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

Audit Report

The Department of Energy's American Recovery and Reinvestment Act Energy Efficiency and Conservation Block Grant Program – State of Colorado and County of Boulder, Colorado

OAS-RA-13-16

March 2013

Department of Energy
Washington, DC 20585

March 28, 2013

MEMORANDUM FOR THE ASSISTANT SECRETARY FOR ENERGY EFFICIENCY AND RENEWABLE ENERGY

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

SUBJECT: INFORMATION: Audit Report on "The Department of Energy's American Recovery and Reinvestment Act Energy Efficiency and Conservation Block Grant Program – State of Colorado and County of Boulder, Colorado"

BACKGROUND

Under the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Department of Energy's (Department) Energy Efficiency and Conservation Block Grant (EECBG) Program received $3.2 billion in funding to help state and local entities develop, implement and manage energy efficiency and conservation projects. Of the funding provided, more than $2.7 billion was distributed to over 2,000 entities using a population driven formula, and approximately $454 million was provided for innovative energy projects through a competitive award process.

The Department awarded a $9.6 million formula grant to the State of Colorado (Colorado) in September 2009, and a $25 million competitive grant to the County of Boulder, Colorado (Boulder), in May 2010. These 3-year grants provided funding for activities such as outreach and advisory services, building retrofits, rebates and loans. As of September 2012, Colorado and Boulder had spent approximately $8.9 million (93 percent) and $18.5 million (74 percent) of their grants, respectively. Colorado requested and received an extension of its grant to September 2013.

Because of the risks inherent in establishing a large, new Recovery Act Program, we initiated audits to determine whether Colorado and Boulder managed these grants efficiently and effectively. The results of these audits were consolidated in this report.

CONCLUSIONS AND OBSERVATIONS

We found Colorado and Boulder had not always managed these grants efficiently and effectively. Specifically:

- Colorado paid local agencies about $2 million to develop outreach strategies and action plans without ensuring costs were reasonable and activities were performed in a timely manner;

- Boulder and its sub-recipients were at risk of not meeting the grant's goal of improving the energy efficiency by 15 percent for about 9,000 homes and businesses by May 2013, due to an inability to successfully implement a number of loan programs; and,

- About $8,000 of the $279,618 in rebates paid by Boulder that we reviewed were either inaccurate or unsupported.

Unsupported Outreach Costs

As of September 2012, Colorado had paid its local agencies about $2 million without ensuring that costs were allowable and adequately documented, as required by Title 10 CFR 600.220, Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, and the terms and conditions of its grant. Colorado awarded nearly $2.3 million in funding for Community Energy Coordinators (CECs) in 19 local agencies to enhance outreach to under-served rural and mountain communities interested in reducing energy consumption. Colorado paid those agencies on a predetermined schedule, regardless of costs incurred. Specifically, monthly requests for payment contained no underlying expenditure support, including, for example, timesheets and pay stubs. The lack of documentation concerned us because Colorado had not monitored its local agencies, as required, to ensure costs were supported and adequate documentation retained. Colorado also had not developed grant closeout procedures including review of financial documentation.

To their credit, during our audit, Colorado officials developed and issued grant closeout procedures requiring local agencies to summarize costs and maintain documentation should it be required for an audit. Officials told us they had closed two CEC agreements in which local agencies reported costs greater than reimbursements. However, officials had not validated costs reported by the two sub-recipients. Colorado officials also told us that they requested financial statements from each CEC before processing final payments. As a result of this effort, Colorado officials reported that they had reduced final payments to four agencies to ensure that grant payments did not exceed actual expenses.

Further, although each CEC was required to develop a strategy and action plan in support of Colorado's energy outreach efforts to under-served rural and mountain communities, we found that 5 of the 19 local agencies had not provided these deliverables in a timely manner after receiving advances of 25 percent of awards, or $121,250. Three recipients took over a year to provide strategies and plans. The other two recipients provided deliverables that were approved by Colorado more than 2 years after receiving advances totaling $58,750. Colorado officials stated they paid only a portion of the remaining funds to one of these two recipients because it could not demonstrate adequate progress was made to meet the intent of the program. The other recipient received the balance of its funding in the final month of the award as a single payment.

