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STIMULUS OVERSIGHT: AN UPDATE ON ACCOUNTABILITY, TRANSPARENCY, AND PERFORMANCE

HEARING

BEFORE THE

SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT

COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY

HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

WEDNESDAY, NOVEMBER 30, 2011

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STIMULUS OVERSIGHT: AN UPDATE ON ACCOUNTABILITY, TRANSPARENCY, AND PERFORMANCE

WEDNESDAY, NOVEMBER 30, 2011

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT,
COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:07 a.m., in Room 2318 of the Rayburn House Office Building, Hon. Paul Broun [Chairman of the Subcommittee] presiding.

RALPH M. HALL, TEXAS
CHAIRMAN

EDDIE BERNICE JOHNSON, TEXAS
RANKING MEMBER

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY
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Subcommittee on Investigations & Oversight Hearing

Stimulus Oversight:
An Update on Accountability, Transparency, and Performance

Wednesday, November 30, 2011
10:00 a.m. to 12:00 p.m.
2318 Rayburn House Office Building

Witnesses

Mr. Frank Rusco, Director, Natural Resources and Environment Team, Government Accountability Office

Mr. Michael Wood, Executive Director, Recovery Accountability and Transparency Board

The Honorable Gregory Friedman, Inspector General, U.S. Department of Energy

The Honorable Todd Zinser, Inspector General, U.S. Department of Commerce

Ms. Allison Lerner, Inspector General, National Science Foundation

Ms. Gail Robinson, Deputy Inspector General, National Aeronautics and Space Administration

HEARING CHARTER

COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY SUBCOMMITTEE ON INVESTIGATIONS & OVERSIGHT U.S. HOUSE OF REPRESENTATIVES

Stimulus Oversight: An Update on Accountability, Transparency, and Performance

WEDNESDAY, NOVEMBER 30, 2011
10:00 A.M.—12:00 P.M.
2318 RAYBURN HOUSE OFFICE BUILDING

Purpose

The Subcommittee on Investigations and Oversight will meet on November 30, 2011, to receive an update on accountability, transparency, and performance issues associated with the American Recovery and Reinvestment Act (ARRA).[1] The hearing will focus on efforts by agency Inspector General Offices, the Government Accountability Office, and the Recovery, Accountability, and Transparency Board to monitor ARRA funding. The Subcommittee previously held hearings on ARRA funding on March 19, 2009, and May 5, 2009.

Witnesses

The Subcommittee will hear from six witnesses:

- Mr. Frank Rusco, Director, Natural Resources and Environment Team, U.S. Government Accountability Office
- Mr. Michael Wood, Director, Recovery Accountability and Transparency Board
- The Honorable Gregory H. Friedman , Inspector General, U.S. Department of Energy
- The Honorable Todd Zinser, Inspector General, U.S. Department of Commerce
- Ms. Allison C. Lerner, Inspector General, National Science Foundation
- Ms. Gail Robinson, Deputy Inspector General, National Aeronautics and Space Administration

Background

The American Recovery and Reinvestment Act of 2007 (ARRA) appropriated $787 billion in federal spending to stimulate the national economy through timely, targeted, and temporary funding according to its supporters. Many of the agencies under the Committee's jurisdiction received significant funding.

Section 3(a) of ARRA sets of the purpose of the legislation:

(1) To preserve and create jobs and promote economic recovery.
(2) To assist those most impacted by the recession.

[1] P.L. 111-5.

(3) To provide investments needed to increase economic efficiency by spurring technological advances in science and health.
(4) To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.
(5) To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

Science, Space, and Technology Stimulus Funding As of November 15, 2011[2]

Agency	Account	Available	Spent	Percentage Spent
DOE	Energy Efficiency and Renewable Energy	$16,665,030,436	$10,119,822,466	61%
	Fossil Energy R&D	$3,379,320,355	$406,032,891	12%
	Science	$1,768,160,091	$1,249,046,204	71%
	Isotope Production	$14,617,000	$10,273,295	70%
EPA	Science and Technology	$275,674	$275,674	100%
NASA	Exploration	$399,875,977	$393,721,000	98%
	Cross Agency Support	$97,580,440	$91,958,193	94%
	Aeronautics	$149,605,400	$134,650,760	90%
	Science	$399,762,675	$391,807,148	98%
NIST	Scientific and Technical Research	$240,678,700	$148,846,995	62%
	Research Facilities Construction	$359,958,500	$170,916,100	47%
NOAA	Operations, Research and Facilities	$230,576,296	$191,400,674	83%
	Procurement, Acquisition, and Construction	$249,254,067	$138,937,075	56%
NSF	Education and Human Resources	$99,970,921	$29,993,816	30%
	Research and Related Activities	$2,496,655,320	$1,414,650,107	57%
	Major Research Equipment and Facilities Construction	$400,000,000	$154,056,054	39%

Stimulus Funding Received by Agency

Department of Energy (DOE) - $35.9 billion

- ARRA established a new loan guarantee program "...for renewable technologies and transmission technologies" with $6 billion for this purpose. The 1705 program, named after its Section number in ARRA, has resulted in 28 loan guarantees, $4.7 billion of which came in the last month of eligibility including $1.2 billion from four awards made on the very last day of eligibility on September 30, 2011.[3]

[2] The most current data can be found at http://www.recovery.gov/Transparency/agency/Pages/default2.aspx.
[3] The four last minute loan guarantees were for the California Valley Solar Ranch Project, the Desert Sunlight Solar Farm, Antelope Valley Solar Ranch and Project Amp.

- ARRA provided $3.4 billion for fossil research and development. Approximately half was for Round 3 of the Clean Coal Power Initiative and CO2 capture and storage research while another $1 billion was available for general fossil energy research.
- The Department received $2.5 billion for applied research, development, demonstration and deployment activities in energy efficiency and renewable energy. $800 million was directed to biomass energy, $400 million to geothermal energy, and $50 million to standards and efficiency work for information and communication technologies.
- Advanced battery manufacturing grants received $2 billion.
- The Department's Office of Science received $1.6 billion and $400 million was made available for ARPA-E.

National Science Foundation (NSF) - $3 billion

- The majority of NSF stimulus funds were provided to the Research and Related Activities account, including $300 million for the major research instrumentation program and $200 million for academic facilities modernization.
- Scholarship programs supported by the Foundation received an additional $100 million, while $400 million was made available to programs funded by the Major Research Equipment appropriation.

National Aeronautics and Space Administration (NASA) - $1 billion

- Science received $400 million to expedite development of earth science missions and to upgrade NASA's supercomputers.
- Aeronautics received $150 million to focus on aviation safety, mitigation of environmental impacts from aviation and projects related to replacement of the air traffic control system.
- Exploration received $400 million, originally to shrink the current hiatus between Shuttle retirement and initial operation of new Constellation systems.
- The agency also obtained $50 million to assist in repairing facilities at the Johnson Space Center damaged by Hurricane Ike in 2008.

National Oceanographic and Atmospheric Administration (NOAA) - $830 million

- NOAA was provided $230 million to reduce its backlog of research, restoration, navigation, conservation and management activities.
- Work on facilities, ships and equipment, weather forecasting and satellite development was provided $430 million.
- Climate activities such as modeling, data records and studies in mitigation received $170 million.

National Institute of Standards and Technology (NIST) - $580 million

- NIST's research program received $220 million to support research, provide more competitive grants and purchase needed equipment for laboratories.
- Remaining funding was split evenly between the agency's own facility construction efforts and a competitive grant program for research science buildings.

Oversight

To ensure that waste, fraud, and abuse was minimized, the stimulus legislation relied upon existing Inspectors General to monitor the stimulus spending. There were concerns that agencies would not be able to properly handle a significant increase in funding due to structural weaknesses or personnel shortages, and that agencies may not have sufficient controls already in place to properly meet increased ARRA reporting and auditing requirements.[4] Congress provided increased short-term funding for the Offices of the Inspector General to boost their abilities to monitor stimulus funding as follows:

- Department of Energy OIG - $15 million
- Department of Commerce OIG - $6 million
- National Science Foundation OIG - $2 million
- NASA OIG - $2 million

With their additional funding, the Offices of Inspector General were able to undertake more oversight over their agencies. For example, the DOE Inspector General issued 68 audit, inspection, and investigation reports; initiated over 100 ARRA criminal investigations; and conducted almost 300 fraud awareness briefings for over 15,000 officials.[5]

Although the legislation did not change the underlying authority of the Offices of the Inspector General, Title XV of ARRA established a new entity named the Recovery Accountability and Transparency Board to provide a government wide look at the use of ARRA funds. The Board has the same investigative authorities as agency Inspector Generals. It also has the power to determine if contracts and grants issued with Recovery Act funding conform to law and regulation and if they are appropriately managed. The Board also evaluates the performance of the agency acquisition staffs. In addition to maintaining Recovery.gov, the Board reports to Congress and the public regarding the use of Recovery Act funds at least on a quarterly basis. It also has the authority to issue immediate ("flash") reports in cases requiring immediate attention and can make recommendations for the prevention of waste fraud and abuse to the agencies.[6]

Membership on the Board is drawn from a subset of the Departmental Inspectors General. President Obama appointed the then Inspector General of the Department of the Interior, Earl Devaney, to serve as the Board's chairman. The Act specifically tasks the Board to consult and collaborate with the Inspectors General, the Government Accountability Office and state auditors in the conduct of its affairs and in the preparation of the reviews and reports it will publish. The Board received a budget of $84 million to fund its activities until its termination date of September 30, 2013.

