration Projects.¹⁹ Issues reported in these reports include recipient fraud; insufficient Federal staffing; inadequate oversight of projects; circumvention of project controls; inadequate internal controls; and lack of recipient-level controls.

Also, my office has oversight projects underway addressing fraud risk in Home Energy Rebate Program grants; an audit of the Weatherization Assistance Program; adoption and use of data analytics capabilities; and an inspection of the Puerto Rico Energy Resilience Project. We are about to begin working on conflict-of-interest issues in the LPO.

Further, given the importance of the risks posed by foreign actors to Department intellectual property and national security, our Office of Inspections, Intelligence Oversight, and Special Projects has recently begun an inspection focusing on the Department's compliance with requirements of Department of Energy Order 486.1A, *Foreign Government Sponsored or Affiliated Activities*. The Order prohibits Department employees and contractors from participating in foreign government-sponsored talent recruitment programs and also restricts participation in other foreign government-sponsored or affiliated activities of a "foreign country of risk." Additionally, we are planning a joint project with the OIG of the Intelligence Community in FY 2024 to evaluate Department security processes in accordance with the requirements in Security Executive Agent Directives and Department Orders.

Closing Remarks

I would like to recognize the key role that bipartisan efforts from Congressional oversight committees have played over the years in advancing Government transparency and program integrity. We are all aware of the important work that Congressional committees have done with Inspectors General over the years. Thank you for your continued support of the independent oversight work performed by my office and the Inspector General community. We look forward to continuing to work on behalf of the taxpayers to ensure that Federal infrastructure and energy programs are operating effectively and efficiently, and to prevent and detect fraud, waste, and abuse. I appreciate the opportunity to testify here today, and I look forward to answering your questions.

¹⁶ <https://www.energy.gov/ig/articles/special-report-doe-oig-22-34>

¹⁷ <https://www.energy.gov/ig/articles/special-report-doe-oig-22-30>

¹⁸ <https://www.energy.gov/ig/articles/special-report-doe-oig-22-40>

¹⁹ <https://www.energy.gov/ig/articles/special-report-doe-oig-22-39>