According to Colorado officials, these issues occurred because they did not fully understand grant requirements. Additionally, we found that Colorado officials had not incorporated documentation requirements in local agency agreements, and had not held sub-recipients accountable for timely deliverables. Despite the fact that the terms and conditions of its grant required Colorado to ensure costs were reasonable and adequately documented, officials told us that they believed they could base reimbursements on receipt of deliverables, such as development of strategies and action plans and ongoing CEC activities instead of actual expenditures. Department officials stated that they had communicated Federal requirements to recipients, including Colorado, through program guidance and workshops.

In the absence of adequate monitoring and documentation, Colorado could not ensure that funds were spent appropriately and payments to sub-recipients did not exceed actual costs incurred. Further, lack of timely strategies and action plans increased the risk that program objectives would not be met. Until such time as Colorado reviews and validates costs incurred, we question the $2 million incurred as of September 2012, and any unsupported amounts claimed subsequent to that date.

Commercial and Residential Retrofit Goals

We found Boulder and its sub-recipients were at risk of not meeting the grant's objective to improve, by 15 percent, the energy efficiency of about 9,000 homes and businesses by the end of the grant in May 2013. As of September 2012, Boulder and its sub-recipients had retrofitted about 4,200 homes and businesses, which was less than the interim goal of about 6,000. Boulder had not met its interim goal primarily due to its inability to successfully implement two loan programs intended to help businesses and residents obtain funding for improvements in energy efficiency. Specifically:

- Boulder had to curtail its Property-Assessed Clean Energy (PACE) loan program, originally budgeted for $7.8 million. The PACE program was intended to provide loans to businesses and residents for installing energy efficiency upgrades that would have been paid back through annual property tax assessments rather than traditional loan payments. In May 2010, the Federal Housing Finance Agency and other regulators expressed concerns that PACE loans posed risks for existing lenders because they have a priority over existing mortgages. Due to these concerns over PACE, Boulder had to implement an alternate loan program. In August 2012, more than 2 years into its grant, Boulder established a financing program through a private lender.

- Boulder's Microloan program experienced weak demand, resulting in a low number of loans being closed. The Microloan program was established to provide loans up to $5,000 for residential building retrofits. Originally budgeted for approximately $2.3 million, the Microloan program had only closed about $291,000 in loans as of May 2012, when the program was discontinued. The majority of the remaining funds had been transferred to rebates and the alternate loan program previously noted.

These loan program issues may affect Boulder's ability to achieve its grant objectives related to retrofitting and leveraging of available EECBG Program funding. Boulder officials believe that the implementation of the new loan program will help achieve their retrofit goals. According to Boulder officials, the new loan program had received over $1.7 million in applications for energy efficiency and renewable energy measures since it was launched in August 2012.

Rebate Payments

We found about $8,000 of the $37,000 in homeowner rebates paid by Boulder that we reviewed were either inaccurate or unsupported. In fact, 33 of the 91(36 percent) single-family rebates that we sampled were inaccurate and/or lacked supporting documentation. For example, one homeowner erroneously received two duplicate rebates totaling $1,000. Additionally, 13 rebate payments had insufficient documentation including missing invoices, inadequate invoices or missing rebate applications. Under Boulder's program, residents were eligible for multiple rebates ranging from $100 to $500 for installation of individual energy measures, not to exceed $1,000 per home. These inaccurate and unsupported payments occurred, in part, because Boulder did not adequately oversee the work of the contractor hired to manage its residential rebate program. Specifically, Boulder had sub-contracted the administration of its rebate program to a third party, but had not verified the accuracy and documentation of rebate payments. Because of these issues, we questioned about $8,000 in rebate payments.