Transparency

[4] In his oral testimony before the House Committee on Oversight and Government Reform, the DOE IG recently testified that the funding for green energy was akin to "attaching a lawn mower to a fire hydrant."
[5] *Ibid.*
[6] No such "flash" reports have been issued to date.

Central to the Board's interaction with the public is the Recovery.gov website, established by Section 1526 of ARRA. The Recovery.gov website is overseen by the Recovery Accountability and Transparency Board and is a tool for taxpayers to see where their tax dollars are being spent. The goal is to produce "a user-friendly, public-facing website to foster greater accountability and transparency in the use of covered funds."[7] The statute includes specific requirements for the types of data to be made available. ARRA requires the website to "...provide a means for the public to give feedback on the performance of contracts that expend covered funds," and in Section 1514 of the Act, Inspectors General are directed to:

> "...review, as appropriate, any concerns raised by the public about specific investments using funds made available in this Act. Any findings of such reviews not related to an ongoing criminal proceeding shall be relayed immediately to the head of the department or agency concerned."

This transparency effort has not come without challenges, since there had not been a federal government-wide database like it. For example, merging numerous agency databases into a uniform reporting system has required more of a manual database development, rather than an automated system. The Recovery Accountability and Transparency Board recently released a recommendation that there be a federal wide system for uniform Award ID numbers for all federal programs. This system would enable greater ongoing transparency and tracking of federal spending, whether or not it is stimulus based.[8]

Other transparency efforts include dedicated sections of agency websites for Inspector General reports and actions related to stimulus funding. Although these reports may be technical in nature, they do provide taxpayers with targeted views of, and concerns with, specific agency funding programs.

Accountability Provisions

For the agencies, the Recovery Act imposed new requirements to accompany the new funding available. For spending on infrastructure projects, the agencies were directed to obligate at least half of the funds available within 120 days of the bill's enactment (February 16, 2009), and all funding was required to be obligated by September 30, 2010.[9] Grant funding was to be employed "in a manner that maximizes job creation and economic benefit." Contracts awarded as part of Recovery Act activities were to be fixed-price and awarded by the competitive process set forth in the Federal Acquisition Regulation; contracts awarded by other means were to be highlighted in a special section of the Recovery.gov website. Weekly reports on agency activities relating to implementation of the Recovery Act are required to be posted on the agency's own website.

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[7] ARRA, Section 1526(a).
[8] "Solutions for Accountability and Transparency: Uniform Government Award ID Number", Recovery Accountability and Transparency Board, November 21, 2011.
[9] "Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009", OMB M-09-10, February 18, 2009.

The Recovery Act does not relieve the agencies of their normal requirements for assuring the proper use of funds, such as prohibitions against discrimination in the Civil Rights Act and the reviews required by the National Environmental Policy Act. In fact, some of these requirements have slowed the spending of funding according to Inspector General testimony.[10]

Although agency Inspectors General and the Recovery Accountability and Transparency Board have undertaken significant monitoring of ARRA funding, efforts to assess the overall effectiveness of the Act have typically fallen outside the purview of most of their reviews. Oversight efforts have focused largely on accountability and transparency rather than determining whether the goals of the Act have been met.

Since the passage of ARRA, the Office of Management and Budget has promulgated numerous guidelines for not only the agencies to follow, but also individual recipients. In total, these requirements total nearly 500 pages, and focus on reporting requirements, implementation guidelines, allocation methodologies, disclosure compliance, and spending deadlines. [11]

Issues

Lessons Learned

Although the recent bankruptcy by Solyndra has been extremely visible, agency IG's have noticed common themes among stimulus projects. For example the DOE IG found that although one of the priorities of ARRA was to fund "shovel ready" projects, there were not enough of these projects to fund. In recent testimony before the House Oversight and Government Reform Committee, DOE Inspector General Friedman testified "In reality, few actual 'shovel ready' projects existed." The Department which benefited from the huge influx of Recovery Act funds, as it turned out, required extensive advance planning, organization enhancements, and additional staffing and training. We found this to be true at the Federal, state, and local levels."[12]

Although most ARRA funds have been obligated, as of October 22, 2011, 45 percent of ARRA funds had not been spent, primarily due to delays by state and local governments.[13] Issues that caused such delays included compliance with various regulatory requirements that impact most federal funding programs such as the National Environmental Policy Act, the Davis-Bacon Act, and the National Historic Preservation Act.[14]

Spent vs. unspent funding

[10] DOE IG testimony before the Committee on Oversight and Government Reform, November 2, 2011, page 3-4.
[10] *Ibid*, page 2.
[11] For more information see http://www.whitehouse.gov/omb/recovery_default/
[12] *Ibid*, page 2.
[13] Data from www.transparency.gov.
[14] DOE IG testimony, page 3-4.

Federal stimulus funds fell into three categories – appropriated / unobligated, obligated, and spent. Regardless of the amount of stimulus dollars appropriated by Congress, only when funds are spent does a stimulating impact occur on the economy, if at all. The bidding process for larger projects such as NOAA ship building and agency construction programs cannot be completed quickly in contrast to other programs that are smaller in scale. Agencies have spent money at various speeds, raising the question of how quickly an agency can spend federal money and what structural and regulatory reasons exist for delays in the spending process. When deadlines do exist, there may be a rush to meet them, which may result in less than thorough due diligence due to limited numbers of qualified staff to review them. A recent flurry of loan guarantee spending by the Department of Energy raised such questions. In the last four days of the program, DOE approved more than $1.2 billion in guarantees. In total, ARRA funding supported 24 projects with more than $16 billion in guarantees since its inception.[15]

Transparency

Recovery.gov is a new tool for identifying where federal stimulus money is being spent. However, some stimulus money is passed through to state agencies and general contractors who in turn spend this money elsewhere. These entities are not used to reporting back to the federal government how they spend the money that they receive from the federal government. Ensuring accurate data reporting from entities required training and a considerable amount of personnel and resources for the parties involved. Finally, web-based reporting and tracking can help ensure that the taxpayer knows how their tax dollars are being spent and misspent. This "crowd-sourcing" compliments conventional oversight measures. See Appendix A for a complete list of OIG reports.

Measuring Performance Based Outcomes

The Subcommittee held a hearing on green jobs earlier this year in which several witnesses challenged the assertions made by supporters of the stimulus bill.[16] These witnesses felt that the focus on green jobs had either destroyed jobs in other areas or were simply less effective in creating jobs than spending the money elsewhere or not spending it in the first place. Testimony in a May 2009 ARRA oversight hearing by Dr. Jerry Ellig highlighted the requirement under existing federal law to identify performance goals and outcomes.[17] With no concerted effort to verify job creation data, the performance of the stimulus bill versus other possible options is unknown.

Risk Assessment

The significantly increased oversight effort overseen by the Recovery, Accountability, and Transparency Board identified various problems in stimulus-funded programs, partially based

[15] Darius Dixon, "DOE clean-energy program wraps up amid concerns," Politico, September 30, 2011.
[16] "Green Jobs and Red Tape: Assessing Federal Efforts to Encourage Employment," April 13, 2011.
[17] http://gop.science.house.gov/Media/hearings/oversight09/may5/ellig.pdf.

upon the data they collected and combined with other data sets. Simply merging different data sets gave agency auditors and Inspectors General a better sense of where problems existed. For example, identifying the fact that most of the officers in a particular corporation seeking stimulus funds had previously been involved in other businesses that declared bankruptcy or were debarred from receiving federal funds at one point would be a reason to focus more closely on that company's application for funding in addition to greater ongoing oversight. Agency contracting officers and Congressional oversight Committees could use similar data comparisons to identify waste, fraud, and/or abuse in other federal programs.

APPENDIX A

Stimulus Related Inspector General Activities

Department of Commerce Office of the Inspector General

NTIA Has an Established Foundation to Oversee BTOP Awards, but Better Execution of Monitoring Is Needed, November 11, 2011

Commerce Has Procedures in Place for Recovery Act Recipient Reporting, but Improvements Should Be Made, July 29, 2011

Review of BTOP Award for the San Francisco Bay Area Wireless Enhanced Broadband (BayWEB) Project, May 6, 2011

2010 Census: Cooperation Between Partnership Staff and Local Census Office Managers Challenged by Communication and Coordination Problems, April 8, 2011

Commerce Needs to Strengthen Its Improper Payment Practices and Reporting, March 25, 2011

Broadband Program Faces Uncertain Funding, and NTIA Needs to Strengthen Its Post-Award Operations, November 4, 2010

Review of Recovery Act Contracts and Grants Workforce Staffing and Qualifications at Department of Commerce, September 10, 2010

NIST & NOAA Monitor Their Recovery Act Programs, but Performance Metrics Need to Measure Outcomes, May 21, 2010

NTIA Must Continue to Improve its Program Management and Pre-Award Process for its Broadband Grants Program, April 8, 2010

Review of Contracts and Grants Workforce Staffing and Qualifications in Agencies Overseeing Recovery Act Funds, March 10, 2010

More Automated Processing by Commerce Bureaus Would Improve Recovery Act Reporting, December 22, 2009

Commerce Has Implemented Operations to Promote Accurate Recipient Reporting, but Improvements Are Needed, October 30, 2009

Improvements Recommended for Commerce Pre-Award Guidance and NIST and NOAA Processes for Awarding Grants, October 28, 2009

Commerce Experience with Past Relief and Recovery Initiatives Provides Best Practices and Lessons Learned on How to Balance Expediency with Accountability, May 8, 2009