In addition, we reviewed 488 multi-family rebates made to apartment and condominium complexes, totaling approximately $240,000, and noted no inaccurate or unsupported payments. While we have not determined the reasons that the multi-family rebates were less error prone, we noted that the multi-family rebates appear to be more straightforward, involving for example, one measure, such as window replacements, for an apartment complex. In contrast, single-family units often had multiple rebates for various energy saving measures installed.

RECOMMENDATIONS

If uncorrected, the problems we identified may limit the ability of Colorado and Boulder to achieve the goals of the EECBG Program. Oversight problems may also increase the risk of fraud, waste, and abuse. To address the problems outlined in our report, we recommend that the Assistant Secretary for Energy Efficiency and Renewable Energy:

1. Ensure that Colorado performs grant closeout procedures that require all CEC activity sub-recipients to substantiate allowable expenditures supporting all grant funds received;

2. Ensure that Boulder County:

    a. Provides the Department with periodic updates on the performance of the new financial incentive program;

    b. Periodically verifies the accuracy and documentation of rebates for a sample of recipients; and,

    c. Requires its contractors to implement additional controls for ensuring the accuracy and documentation of rebate payments to homeowners.

Additionally, we recommend that the contracting officers for the Energy Efficiency and Conservation Block Grants resolve questioned costs totaling about $2 million for Colorado and approximately $8,000 for Boulder.

MANAGEMENT COMMENTS

The Department, Colorado, and Boulder concurred with the recommendations in the report and stated they had implemented corrective actions. The Department expressed concern that the goal to retrofit 9,000 homes and businesses cited in our report included the goals for both Boulder and its sub-recipients, while the 4,200 progress metric reported as of September 2012 was solely for Boulder, exclusive of its sub-recipients. Additionally, the Department's comments indicated that as of January 2013, Boulder was on track to meet or exceed its overall retrofit goal.

Colorado officials also told us that they had reached out to all CEC agencies to summarize costs and confirm that grant payments did not exceed expenses. Colorado indicated that it had not identified any agency that was paid in excess of their actual costs. Further, Colorado officials told us that when plans were not delivered in a timely fashion, they worked with the CEC to ensure that the overall program goal to guide future regional energy work would not be adversely affected.

In its official response to the draft audit report, Boulder stated that it took immediate action on the erroneous rebates we identified, including obtaining reimbursements from the affected customers. Boulder's response also stated that it had initiated corrective actions to improve the accuracy of rebates processed and to ensure rebates were adequately supported. Subsequent to providing its official written response, Boulder confirmed the $1,000 duplicate payment that was included in our sample. However, Boulder indicated that it had determined that the remaining $7,000 in costs we questioned were accurate and supported by documentation. Additionally, Boulder suggested that we clarify the report to indicate that the grant's retrofit goal included both Boulder and its sub-recipients. Finally, Boulder stated that it expected to achieve energy efficiency upgrades in 9,000 homes and businesses by May 2013; although it acknowledged that it was not on target to meet the grant's stated goal to retrofit that number of homes and businesses by achieving a 15 percent energy savings relative to its baseline.

AUDITOR RESPONSE

The comments from the Department, Colorado, and Boulder were responsive to our recommendations. Based on the information provided by Boulder, the progress metric in the report as of September 30, 2012, included data from both Boulder and its sub-recipients, contrary to the Department's response. Because the overall goal stated in Boulder's grant agreement included Boulder and its sub-recipients, we did not believe reporting only Boulder's figures would be an accurate representation of the goal status. However, we clarified in the report that the metric included both Boulder and its sub-recipients. While the Department stated Boulder is on track to meet or exceed its overall goal, the figures provided in the response did not support that assertion. Additionally, as we noted in the report, Boulder had not met the interim retrofit goal that it had established. Finally, Boulder had not provided sufficient documentation supporting the accuracy of the remaining $7,000 in rebates that we questioned.

Attachments

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

OBJECTIVE, SCOPE AND METHODOLOGY

OBJECTIVE

The objective of the audits was to determine whether the State of Colorado (Colorado) and County of Boulder, Colorado (Boulder) had adequate safeguards in place to ensure Energy Efficiency and Conservation Block Grant (EECBG) Program funds under the American Recovery and Reinvestment Act of 2009 (Recovery Act) were managed efficiently and effectively.