NTIA Should Apply Lessons Learned from Public Safety Interoperable Communications Program to Ensure Sound Management and Timely Execution of $4.7 Billion Broadband Technology Opportunities Program, March 31, 2009

Audits Initiated

Announcement of Audit of Broadband Technology Opportunities Program, Booz Allen Hamilton Contract, September 20, 2011

Announcement of Review of NTIA Broadband Technology Opportunities Program (BTOP) Grantees' Match, April 8, 2011

Announcement of Review of NIST's Oversight of Recovery Act Construction Contracts (Maintenance, Renovation, Construction of New Facilities and Labs), November 8, 2010

Announcement of Review of NIST's Oversight of Recovery Act Construction Grants (Research Science Buildings), October 27, 2010

Department of Energy Office of the Inspector General

The State of Nevada's Implementation of the Energy Efficiency and Conservation Block Grant Program, November 9, 2011

Western Area Power Administration's Control and Administration of American Recovery and Reinvestment Act Borrowing Authority, November 4, 2011

Action for a Better Community, Inc. – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009, September 30, 2011

People's Equal Action and Community Effort, Inc. - Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009, September 30, 2011

The 12 GeV CEBAF Upgrade Project at Thomas Jefferson National Accelerator Facility, September 30, 2011

Cuyahoga County of Ohio Department of Development – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009, September 29, 2011

Community Action Partnership of the Greater Dayton Area – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009, September 29, 2011

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, September 23, 2011

The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Tennessee, September 19, 2011

The Status of Energy Efficiency and Conservation Block Grant Recipients' Obligations, September 1, 2011

The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act in the State of Indiana, August 26, 2011

Los Alamos National Laboratory Environmental Management Activities Funded by the Recovery Act, August 25, 2011

The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the Commonwealth of Virginia, August 25, 2011

The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Missouri, August 25, 2011

The Advanced Research Projects Agency-Energy, August 25, 2011

The Department of Energy's American Recovery and Reinvestment Act- California State Energy Program, July 28, 2011

Department of Energy's Controls over Recovery Act Spending at the Idaho National Laboratory, July 21, 2011

Performance of Recovery Act Funds at the Waste Isolation Pilot Plant, July 7, 2011

The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of West Virginia, June 13, 2011

The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Wisconsin, June 6, 2011

Use of American Recovery and Reinvestment Act of 2009 Funds on Solid Waste Project Activities at the Department of Energy's Hanford Site, May 19, 2011

Management Alert on Planned Actions Related to the National Energy Technology Laboratory's Simulation-Based Engineering User Center, April 22, 2011

The Department of Energy's American Recovery and Reinvestment Act – New Jersey State Energy Program, April 15, 2011

Department's Management of Cloud Computing Services, April 1, 2011

The Department of Energy's Geothermal Technologies Program under the American Recovery and Reinvestment Act, March 22, 2011

The Department of Energy's American Recovery and Reinvestment Act- Massachusetts State Energy Program, March 22, 2011

Recovery Act Funded Projects at the SLAC National Accelerator Laboratory, March 8, 2011

The Department of Energy's Loan Guarantee Program for Clean Energy Technologies, March 3, 2011

The Department's Infrastructure Modernization Projects under the American Recovery and Reinvestment Act of 2009, March 2, 2011

Management of the Tank Farm Recovery Act Infrastructure Upgrades Project, February 9, 2011

The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the Capital Area Community Action Agency – Agreed-Upon Procedures, February 1, 2011

Audit of Environmental Cleanup Projects Funded by the Recovery Act at the Y-12 National Security Complex, December 20, 2010

Management Alert on the State Energy Efficient Appliance Rebate Program, December 3, 2010

The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the City of Phoenix – Agreed-Upon Procedures, November 30, 2010

Management of the Plutonium Finishing Plant Closure Project, November 10, 2010

Selected Aspects of the Commonwealth of Pennsylvania's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program, November 2, 2010

The State of Illinois Weatherization Assistance Program, October 14, 2010

Management Controls over the Department of Energy's American Recovery and Reinvestment Act – Michigan State Energy Program, September 29, 2010

Review of Allegations Regarding Hiring and Contracting in the Office of Energy Efficiency and Renewable Energy, September 22, 2010

Status Report: The Department of Energy's State Energy Program Formula Grants Awarded under the American Recovery and Reinvestment Act, September 21, 2010

The Department of Energy's American Recovery and Reinvestment Act - Georgia State Energy Program, September 15, 2010

Office of Science's Energy Frontier Research Centers, August 27, 2010

Decommissioning and Demolition Activities at Office of Science Sites, August 12, 2010

The Department of Energy's Implementation of the Energy Efficiency and Conservation Block Grant Program under the Recovery and Reinvestment Act: A Status Report, August 11, 2010

Review of the Department's of Energy's Plan for Obligating Remaining Recovery Act Contract and Grant Funding, August 4, 2010

Management Controls over the Development and Implementation of the Office of Energy Efficiency and Renewable Energy's Performance and Accountability for Grants in Energy System, July 22, 2010

The Department of Energy's Use of the Weatherization Assistance Program Formula for Allocating Funds Under the American Recovery and Reinvestment Act, June 11, 2011

The Department of Energy's American Recovery and Reinvestment Act- Florida State Energy Program, June 7, 2010

Management Controls over the Commonwealth of Virginia's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program, May 6, 2010

Waste Processing and Recovery Act Acceleration Efforts for Contact-Handled Transuranic Waste at the Hanford Site, May 25, 2010

Management Controls over the Department of Energy's American Recovery and Reinvestment Act-Louisiana State Energy Program, May 3, 2010

Progress in Implementing the Advanced Batteries and Hybrid Components Program under the American Recovery and Reinvestment Act, April 27, 2010

The Department of Energy's Program to Assist Federal Buyers in the Purchasing of Energy Efficient Products, April 27, 2010

Audit of Moab Mill Tailings Cleanup Project, April 23, 2010

Audit of Fermi National Accelerator Laboratory's NOVA Project, April 16, 2010

Management Alert on Environmental Management's Select Strategy for Disposition of Savannah River Site Depleted Uranium Oxides, April 9, 2010

The Department of Energy's Management of the NSLS-II Project, April 6, 2010

Accounting and Reporting for the American Recovery and Reinvestment Act by the Department of Energy's Funding Recipients, April 1, 2010

Management Controls over the Department's WinSAGA System for Energy Grants Management under the Recovery Act, March 25, 2010

Progress in Implementing the Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act, February 19, 2010

Review of Allegations Involving Potential Misconduct by a Senior Office of Environmental Management Official, December 29, 2009

Management Challenges at the Department of Energy, December 11, 2009

Selected Department of Energy Program Efforts to Implement the American Recovery and Reinvestment Act, December 7, 2010

Management Alert on the Department's Monitoring of the Weatherization Assistance Program in the State of Illinois, December 3, 2009

The Department of Energy's Quality Assurance Process for Prime Recipients' Reporting for the American Recovery and Reinvestment Act of 2009, October 21, 2009

The Department's Management of the ENERGY STAR Program, October 14, 2009

The Department of Energy's Management of Contractor Fines, Penalties and Legal Costs, September 30, 2009

Bonneville Power Administration's Acquisition of Transmission-Related Materials and Equipment, September 29, 2009

Management of Energy Savings Performance Contract Delivery Orders at the Department of Energy, September 10, 2009

Department of Energy's Efforts to Meet Accountability and Performance Reporting Objectives of the American Recovery and Reinvestment Act, September 4, 2009

Department of Energy Efforts to Manage Information Technology Resources in an Energy-Efficient and Environmentally Responsible Manner, May 27, 2009

The Department of Energy's Acquisition Workforce and its Impact on Implementation of the American Recovery and Reinvestment Act of 2009, March 30, 2009

The American Recovery and Reinvestment Act at the Department of Energy, March 20, 2009

NASA Office of the Inspector General

Audit announcement regarding NASA's Implementation of the American Recovery and Reinvestment Act of 2009

Final Memorandum on Analysis of NASA's Final Program-Specific Recovery Act Plans, January 2010

Final Memorandum on Analysis of NASA's Final Agency-Wide Recovery Act Plan, January 2010

Final Memorandum on Review of Open Audit Recommendations Affecting Recovery Act Activities

Audit of NASA's Recovery Act Procurement Actions at Johnson Space Center, Goddard Space Flight Center, Langley Research Center, and Ames Research Center

Final Memorandum on the Quality Control Review of the PricewaterhouseCoopers LLP and the Defense Contract Audit Agency Office of Management and Budget Circular A-133 Audit of the Jet Propulsion Laboratory for the Fiscal Year Ended September 27, 2009

NASA's Use of Recovery Act Funds for the James Webb Space Telescope Project

NASA's Use of Recovery Act Funds to Repair Hurricane Damage at Johnson Space Center

National Science Foundation Office of the Inspector General

Academy of Sciences, March 10, 2011

Limited Scope Review of Recovery Act Quarterly Reporting Processes – American Museum of Natural History, March 15, 2011

Limited Scope Review of Recovery Act Quarterly Reporting Processes – Institute of Global Environment and Society, March 25, 2011

Limited Scope Review of Recovery Act Data Quality – West Virginia University Research Corporation, March 10, 2011

Limited Scope Review of Recovery Act Data Quality - New Jersey Institute of Technology, March 10, 2011

Limited Scope Review of Recovery Act Quarterly Reporting Processes at the University of Alaska – Anchorage, March 10, 2011

Limited Scope Review: Effort Reporting and Cost Sharing Improvements Needed at California State University – Fresno, March 10, 2011

Additional NSF Outreach and Guidance Will Promote More Consistent and Accurate ARRA Reporting by NSF Grantees, June 18, 2010

Survey of NSF's Oversight of the Alaska Region Research Vessel Construction, May 6, 2010

Audit of NSF's Recovery Act Data Quality Data Review Process, October 29, 2009

OIG Review of NSF Recovery Act Awards from "In-house" Proposals, September 30, 2009

Alert Memorandum on OIG Understanding of ARRA Stakeholder Expectations and Comments on the NSF Agency-Wide Plan and Program-Specific ARRA Plans, May 13, 2009

Alert Memorandum on High Risk Awardees and Programs that May Receive American Recovery and Reinvestment Act Funds, May 8, 2009

Chairman BROUN. Good morning, everyone. The Subcommittee on Investigations and Oversight will come to order.

Welcome to today's hearing entitled "Stimulus Oversight: An Update on Accountability, Transparency, and Performance." You will find in front of you packets containing our witness panel's written testimony, biographies, and truth-in-testimony disclosures. I want to welcome our witnesses here today. Thank you all for being here. I now recognize myself for five minutes for an opening statement.

Welcome to the Investigations and Oversight Subcommittee hearing titled "Stimulus Oversight: An Update on Accountability, Transparency, and Performance." This is the Subcommittee's third oversight hearing of the American Recovery and Reinvestment Act of 2009. The Subcommittee's previous hearings focused on monitoring the development of internal agency controls and reviewing external oversight mechanisms prior to money going out the door. Now that funding has been obligated and recipients are actually spending the money, it is important for this Subcommittee to take a step back and see if we can develop any lessons learned, any best practices, and identify any areas of concern that require additional review. With funding available for many more months, the agencies, the IGs, the GAO, the Recovery Board, this Subcommittee, and the American people will continue to monitor how this money is spent. To put this task into perspective, the Stimulus Bill contained roughly $787 billion, of which approximately $40 billion was for science-related activities. This accounts for roughly the amount already appropriated for that fiscal year, essentially doubling the funding. Monitoring this funding is proving to be a daunting task for agencies and watchdogs.

As we have seen in recent months, efforts by agencies to conduct the proper due diligence can be challenging for a number of reasons including external deadlines, insufficient training, or inadequate staffing or funding levels. A lot of attention has been paid to Section 1705 and the Loan Guarantee Program because of Solyndra and Beacon Power. While these certainly garner a lot of press attention, the fact that many of these loan guarantees were made in such a rushed fashion before the deadline makes me believe that we will see a lot more of the same.

Separate from the Loan Guarantee Program, issues also exist in other areas like ARPA–E, DOE program offices like EERE, and Section 1603 payments. Additionally, potential areas of concern include facility construction at NIST and NSF and shipbuilding efforts at NOAA and NSF.

Although there is certainly enough oversight work to go around, I am pleased to hear that a positive theme has developed as well. Funding for basic research at the Department of Energy's Office of Science, and NASA appears to have been administered quickly and efficiently. This may be because they simply used existing mechanisms to get funding out the door, accelerated existing work, or funded projects that were previously found to be meritorious.

Much of the work done by the IGs, GAO, and the Recovery Board has focused on waste, fraud, abuse, mismanagement, transparency, and accountability—and rightfully so. A lot of the work done on accountability has focused on being able to track where money is going and for what purpose. While this is important, evaluations

of accountability should also address whether the intended goals of the Act have been met using specific metrics. I hope the agencies, the IGs, GAO, and the Recovery Board can assist Congress in this endeavor as well.

Regardless of whether you agree with the underlying Act, Congress has an obligation to make sure that if taxpayer money is going to be spent, it is done appropriately. Minimizing waste, fraud, and abuse is a nonpartisan endeavor, and I am sure we can all agree with that.

Now, I recognize my Ranking Member from New York, Paul Tonko. You are recognized for five minutes, sir.

[The prepared statement of Mr. Broun follows:]

PREPARED STATEMENT OF SUBCOMMITTEE CHAIRMAN PAUL C. BROUN

Good morning. Welcome to the Investigations and Oversight Subcommittee hearing titled "Stimulus Oversight: An Update on Accountability, Transparency, and Performance." This is the Subcommittee's third hearing on oversight of the American Recovery and Reinvestment Act of 2009.

The Subcommittee's previous hearings focused on monitoring the development of internal agency controls, and reviewing external oversight mechanisms prior to money going out the door. Now that funding has been obligated, and recipients are actually spending the money, it is important for this Subcommittee to take a step back and see if we can develop any lessons learned, any best practices, or identify any areas of concern that require additional review. With funding available for many more months, the agencies, the IGs, the GAO, the Recovery Board, this Subcommittee, and the American people will continue to monitor how this money is spent.

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Although there is certainly enough oversight work to go around, I am pleased to hear that a positive theme has developed as well. Funding for basic research at the Department of Energy's Office of Science and NASA programs appear to have been administered quickly and efficiently. This may be because they simply used existing mechanisms to get funding out the door, accelerated existing work, or funded projects that were previously found to be meritorious.

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Regardless of whether you agree with the underlying Act, Congress has an obligation to make sure that if taxpayer money is going to be spent, that it is done appropriately. Minimizing waste, fraud, and abuse is a nonpartisan endeavor that I am sure we can all agree with.

Mr. TONKO. Thank you, Mr. Chairman. Thank you to our distinguished witnesses. You are all busy people and thank you for sharing your time with us.

Public investment in innovative technologies and infrastructure not only creates jobs; it lays the foundation for further private sector job creation. The American Recovery and Reinvestment Act made a significant difference in stopping the precipitous loss of nearly 800,000 jobs per month that occurred prior to its enactment. Without the Recovery Act, millions more Americans would be facing unemployment and we would indeed be months further behind in the admittedly sluggish economic recovery.

According to the Congressional Budget Office's August 2011 report, the Recovery Act increased real GDP by .8 percent to 2.5 percent, and it increased the number of full-time equivalent jobs by between 1.4 million and 4 million compared to no Recovery Act effort for the second quarter of calendar year 2011. That is positive news. But the American economy is not out of danger yet. Economic growth is still weak, and job creation is still far below what is required to provide employment for all who need a job.

Recovery Act funding was significant but it is not realistic to expect some $840 billion to compensate for the loss of over $10 trillion worth in wealth that we experienced at the end of 2008. Because of the huge disparity of these figures, it is imperative that Recovery Act dollars be spent efficiently and effectively. That is why we are here today.

I have several concerns about the Recovery Act funds, and I hope our witnesses can shed some light on these matters. First, it looks as if too much of the money has still not been invested. Federal agencies have distributed it; yet it remains uncommitted by the recipients. We need to create at least seven million jobs to get back to full employment. If these funds are not being spent, they cannot fuel the job creation that we need. I am looking for a solution. We all are looking for a solution. And I hope that our witnesses today have some advice about how to get that uncommitted money moving to create more jobs and to fuel a more robust level of economic growth.

Second, I worry about the size of public exposure in some of the loan programs that are operated at the Department of Energy. Grants and contracts that lead to direct expenditures carry with them risks limited by the value of the award, risks that can be minimized through sound management by experienced staff, and DOE has a long history of managing grants and contracts.

In contrast, the Department of Energy's Loan Guarantee Program is relatively new. Loan guarantees are for much greater amounts of money than an average grant or contract and therefore carry billions of dollars in risk. DOE's relative lack of experience with this authority and limited experience with assessing market conditions and commercial risks should increase our scrutiny of awards provided under this program. All investments carry some risks and we should be willing to take them where there is opportunity for significant benefits or advances, but the Department should do all it can to ensure these awards will result in successful outcomes.

While the press is focused on the loan to the solar company Solyndra, the fact is that other DOE loans may be just as risky. Particularly in the nuclear sector, taxpayers' financial exposure dwarfs that of the Solyndra loan. Just one of these nuclear energy loans is 16 times the size of the award made to Solyndra. Markets can shift against these mega-projects just as easily as they shifted against the far more modest solar project that went bankrupt. I hope that the Department is taking steps to reevaluate the size of its commitments in the Loan Guarantee Program and the challenges that face those investments.

Finally, I look forward to hearing whether there are meaningful lessons about managing the public's money that should be applied to all federal spending based on the experiences of our Recovery Act. The effort to bring an unprecedented level of transparency to spending may suggest new expectations for all governments—all government funding rather—in the future. We do not want to cripple agencies in their ability to make awards and manage them through burdensome requirements; nor do we want to discourage companies and individuals from working with our government. If we can build on the best of the Recovery Act's lessons, it would make our government more accountable and transparent to the public.

Mr. Chair, I believe you have brought the right people before us today to address these issues, and I look forward to their testimony. Thank you.

[The prepared statement of Mr. Tonko follows:]

PREPARED STATEMENT OF RANKING MEMBER PAUL TONKO

Thank you, Mr. Chairman.

Public investment in innovative technologies and infrastructure not only creates jobs, it lays the foundation for private sector job creation. The American Recovery and Reinvestment Act made a significant difference in stopping the precipitous loss of nearly 800,000 jobs per month that occurred prior to its enactment. Without the Recovery Act, millions more Americans would be facing unemployment, and we would be months further behind in the admittedly sluggish economic recovery.

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That is positive news, but the American economy is not out of danger yet. Economic growth is still weak and job creation is still far below what is required to provide employment for all who need a job. Recovery Act funding was significant, but it is not realistic to expect $840 billion to compensate for the loss of over $10 trillion in wealth we experienced at the end of 2008. Because of the huge disparity in these figures, it is imperative that Recovery Act dollars be spent efficiently and effectively. That is why we are here today.