SCOPE

The Colorado audit was performed between February 2011 and February 2013, at the State of Colorado Governor's Energy Office in Denver, Colorado, and at selected sub-recipient locations. The Boulder audit was performed between June 2011 and February 2013, at the Boulder County offices in Boulder, Colorado. The audit scopes were limited to Colorado and Boulder grants.

METHODOLOGY

To accomplish the audit objective, we:

- Reviewed prior audits of the EECBG Program conducted by the Department of Energy's Office of Inspector General and the Government Accountability Office;

- Reviewed applicable laws, regulations and guidance pertaining to the EECBG Program under the Recovery Act, as well as laws, regulations and guidance applicable to the Colorado and Boulder grants;

- Interviewed Colorado and Boulder officials to discuss current and ongoing efforts to implement the requirements of the EECBG Program;

- Considered Colorado and Boulder's internal controls over grants;

- Analyzed Colorado and Boulder's implementation documentation and monitoring reports;

- Collected and examined documentation related to Colorado and Boulder grant activities;

- Conducted site visits to selected Colorado sub-recipients, including Fremont County and the cities of Durango, Montrose, and Florence to test the existence of completed EECBG projects and to assess the status and efforts of 2 of the 19 Community Energy Coordinators sub-recipients; and,

- Selected a judgmental sample of Boulder's residential rebates to ensure the payments were appropriate and sufficiently documented. Of the 573 rebate payments totaling $623,670, as of September 30, 2011, we selected a sample of 32 payments totaling

$279,618 covering 91 single-family and 488 multi-family rebates. Attributes considered in selecting our sample included same or similar payees or addresses and high payment amounts. Because the sample was judgmental, we could not project to the population.

We conducted these performance audits in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The audits included tests of controls, and compliance with laws and regulations necessary to satisfy the audit objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audits. We considered the establishment of Recovery Act performance measures that included certain aspects of compliance with the *GPRA Modernization Act of 2010,* as necessary to accomplish the objective. We conducted a limited reliability assessment of computer-processed data and we deemed the data to be sufficiently reliable.

We held exit conferences with both Colorado and Boulder officials on March 11, 2013. The Department of Energy waived the exit conference.

PRIOR REPORTS

Under the American Recovery and Reinvestment Act of 2009, the Office of Inspector General has initiated a series of audits designed to evaluate the Department of Energy's Energy Efficiency and Conservation Block Grant Program. Our series of audit reports include the following:

- Audit Report on *The Department's Implementation of Financial Incentive Programs under the Energy Efficiency and Conservation Block Grant Program* (OAS-RA-L-13-02, December 2012).

- Examination Report on *The Department of Energy's American Recovery and Reinvestment Act Energy Efficiency and Conservation Block Grant Program – Efficiency Maine Trust* (OAS-RA-13-04, November 2012).

- Examination Report on *County of Los Angeles – Energy Efficiency and Conservation Block Grant Program Funds Provided by the American Recovery and Reinvestment Act of 2009* (OAS-RA-13-02, October 2012).

- Examination Report on *California Energy Commission – Energy Efficiency and Conservation Block Grant Program Funds Provided by the American Recovery and Reinvestment Act of 2009* (OAS-RA-13-01, October 2012).

- Audit Report on *The Department of Energy's Energy Efficiency and Conservation Block Grant Program Funded under the American Recovery and Reinvestment Act for the City of Philadelphia* (OAS-RA-12-09, April 2012).

- Special Report on *Lessons Learned/Best Practices during the Department of Energy's Implementation of the American Recovery and Reinvestment Act of 2009* (OAS-RA-12-03, January 2012).

- Audit Report on *The State of Nevada's Implementation of the Energy Efficiency and Conservation Block Grant Program* (OAS-RA-12-02, November 2011).

- Letter Report on *The Department of Energy's Energy Efficiency and Conservation Block Grant Program Funded under the American Recovery and Reinvestment Act for the State of Pennsylvania* (OAS-RA-L-11-11, September 2011).