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Finally, I look forward to hearing whether there are meaningful lessons about managing the public's money that should be applied to all federal spending based on the experiences of the Recovery Act.

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Mr. Chairman, I believe you have brought the right people before us to address these issues, and I look forward to their testimony.

Chairman BROUN. Thank you, Mr. Tonko. I appreciate the accolades. That is the nice thing about this Committee. We are working in a bipartisan manner.

If there are Members who wish to submit additional opening statements, your statements will be added to the record at this point.

At this time, I would like to introduce our panel of witnesses. First is Dr. Frank Rusco, the Director of Natural Resources and Environment Team at the U.S. Government Accountability Office; Mr. Michael Wood, the Executive Director of the Recovery Accountability and Transparency Board; the Honorable Gregory H. Friedman, the Inspector General, the U.S. Department of Energy; the Honorable Todd Zinser, the Inspector General of the U.S. Department of Commerce; Ms. Allison Lerner, the Inspector General of the National Science Foundation; and finally, Ms. Gail Robinson, the Deputy Inspector General of NASA.

As our witnesses should know, spoken testimony is limited to five minutes each—if you would please try to contain your remarks to that five minutes—after which the Members of the Committee will each have five minutes to ask questions. Your written testimony will be included in the record of the hearing. It is the practice of this Subcommittee on Investigations and Oversight to receive testimony under oath. Do any of you have any objections to taking an oath?

Let the record reflect that all witnesses shook their head from side to side indicating in a common way that they do not have an objection.

Also, you may be represented by counsel. Do any of you have counsel here today?

Mr. Wood? Okay. Hon. Zinser, do you have—no. Ms. Lerner?

Ms. LERNER. I have an attorney with me.

Chairman BROUN. Okay. Let the record reflect that all except for Ms. Lerner and Mr. Wood have no counsel and that those two individuals do indeed.

If all of you would now please stand and raise your right hand. Do you solemnly swear or affirm to tell the whole truth and nothing but the truth, so help you God?

Nodding, okay. I didn't hear the female voices, though. Okay. Good. Let the record reflect that all the witnesses participating have taken the oath.

I now recognize our first witness, Dr. Rusco. You are recognized for five minutes.

STATEMENT OF DR. FRANK RUSCO, DIRECTOR, NATURAL RESOURCES AND ENVIRONMENT TEAM, GOVERNMENT ACCOUNTABILITY OFFICE

Dr. RUSCO. Thank you. Chairman Broun, Ranking Member Tonko, and Members of the Committee, I am pleased to be here today along with my colleagues in the oversight community to discuss GAO's oversight of Recovery Act spending on science-related programs.

This year, the Congressional Budget Office estimated that the Recovery Act's combined spending and tax provisions would cost approximately $840 billion. More than $40 billion was targeted for science-related programs, and the bulk of that went to DOE. In March 2009, GAO testified before this Committee about GAO's approach to conducting Recovery Act oversight, and we highlighted several research and development programs that deserve special attention from the relevant Inspectors General.

Under the Recovery Act, GAO was tasked with the responsibility to conduct bimonthly reviews and other reports on the use of Recovery Act funds, and we have so far—well, including this testimony—issued 132 reports and testimonies on Recovery Act-related issues.

My statement today will provide a brief update of the science-related funds that have been obligated and spent by DOE, Commerce, NASA, and NSF. I will also provide several examples of the kinds of challenges that science-related programs faced in implementing the goals of the Recovery Act.

According to Agency officials, the majority of science-related Recovery Act funding has been obligated. Specifically, as of September 30, 2011, DOE had obligated about 98 percent of its $35 billion. DOE reported that it had spent about $19 billion, or 54 percent, of this funding. Commerce received $1.4 billion in science-related funding, obligated almost all of it and had spent about $900 million, or 64 percent. NASA received $1 billion, obligated it all, and had spent 95 percent. And lastly, NSF received $3 billion, obligated it all, and had spent about 46 percent as of September 30.

All the programs we audited in the course of our Recovery Act work faced challenges, especially in the early months. For example, DOE's Weatherization Program received almost $5 billion, a 20-fold increase over the program's typical annual appropriation. The Weatherization Program faced problems adjusting to this greatly increased scale of funding. Specifically, it took the program time to

issue guidance and force recipient States and territories to establish market wages for weatherization workers as required under the *Davis-Bacon Act*. This delayed the first large dispersal of funds to States and territories. DOE, the States, and territories also faced challenges in scaling up the workforce and providing training for workers new to the weatherization work.

In some cases, the Recovery Act represented the first time a program received funding. For example, EERE's Energy Efficiency and Conservation Block Grant Program, which received $3.2 billion in Recovery Act funds, was essentially starting from scratch, and some of the challenges it faced reflected this. Specifically, we found in our April 2011 report that the EECBG program was not always collecting needed information from recipients to verify that these recipients were in compliance with federal oversight and reporting requirements. This program also faced challenges in measuring the outcomes of EECBG funding, including measures of reduced energy use.

DOE has also wrestled with calculating and reporting jobs created, a requirement of the Recovery Act. For example, DOE's Environmental Management Office, which received almost $6 billion in Recovery Act funding, has publicly reported three vastly different job creation figures ranging from 5,700 to 20,200 jobs, depending on what methodology was used. Measuring job creation is inherently difficult from a methodological perspective because it is not possible to observe what would have happened in the absence of the Recovery Act. However, Environmental Management was initially unable to follow Recovery Act requirements and OMB guidance for reporting job creation, and it is still unclear if DOE has fixed this problem.

Overall, the science-related programs we have audited have responded at least partially to the challenges we identified. These programs have implemented some of our recommendations and have improved in their ability to monitor the use of Recovery Act money.

GAO continues to conduct oversight of science-related programs that received Recovery Act funding. Within the next several months, we will issue reports on DOE's Loan Guarantee, Weatherization, and ARPA–E programs. We also have ongoing evaluations of federal renewable energy initiatives and of R&D efforts in areas of solar energy and battery storage technologies.

This concludes my statement. I will be happy to answer any questions the Committee may have.

[The prepared statement of Dr. Rusco follows:]

PREPARED STATEMENT OF DR. FRANK RUSCO, DIRECTOR,
NATURAL RESOURCES AND ENVIRONMENT TEAM,
GOVERNMENT ACCOUNTABILITY OFFICE

For Release on Delivery
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RECOVERY ACT

Status of Science-Related Funding

Statement of Frank Rusco, Director
Natural Resources and Environment

U.S. Government Accountability Office
GAO 90 YEARS 1921-2011
ACCOUNTABILITY * INTEGRITY * RELIABILITY

GAO-12-279T

GAO
Accountability * Integrity * Reliability
Highlights

Highlights of GAO-12-279T, a testimony before the Subcommittee on Investigations and Oversight, Committee on Science, Space, and Technology, House of Representatives

November 30, 2011

RECOVERY ACT

Status of Science-Related Funding

Why GAO Did This Study

The American Recovery and Reinvestment Act of 2009 (Recovery Act) is intended to preserve and create jobs and promote economic recovery, among other things. The Congressional Budget Office estimated in 2011 that the Recovery Act would cost $840 billion, including more than $40 billion in science-related activities at the Department of Energy (DOE), Department of Commerce, the National Aeronautics and Space Administration (NASA), and the National Science Foundation (NSF). These activities support fundamental research, demonstrate and deploy advanced energy technologies, purchase scientific instrumentation and equipment, and construct or modernize research facilities.

The Recovery Act assigned GAO with a range of responsibilities, such as bimonthly reviews of how selected states and localities used funds, including for science-related activities.

This statement updates the status of science-related Recovery Act funding for DOE, Commerce, NASA, and NSF and provides the status of prior recommendations from GAO's Recovery Act reports. This testimony is based on prior GAO work updated with agency data as of September 30, 2011.

View GAO-12-279T. For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

What GAO Found

As of September 30, 2011, DOE, Commerce, NSF, and NASA had obligated about 98 percent of the more than $40 billion appropriated for science-related activities identified at those agencies. They had spent $22 billion, or 54 percent of appropriated funds. DOE received the majority of this funding, and the four agencies vary in the amount of Recovery Act funds they have obligated and spent for their programs, as well as the challenges they have faced in implementing the Recovery Act. For example:

- *Loan Guarantee Program for Innovative Technologies*. As of September 30, 2011, DOE had obligated about 78 percent of the nearly $2.5 billion provided for this program, which among other things guarantees loans for projects using new or significantly improved technologies as compared with commercial technologies already in use in the United States and reported spending about 15 percent of those funds. In a July 2010 report (GAO-10-627), GAO made four recommendations for DOE to improve its evaluation and implementation of the program. DOE has begun to take steps to address our recommendations but has not fully addressed them, and GAO continues to believe DOE needs to make improvements to the program.
- *Weatherization Assistance Program.* As of September 30, 2011, DOE had obligated the full $5 billion of Recovery Act funding provided for the Weatherization Assistance Program, which enables low-income families to reduce their utility bills by making long-term energy-efficiency improvements to their homes, and reported spending about 72 percent of those funds. In a May 2010 report (GAO-10-604), GAO made eight recommendations to DOE to clarify guidance and production targets. To date, DOE has implemented two of those recommendations: (1) it issued guidance on multi-family buildings and (2) clarified the definition of income and strengthened income eligibility requirements.
- *Commerce, NASA, and NSF.* As of September 30, 2011, Commerce, NASA, and NSF each had obligated nearly all of their science-related Recovery Act funding. Commerce spent about 62 percent, NASA spent about 95 percent, and NSF spent about 46 percent of this funding. GAO has reported several times on the use of these funds and the challenges agencies faced. In a February 2010 report (GAO-10-383), GAO found that some recipients of Commerce's Recovery Act grants faced challenges complying with Recovery Act reporting and other federal requirements and had to delay or recast certain scheduled activities as a result. In a March 2009 report (GAO-09-306SP), GAO found that NASA's large-scale projects, including those that received Recovery Act funds, had experienced significant cost and schedule delays. In a March 2011 report, (GAO-11-239SP), GAO found that Recovery Act funds allowed NASA to reduce the impact of cost increases on some projects and to address problems being experienced by others. In GAO's October 2010 report (GAO-11-127R), it found that NSF's program to increase investment in science, technology, engineering, and mathematics education took steps to evaluate the long-term effectiveness of its projects and developed goals and metrics for that evaluation.

Chairman Broun, Ranking Member Tonko, and Members of the Subcommittee:

I am pleased to be here today to discuss our oversight of science-related funding provided by the American Recovery and Reinvestment Act of 2009 (Recovery Act).[1] In response to the recent economic crisis, Congress enacted the Recovery Act to, among other things, preserve and create jobs and promote economic recovery. In 2011, the Congressional Budget Office estimated that the Recovery Act would cost approximately $840 billion. That amount includes more than $40 billion for science-related activities at the Department of Energy (DOE), the Department of Commerce, the National Aeronautics and Space Administration (NASA), and the National Science Foundation (NSF). These activities include supporting fundamental research, demonstrating and deploying advanced energy technologies, purchasing scientific instrumentation and equipment, and constructing or modernizing research facilities.

The Recovery Act assigned GAO with a range of responsibilities, such as bimonthly reviews of how selected states and localities used funds, including for science-related activities. As we stated in our March 2009 testimony,[2] our prior work identified several DOE, Commerce, NASA, and NSF programs that deserve special attention from agency management and the agencies' Offices of Inspectors General to ensure that funds are put to best use. We previously reported on several DOE programs, including the Weatherization Assistance Program,[3] the Loan Guarantee Program (LGP),[4] and the Energy Efficiency and Conservation Block Grant

[1]Pub. L. No. 111-5, § 3, 123 Stat. 116 (2009).

[2]GAO, *American Recovery and Reinvestment Act: GAO's Role in Helping to Ensure Accountability and Transparency for Science Funding*, GAO-09-515T (Washington, D.C.: Mar. 19, 2009).

[3]GAO, *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability*, GAO-10-604 (Washington, D.C., May 26, 2010).

[4]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. GAO, *Department of Energy: Further Actions Are Needed to Improve DOE's Ability to Evaluate and Implement the Loan Guarantee Program*, GAO-10-627 (Washington, D.C.: July 12, 2010).

program (EECBG),[5] and we are currently examining DOE's Advanced Research Projects-Energy and solar energy initiatives. Since the Recovery Act was implemented, we also assessed large-scale projects at NASA that received Recovery Act funds.[6] Additionally, we have reported on federal requirements that have influenced project selection and starts at a variety of agencies, including DOE, Commerce, NASA, and NSF[7] and contracting approaches and oversight at DOE and NASA.[8]

My statement today updates the status of science-related Recovery Act funding for (1) DOE, (2) Commerce, (3) NASA, and (4) NSF and our recent recommendations to these agencies regarding their spending of Recovery Act funds. This statement is based largely on our prior reviews and updates them with data from the four agencies as of September 30, 2011, on their obligations and spending of science-related Recovery Act funds. We did not verify these data. We conducted all of our work in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to produce 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 statement today. Additional information on our scope and methodology is available in each issued product. (See our list of related products at the end of this testimony.)

Summary of Science-Related Recovery Act Funding

Of the four agencies that received over $40 billion in funding for science-related activities under the Recovery Act, DOE received the largest amount of funds. Table 1 shows Recovery Act funding, obligations, and expenditures for these agencies.

[5]GAO, *Recovery Act: Energy Efficiency and Conservation Block Grant Recipients Face Challenges Meeting Legislative and Program Goals and Requirements*, GAO-11-379 (Washington, D.C., Apr. 7, 2011).

[6]GAO, *NASA: Assessments of Selected Large-Scale Projects,* GAO-11-239SP (Washington, D.C.: Mar. 3, 2011).

[7]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).

[8]GAO, *Recovery Act: Contracting Approaches and Oversight Used by Selected Federal Agencies and States,* GAO-10-809 (Washington, D.C.: July 15, 2010).

Table 1: Recovery Act Appropriations, Obligations, and Expenditures (Cumulative) Reported by Selected Agencies as of September 30, 2011

(Dollars in millions)

Agency	Appropriations	Obligations	Expenditures
DOE	$35,210	$34,613	$18,884
Commerce	1,442	1,418	894
NASA	1,000	1,000	948
NSF	3,000	3,000	1,379
Total	**$40,652**	**$40,031**	**$22,105**

Source: GAO analysis of agency data

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

DOE

Of the $35.2 billion it received under the Recovery Act for science-related projects and activities, DOE reported that it had obligated $34.6 billion (98 percent) and spent $18.9 billion (54 percent) as of September 30, 2011.[9] This is an increase from March 10, 2011, when DOE reported that it had obligated $33.1 billion and spent $12.5 billion. Table 2 shows Recovery Act funding, obligations, and expenditures for DOE's program offices.

[9]DOE was initially appropriated $45.2 billion in the Recovery Act, 6 billion of which was directed to DOE's LGP. In April and May 2009, and again in July 2010, we provided Congress with information about DOE's management of the LGP. In August 2009, Congress authorized the transfer of $2 billion from the program to expand the "Cash for Clunkers" program (Pub. L. No. 111-47, 123 Stat. 1972 [Aug. 7, 2009]) and in August 2010, Congress authorized the rescission of $1.5 billion in funds from the program (Pub. L. No. 111-226, § 308, 124 Stat. 2405 [Aug. 10, 2010]). As a result, DOE's appropriations under the Recovery Act were reduced by $3.5 billion to $41.7 billion.

Table 2: Recovery Act Funding, Obligations, and Expenditures (Cumulative) Reported by DOE by Program Office as of September 30, 2011

(Dollars in millions)

Program office	Funding	Obligations	Percentage obligated	Expenditures	Percentage expended
Advanced Research Projects Agency - Energy	$387	$387	100%	$167	43%
Departmental Administration	143	112	78%	79	55%
Energy Efficiency and Renewable Energy	16,666	16,655	100%	9,600	58%
Energy Information Administration	8	8	100%	8	100%
Environmental Management	5,989	5,988	100%	5,270	88%
Fossil Energy	3,379	3,379	100%	363	11%
Loan Programs Office	2,470	1918	78%	380	15%
Office of Electricity Delivery and Energy Reliability	4,488	4,488	100%	1,831	41%
Office of Science	1,669	1,669	100%	1,178	71%
Western Area Power Administration	10	9	90%	7	71%
Total	**$35,210[a]**	**$34,613**	**98%**	**$18,884**	**54%**

Source: GAO analysis of DOE data

Note: Funding, obligations, and expenditures are rounded to the nearest million. Totals may not sum due to rounding.

[a] This table does not include the following Recovery Act funds appropriated to DOE: (1) $6.5 billion in borrowing authority ($3.25 billion for the Bonneville Power Administration and $3.25 billion for the Western Area Power Administration) and (2) $15 million for the Office of Inspector General.

Our Recovery Act recommendations have focused primarily on the following four DOE programs and projects:

- The EECBG program, which provides grants to states, territories, tribes, and local communities for projects that improve energy efficiency, reduce energy use, and reduce fossil fuel emissions.
- The Office of Environmental Management, which cleans up contaminated sites across the country where decades of nuclear

weapons research, development, and production left a legacy of dangerously radioactive, chemical, and other hazardous wastes.

- The LGP, which guarantees loans for energy projects that (1) use either new or significantly improved technologies as compared with commercial technologies already in use in the United States and (2) avoid, reduce, or sequester emissions of air pollutants or man-made greenhouse gases.
- The Weatherization Assistance Program, which enables low-income families to reduce their utility bills by making long-term energy-efficiency improvements to their homes by, for example, installing insulation, sealing leaks, and modernizing heating or air conditioning equipment.

Table 3 shows Recovery Act funding, obligations, and expenditures for these DOE programs as of September 30, 2011.

Table 3: Recovery Act Funding, Obligations, and Expenditures (Cumulative) Reported by DOE for Select Programs and Projects as of September 30, 2011

(Dollars in Millions)

Program or Project	Program Office	Funding	Obligations	Percentage obligated	Expenditures	Percentage expended
Energy Efficiency and Conservation Block Grants	Office of Energy Efficiency and Renewable Energy	$3,193	$3,193	100%	$1,657	52%
Environmental Management	Office of Environmental Management	5,989	5,988	100%	5,270	88%
Loan Guarantee Program	Loan Programs Office	2,470	1918	78%	380	15%
Weatherization Assistance Program	Office of Energy Efficiency and Renewable Energy	4,975	4,975	100%	3,570	72%

Source: GAO analysis of DOE data

Note: Funding, obligations, and expenditures are rounded to the nearest million.

Energy Efficiency and Conservation Block Grant Program

The Recovery Act provided about $3.2 billion for DOE's EECBG, funding the program for the first time since it was authorized in the Energy Independence and Security Act (EISA) of 2007.

DOE awarded this funding as follows:

- About $1.94 billion as formula grants to more than 2,000 local communities—including cities, counties, and tribal communities.