- Management Alert on *The Status of Energy Efficiency and Conservation Block Grant Recipients' Obligations* (OAS-RA-11-16, September 2011).

- Audit Report on *The Department of Energy's Implementation of the Energy Efficiency and Conservation Block Grant Program under the Recovery and Reinvestment Act: A Status Report* (OAS-RA-10-16, August 2010).

DEPARTMENT COMMENTS

Department of Energy
Washington, DC 20585

February 21, 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 "State of Colorado and County of Boulder, Colorado – 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) January 2013 Examination Report on the "State of Colorado and County of Boulder, Colorado, 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 three recommendations to the State of Colorado (State) and County of Boulder, Colorado (County). EERE concurs with the OIG's recommendations and has been working with both the State of Colorado and Boulder County to ensure that all corrective actions are implemented. The following responses by EERE address the OIG findings as outlined in the draft examination report on both the Colorado State Energy Office and County of Boulder.

OIG Recommendation 1: *Ensure that Colorado performs grant closeout procedures that require all CEC activity sub-recipients to substantiate allowable expenditures supporting all grant funds received.*

> ***EERE Response:*** EERE concurs with the OIG finding, and continues to support the State of Colorado through diligent monitoring by the cognizant DOE Project Officer. EERE will continue to support the State in its efforts to perform grant closeout

procedures that require all CEC activity sub-recipients to substantiate allowable expenditures supporting all grant funds received.

OIG Recommendation 2a: *Ensure that Boulder County provides the Department with periodic updates on the performance of the new financial incentive program.*

EERE Response 2a: EERE concurs that Boulder County should provide periodic updates on its financing programs and overall progress. Monthly calls are held with Boulder County and its partners to review progress, including lending activity. Individual loans are also reported to DOE through quarterly program reports. These interactions will continue throughout the ARRA period, and annual reporting will continue to be required thereafter.

OIG Recommendation 2b: *Ensure that Boulder County periodically verifies the accuracy and documentation of rebates for a sample of recipients.*

EERE Response 2b: EERE concurs with the OIG recommendation that Boulder County should implement a sampling method for reviewing the accuracy and documentation of rebate payments. Boulder County has implemented a sampling method for reviewing rebates, and provided details on its sampling approach and internal controls to EERE on November 2, 2012.

OIG Recommendation 2c: *Ensure that Boulder County requires its contractors to implement additional controls for ensuring the accuracy and documentation of rebate payments to homeowners.*

EERE Response 2c: EERE concurs that Boulder County's contractors should implement additional controls to ensure the accuracy and documentation of rebate payments to homeowners. Boulder County has instituted revised procedures and additional controls to ensure rebate payments are accurate, properly documented and not duplicative.

OIG Recommendation 3: *The contracting officers for EECBG resolve questioned costs totaling about $2 million for Colorado and approximately $8,000 for Boulder.*

EERE Response 3: EERE concurs that the contracting officer for EECBG should resolve questioned costs for Boulder and Colorado.

Boulder County has resolved the approximately $8,000 in questioned costs by recovering the duplicate rebate payments cited in the report and providing missing documentation to substantiate rebate payments to homeowners.
The Colorado State Energy Office has the responsibility to ensure that the approximately $2 million in questioned costs of their recipients are properly resolved. The contracting officer will resolve any deficiencies as part of the review process, including a review of Colorado's close out process changes described in their response to the IG.

Additional Clarification

EERE seeks to clarify the retrofit goals matter as cited on Page 3 of the OIG report for Boulder County. The retrofit goals cited in the OIG report are for Boulder County and its partners, the City & County of Denver and Garfield County, which are subrecipients to Boulder County. However, the progress metrics included in the report are for Boulder County only.