- About $767 million as formula grants to the states, five territories, and the District of Columbia.[10]
- About $40 million for Administrative and Training/Technical Assistance.
- About $453 million through competitive grants to local communities.

Our April 2011 report on the EECBG program focused on the approximately $2.7 billion awarded through formula grants.[11] In that report, we found that more than 65 percent of EECBG funds had been obligated for three types of activities: (1) energy-efficiency retrofits (36.8 percent), which includes activities such as grants to nonprofit organizations and governmental agencies for retrofitting their existing facilities to improve energy efficiency; (2) financial incentive programs (18.5 percent), which includes activities such as rebates, subgrants, and revolving loans to promote recipients' energy-efficiency improvements; and (3) energy-efficiency and conservation programs for buildings and facilities (9.8 percent), which includes activities such as installing storm windows or solar hot water technology.

We also found that DOE did not always collect information on the various methods that recipients use to monitor contractors and subrecipients.[12] As a result, DOE does not always know whether the monitoring activities of recipients are sufficiently rigorous to ensure compliance with federal requirements. In addition, DOE officials have experienced challenges in assessing the extent to which the EECBG program is reducing energy use and increasing energy savings. Most recipients report estimates to comply with program reporting requirements, and DOE takes steps to assess the reasonableness of these estimates but does not require recipients to report the methods or tools used to develop estimates. In addition, while DOE provides recipients with a software tool to estimate

[10]Funding is allocated to state recipients based on population and total energy consumption; to city and county recipients based on resident and commuter populations; and to Native American tribes based on population and climatic conditions.

[11]GAO-11-379.

[12]DOE defines subrecipients as those recipients that receive pass-through funds from recipients but are not the ultimate beneficiary of the funds, such as the vendor or contractor who provided the good or service.

energy savings, DOE does not require that recipients use the most recent version.

Based on these findings, we recommended that DOE (1) explore a means to capture information on recipients' monitoring activities and (2) solicit information on recipients' methods for estimating energy-related impact metrics[13] and verify that recipients who use DOE's estimation tool use the most recent version. DOE generally agreed with our recommendations and has taken steps to implement them. DOE took action on our first recommendation by collecting additional information related to subrecipient monitoring, in order to help ensure that they comply with the terms and conditions of the award. These changes will help improve DOE's oversight of recipients. DOE implemented our second recommendation by making changes to the way it collects data to apply a unified methodology to the calculation of impact metrics. DOE officials also said the calculation of estimated impact metrics will now be performed centrally by DOE by applying known national standards to existing recipient-reported performance metrics.

Environmental Cleanup Projects

The Recovery Act provided about $6 billion to expand and accelerate cleanup activities at numerous contaminated sites across the country.[14] This funding substantially boosted the Office of Environmental Management's annual appropriation for cleanup, which has generally been between $6 billion and $7 billion. As of September 30, 2011, DOE had obligated all of the $6 billion in Recovery Act funding. DOE officials told us that they planned to have 92 percent of the funds spent by September 30, 2011, and DOE had expended about 88 percent (nearly $5.3 billion) by that time.

[13]DOE guidance requires that recipients report quarterly on impact metrics—which include energy savings, energy cost savings, renewable-energy generation, and emissions reductions—and verify cumulative totals when grants are closed out, but DOE does not require that these impact metrics be based on actual, as opposed to estimated, data.

[14]Cleanup activities include treating and permanently disposing of millions of gallons of radioactive and chemical waste stored in large underground tanks; disposing of spent nuclear fuel; removing contaminated soil; treating contaminated groundwater; packaging and shipping solid wastes infused with synthetic radioactive elements like plutonium and americium for permanent disposal to a deep geologic repository; and eliminating excess facilities, which may include decontaminating, decommissioning, deactivating, and demolishing obsolete structures or a combination of these activities. DOE has estimated that the cost of this cleanup may approach $300 billion over the next several decades.

As of May 2011, DOE had selected 109 projects for Recovery Act funding at 17 DOE sites in 12 states. DOE designated 80 percent of this funding to speed cleanup activities at four large sites: the Hanford Site in Washington State, Idaho National Laboratory, the Oak Ridge Reservation in Tennessee, and the Savannah River Site in South Carolina. DOE generally chose to use Recovery Act funds for cleanup projects that could be started and finished quickly. The majority of the projects selected also had existing contracts, which allowed the department to update and validate new cost and schedule targets within a short time frame. DOE generally funded four types of projects: (1) decontaminating or demolishing facilities, (2) removing contamination from soil and groundwater, (3) packaging and disposing of transuranic[15] and other wastes, and (4) supporting the maintenance and treatment of liquid tank wastes. According to DOE officials, as of the end of May 2011, DOE had completed 28 Recovery Act projects.

In July 2010, we reported that DOE has faced challenges in both managing Recovery Act projects and measuring how Recovery Act funding has affected cleanup and other goals.[16] In that report, we found that one-third of Recovery Act-funded environmental cleanup projects did not meet cost and schedule targets, which DOE attributed to technical, regulatory, safety, and contracting issues. DOE took steps aimed at strengthening project management and oversight for Recovery Act projects, such as increasing project reporting requirements and placing tighter controls on when funds are disbursed to sites. By October 2010, DOE had made improvements in both cost and schedule performance.

In our July 2010 report, we found it has also been a challenge for DOE to provide an accurate assessment of the impact Recovery Act funding has had on job creation, environmental risk reduction, and the life-cycle costs of its cleanup program for several reasons. First, DOE used several different methodologies to assess and report jobs created, which provided

[15]Transuranic wastes are typically discarded rags, tools, equipment, soils, or other solid materials that have been contaminated by radioactive elements, such as plutonium or americium.

[16]GAO, *Recovery Act: Most DOE Cleanup Projects Appear to Be Meeting Cost and Schedule Targets, but Assessing Impact of Spending Remains a Challenge*, GAO-10-784 (Washington, D.C., July 29, 2010).

very different and potentially misleading information.[17] Second, DOE had not yet developed a clear means of measuring how cleanup work funded by the act would affect environmental risk or the land and facilities requiring DOE cleanup. Third, it is unclear to what extent Recovery Act funding will reduce the costs of cleaning up the DOE sites over the long term. DOE's estimate of $4 billion in life-cycle cost savings resulting from Recovery Act funding was not calculated in accordance with Office of Management and Budget's guidance on benefit-cost analysis or DOE's guidance on life-cycle cost analysis. Our analysis indicated that those savings could be 80 percent less than DOE estimated. Without clear and consistent measures, it will be difficult to say whether or how Recovery Act funding has affected DOE's cleanup goals.

As a result, we recommended four actions for DOE to improve project management and reporting: (1) determine whether project management and oversight steps adopted for Recovery Act projects would benefit other cleanup projects; (2) clarify the methodology used to calculate any supplemental job creation figures in addition to prime contractor and subcontractor jobs created, such as head count—that is, workers who have charged any amount of time to Recovery Act projects; (3) develop clear and quantifiable measures for determining the impact of Recovery Act funding; and (4) ensure that cost savings are calculated according to federal guidance. DOE agreed with the recommendations and has taken steps to implement two of them. In response to our first recommendation, DOE implemented some of the steps it used to improve management of Recovery Act projects for the cleanup work it funds through its annual appropriations. In response to our third recommendation, DOE issued clarifying guidance to the sites on the methodology to be used for reporting footprint reduction, but the extent to which this methodology measures actual environmental risk reduction, if at all, is not clear.[18] Finally, a DOE document stated that our second recommendation is no

[17]For example, DOE's calculation of head count is potentially misleading for two reasons. First, counting the number of people carrying out Recovery Act work, rather than the time they have actually spent in such work, implies that one person engaged in 2 hours of work per week is equivalent to one person engaged in 40 hours of work per week. The economic benefits to the worker, however, differ significantly. Second, the estimate includes a count of those people who contributed to the manufacture of materials or equipment purchased by prime contractors and subcontractors to support Recovery Act work, an estimate that is difficult to verify, according to site officials.

[18]DOE officials define footprint reduction as the "physical completion of activities with petition for regulatory approval to follow."

longer relevant since the Office of Management and Budget now requires contractor and subcontractor jobs to be reported online.[19]

Loan Guarantee Program for Innovative Technologies

In February 2009, the Recovery Act amended the LGP, authorizing DOE to also guarantee loans for some projects using commercial technologies. Projects supported by the Recovery Act must employ renewable energy systems, electric power transmission systems, or leading-edge biofuels that meet certain criteria; begin construction by the end of fiscal year 2011; and pay wages at or above market rates. The Recovery Act originally provided nearly $6 billion to cover the credit subsidy costs for projects meeting those criteria.[20] Congress subsequently authorized a reduction of $3.5 billion of this funding to be used for other purposes. According to our analysis of DOE data, as of September 30, 2011, DOE's LGP had obligated about 78 percent of the remaining $2.5 billion in Recovery Act funds, leaving $552 million unobligated. The Recovery Act required that borrowers begin construction of their projects by September 30, 2011, to receive funding, and the unobligated funds expired and are no longer available to DOE.

Our July 2010 report[21] found that DOE is implementing the program in a way that treats applicants inconsistently, lacks systematic mechanisms for applicants to appeal its decisions or for applicants to provide feedback to DOE, and risks excluding some potential applicants unnecessarily.