Specifically, the report indicates that as of September 2012, Boulder weatherized 4,200 homes and businesses out of a goal of 9,000, only 47% of the goal. But the number indicating progress toward the goal (4,200) was just for Boulder, and the number representing the goal (9,000) was in fact the goal for Boulder as well as its partners: Denver City/County and Garfield County. The goal for Boulder only was in fact 6,590, putting progress toward that goal at 63%, not the 47% cited in the report.

As a whole, the program has met or exceeded its quarterly residential and commercial retrofit goals through Q4 2012, and is on track to meet or exceed its overall residential and commercial upgrade goals. As of January 2013, the Boulder County program has enrolled 8,378 homeowners (84% of goal of 10,000 enrollments), and completed 2,651 home energy upgrades with greater than 15% energy savings (48% of goal of 5,000 home upgrades). The program has awarded over $1.3 million in rebate payments to homeowners. The commercial program has enrolled 2,410 businesses in Boulder County, and completed 776 commercial upgrades. Boulder County has awarded $1.3 million in rebate payments to commercial building owners. As noted in the IG report, the suspension of PACE delayed implementation of Boulder County's program. DOE will continue to work closely with Boulder County and its program partners to ensure their programs achieve the goals of their award, including post-grant sustainability of their programs to deliver ongoing energy efficiency upgrades to homes and businesses in their communities.

STATE OF COLORADO, COMMENTS

STATE OF COLORADO

COLORADO ENERGY OFFICE
1580 Logan Street, Suite 100
Denver, CO 80203-1625
Phone: (303) 866-2100
Fax: (303) 866-2930
www.colorado.gov/energy

John Hickenlooper, Governor
Kevin Patterson, Interim Director

MEMORANDUM FOR	Rickey R. Hass Deputy Inspector General for Audits and Inspections Office of Inspector General
FROM	Kevin Patterson Interim Director Colorado Energy Office State of Colorado
SUBJECT	Response to Inspector General's Draft Audit Report, "The Department of Energy's American Recovery and Reinvestment Act Energy Efficiency and Conservation Block Grant Program – State of Colorado and County of Boulder, Colorado"

Thank you for the opportunity to review and comment on the subject draft report. Please see the Colorado Energy Office's response to the report's recommendation below:

Recommendation 1: Ensure Colorado performs grant closeout procedures that require all CEC activity sub-recipients to substantiate allowable expenditures supporting all grant funds received.

Management Response: Concur

Action Plan: With funding from the Energy Efficiency and Conservation Block Grant (EECBG) program, the Colorado Energy Office ("CEO," formerly the Governor's Energy Office) created the Community Energy Coordinator ("CEC") program to enhance energy outreach in under-served rural and mountain communities. The CEO crafted the CEC program to be deliverable-based, to ensure that strategy and implementation plans were created that would support a long-term infrastructure for energy reduction activities even if full implementation could not feasibly be completed by the grant's end date. Once the plans were approved, CEC agencies were paid a fixed monthly amount for their implementation work. When plans were not delivered in a timely fashion, the CEO Program Manager worked with the agency to ensure that the overall program goal to guide future regional energy work would not be adversely affected.

The Colorado Energy Office agrees that the contracts should have been structured to be reimbursement-based, and payable upon receipt of documentation of actual incurred costs. While the CEO's intention was to guarantee that tangible results were achieved, there was no real-time reconciliation against agency expenses.

In order to ensure that grant payments did not exceed agency expenses, the CEO requested financial statements from CEC agencies prior to processing final payments. As a result of this work, the final payments to four agencies (Colorado State University, Eagle County, Grand County, and the Southeast Colorado Resource Conservation and Development Council) were reduced to reconcile with actual expenses, and one vendor (East Central Colorado Resource Conservation and Development Council) returned unused grant funds.

Subsequently, the CEO reached out to all CEC agencies to summarize costs and confirm that grant payments did not exceed expenses, and has not identified any agency that was paid in excess of their actual costs.

Estimated Completion Date: Already completed

COUNTY OF BOULDER, COLORADO, COMMENTS

Board of County Commissioners

January 29, 2013

TO: Rickey R. Hass
Deputy Inspector General
For Audits and Inspections
Office of Inspector General

FROM: Susie Strife
Sustainability Coordinator
Boulder County

SUBJECT: Boulder County's Formal Response to the Audit Report on "Energy Efficiency and Conservation Block Grants to the State of Colorado and County of Boulder, Colorado"

Thank you for the opportunity to review and comment on the subject draft report. The Boulder County Commissioners' Sustainability Office responses to the recommendations and comments in the report are as follows:

Recommendation 1: Provides the Department with periodic updates on the performance of the new financial incentive program;

Management Response: Concur

Action Plan: The BOCC Sustainability office will continue to include the Department of Energy project officers in all updates regarding our new financing product, the Elevations Credit Union Energy Loan. In collaboration with Denver County, Boulder County has created a robust loan loss reserve financing program in partnership with Elevations Credit Union to provide low-interest loans for energy efficiency and renewable energy upgrades for homes and businesses across Boulder and Denver. This program leverages a $7 million dollar loan loss reserve to provide $35 million in lending capital. Since the program launch in late August, Elevations Credit Union has received over $1.7 million in applications for energy efficiency and renewable energy measures. In addition, this program is leveraging Xcel Energy's marketing and outreach efforts to expand program penetration in the greater Boulder and Denver region with contractor trainings, co-branding efforts and co-marketing materials. Boulder County is proud of this partnership and is in discussion of how to expand this program statewide. We are confident that this program will help both Boulder and Denver to reach and exceed our Department of Energy participation and retrofit goals.

Recommendation 2: Periodically verifies the accuracy and documentation of rebates for a sample of recipients;

Management Response: Concur

Action Plan: Boulder County put stronger protocols for quality assurance and quality control to prevent such issues from occurring in the future. All of these protocols were put into place immediately following the initial inspector general audit findings. These procedures, independent of the M&V actions by our

Cindy Domenico *County Commissioner* **Ben Pearlman** *County Commissioner* **Will Toor** *County Commissioner*

Boulder County Courthouse • 1325 Pearl Street • Boulder, Colorado 80302 • Tel: 303.441.3500 • Fax: 303.441.4525
Mailing Address: P.O. Box 471 • Boulder, Colorado 80306 • **www.bouldercounty.org** • commissioners@bouldercounty.org

contracted program administrator, Populus, have now been applied as spot checks to rebates issued as far back as Q2 CY11. The following verification checks are in addition to those proposed and accepted by the DOE:

- Spot check sample size increased to 10% (prior sample size = 5%)
- Associated contractor invoice is crossed check with the rebate amount issued to ensure accuracy of payout
- Homeowner and property information is verified with County Assessor database
- Verification of Lawful Presence form was signed by rebate recipient (included in prior process)

Recommendation 3: Requires its contractors (Populus) to implement additional controls for ensuring the accuracy and documentation of rebate payments to homeowners.

Management Response: Concur

Action Plan: New and stronger protocols were put into place immediately following the initial inspector general audit findings in November 2012. Populus created a two-step process to process rebate. First, the advisor is responsible for gathering the necessary documentation from the customer and recording the upgrades and applicable rebates in the CMS (Salesforce). Secondly, after the rebate / upgrade data are entered by the advisor, then on a weekly basis the program manager processes all of the rebates for the prior week and checks for anomalies (strange amounts, rebates not matching the upgrade, weird dates, etc.) as well as spot checks on many of the accounts to ensure documentation is in place, forms are uploaded, invoices received, etc. So, there are always at least two sets of eyes on the rebates before they are sent to Cypress.

Recommendation 4: Resolve questioned costs totaling about $2 million for Colorado and approximately $8,000 for Boulder.

Management Response: Concur

Action Plan: Populus and Boulder County immediately remedied this particular issue. Any erroneous checks that got cashed by customers were reimbursed by those customers. The rest had stop payments applied to them by Cypress and never went through.

Boulder County appreciates the ability to respond to the issues presented in this audit report.

Sincerely,

Susie Strife, PhD
Sustainability Coordinator
Boulder County

IG Report No. OAS-RA-13-16

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