[19]On July 2, 2010, the Office of Management and Budget (OMB) issued revised guidance to Federal Acquisition Regulation (FAR) clause 52.204-11, such that both prime contractor and subcontractor jobs are now reported in FederalReporting.gov. Previously, only prime contractor jobs were reported, which understated the number of jobs created by Environmental Management's Recovery Act Program since, according to DOE, nearly 40 percent of jobs are subcontracted to encourage competition and to allow for small business participation. Before OMB's guidance was issued, DOE had been reporting the subcontractor jobs separately. As a result of OMB's change in guidance, DOE believes that our second recommendation is no longer relevant. We are currently assessing whether this addresses our recommendation.

[20] Recovery Act, div. A, Title IV, 123 Stat. at 140 (Feb. 17, 2009). Congress originally appropriated nearly $6 billion to pay the credit subsidy costs of projects supported under the Recovery Act, with the limitation that funding to pay the credit subsidy costs of leading-edge biofuel projects eligible under the act would not exceed $500 million. Credit subsidy costs are the government's estimated net long-term costs, in net present value terms, of direct or guaranteed loans over the entire period the loans are outstanding (not including administrative costs).

[21]GAO-10-627.

Consequently, we reported that DOE's program management could improve its ability to evaluate and implement the LGP by implementing the following four recommendations: (1) develop relevant performance goals that reflect the full range of policy goals and activities for the program, and to the extent necessary, revise the performance measures to align with these goals; (2) revise the process for issuing loan guarantees to clearly establish what circumstances warrant disparate treatment of applicants; (3) develop an administrative appeal process for applicants who believe their applications were rejected in error and document the basis for conclusions regarding appeals; and (4) develop a mechanism to systematically obtain and address feedback from program applicants and, in so doing, ensure that applicants' anonymity can be maintained.

In response to our recommendations, DOE stated that it recognizes the need for continuous improvement to its LGP as those programs mature but neither explicitly agreed nor disagreed with our recommendations. In one instance, DOE specifically disagreed with our findings: the department maintained that applicants are treated consistently within solicitations. Nevertheless, the department stated that it is taking steps to address concerns identified in our report. For example, with regard to appeals, DOE indicated that its process for rejected applications should be made more transparent and stated that the LGP continues to implement new strategies intended to reduce the need for any kind of appeals, such as enhanced communication with applicants and allowing applicants an opportunity to provide additional data to address deficiencies DOE has identified in applications. DOE directly addressed our fourth recommendation by creating a mechanism in September 2010 for submitting feedback—including anonymous feedback—through its website. We tested the mechanism and were satisfied that it worked.

We have an ongoing mandate under the 2007 Revised Continuing Appropriations Resolution to review DOE's execution of the LGP and to report our findings to the House and Senate Committees on Appropriations. We are currently conducting ongoing work looking at the LGP, which will examine the status of the applications to the LGP's nine solicitations and will assess the extent to which has DOE adhered to its process for reviewing loan guarantees for loans to which DOE has closed or committed. We expect to issue a report on LGP in early 2012.

Weatherization Assistance Program

The Recovery Act provided $5 billion for the Weatherization Assistance Program, which DOE is distributing to each of the states, the District of Columbia, five territories, and two Indian tribes. The $5 billion in funding provided by the Recovery Act represents a significant increase for a program that has received about $225 million per year in recent years.

During 2009, DOE obligated about $4.73 billion of the $5 billion in Recovery Act weatherization funding to recipients, while retaining the remaining funds to cover the department's expenses. Initially, DOE provided each recipient with the first 10 percent of its allocated funds, which could be used for start-up activities, such as hiring and training staff, purchasing equipment, and performing energy audits of homes. Before a recipient could receive the next 40 percent, DOE required it to submit a plan for how it would use its Recovery Act weatherization funds. By the end of 2009, DOE had approved the weatherization plans of all 58 recipients and had provided all recipients with half of their funds.

In our May 2010 report,[22] we found that although weatherizing multifamily buildings can improve production numbers quickly, state and local officials have found that expertise with multifamily projects is limited and that they lack the technical expertise for weatherizing large multifamily buildings. We also found that state agencies are not consistently dividing weatherization costs for multifamily housing with landlords. In addition, we found that determination and documentation of client income eligibility varies between states and local agencies and that DOE allows applicants to self-certify their income. We also found that DOE has issued guidance requiring recipients of Recovery Act weatherization funds to implement a number of internal controls to mitigate the risk of fraud, waste, and abuse, but that the internal controls to ensure local weatherization agencies comply with program requirements are applied inconsistently.

In our May 2010 report, we made eight recommendations to DOE to clarify its weatherization guidance and production targets. DOE generally concurred with the recommendations, has fully implemented two of them and taken some steps to address a third. For example, we recommended that DOE develop and clarify weatherization program guidance that considers and addresses how the weatherization program guidance is impacted by the introduction of increased amounts of multifamily units.

[22]GAO-10-604.

DOE has issued several guidance documents addressing multi-family buildings that, among other things, provide guidance on conducting energy audits on multi-family units. We also recommended that DOE develop and clarify weatherization program guidance that establishes best practices for how income eligibility should be determined and documented and that does not allow the self-certification of income by applicants to be the sole method of documenting income eligibility. In response to our recommendation, DOE issued guidance that clarified the definition of income and strengthened income eligibility requirements. For example, the guidance clarified that self-certification of income would only be allowed after all other avenues of documenting income eligibility are exhausted. Additionally, for individuals to self-certify income, a notarized statement indicating the lack of other proof of income is required. Finally, DOE agreed with our recommendation that it have a best practice guide for key internal controls, but DOE officials stated that there were sufficient documents in place to require internal controls, such as the grant terms and conditions and a training module, and that because the guidance is located in on the website, a best practice guide would be redundant. Therefore, DOE officials stated that they do not intend to fully implement our recommendation. Nonetheless, DOE distributed a memorandum dated May 13, 2011, to grantees reminding them of their responsibilities to ensure compliance with internal controls and the consequences of failing to do so. We will continue to monitor DOE's progress in implementing the remaining recommendations.

We expect to issue a report on the use of Recovery Act funds for the Weatherization Assistance Program and the extent to which program recipients are meeting Recovery Act and program goals, such as job creation and energy and cost savings, as well as the status of DOE's response to our May 2010 recommendations by early 2012.

Commerce

Of the over $1.4 billion Commerce received under the Recovery Act for science-related projects and activities, Commerce reported that it had obligated nearly all of it (98 percent) and spent $894 million (62 percent) as of September 30, 2011. Table 6 shows Recovery Act funding, obligations, and expenditures for Commerce.

Table 6: Recovery Act Funding, Obligations, and Expenditures (Cumulative) Reported by Commerce by Program Account as of September 30, 2011

(Dollars in millions)

Program	Funding	Obligations	Percentage obligated	Expenditures	Percentage expended
National Institute of Standards and Technology	**$612**	**$601**	**98%**	**$294**	**48%**
Scientific and Technical Research Services	252	241	95%	139	55%
Construction of Research Facilities	360	360	100%	155	43%
National Oceanic and Atmospheric Administration	**$830**	**$817**	**98%**	**$600**	**72%**
Operations, Research, and Facilities	231	231	100%	188	81%
Procurement, Acquisition, and Construction	599	586	98%	412	69%
Total	**$1,442**	**$1,418**	**98%**	**$894**	**62%**

Source: GAO analysis of Commerce data.

Note: Funding, obligations, and expenditures are rounded to the nearest million.

As part of our February 2010 report,[23] we found that some recipients of Recovery Act grants from Commerce's National Institute of Standards and Technology had to delay or recast certain scheduled engineering or construction-related activities to fully understand, assess, and comply with the Recovery Act reporting and other requirements. In contrast, Commerce's National Oceanic and Atmospheric Administration officials said federal requirements did not impact the processing of Recovery Act acquisitions.

[23]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).

NASA

Of the $1 billion NASA received under the Recovery Act for science-related projects and activities, NASA reported that it had obligated nearly $1 billion (100 percent) and spent $948 million (95 percent) as of September 30, 2011. Table 4 shows Recovery Act funding, obligations, and expenditures for NASA.

Table 4: Recovery Act Funding, Obligations, and Expenditures (Cumulative) Reported by NASA by Program Account as of September 30, 2011

(Dollars in millions)

Program	Funding	Obligations	Percentage obligated	Expenditures	Percentage expended
Science	$400	$400	100%	$390	97%
Aeronautics	150	150	100%	128	86%
Exploration	400	400	100%	380	95%
Cross Agency Support	50	50	100%	50	100%
Total	**$1,000**	**$1,000**	**100%**	**$948**	**95%**

Source: GAO analysis of NASA data

Notes: Funding, obligations, and expenditures are rounded to the nearest million.

In a March 2009 report,[24] we found that NASA large-scale projects had experienced significant cost and schedule growth, but the agency had undertaken an array of initiatives aimed at improving program management, cost estimating, and contractor oversight. However, we also noted that until these practices became integrated into NASA's culture, it was unclear whether funding would be well spent and whether the achievement of NASA's mission would be maximized. In our most recent update of that report, we found that, although cost and schedule growth remained an issue, Recovery Act funding enabled NASA to mitigate the impact of cost increases being experienced on some projects and to address problems being experienced by other projects.[25] In several cases, NASA took advantage of the funding to build additional knowledge about technology or design before key milestones.

[24]GAO, *NASA: Assessments of Selected Large-Scale Projects*, GAO-09-306SP (Washington, D.C.: Mar. 2, 2009).

[25]GAO-11-239SP.

In our July 2010 report,[26] we reviewed NASA's, as well as other agencies', use and oversight of noncompetitive contracts awarded under the Recovery Act. We found that most of the funds that NASA had obligated under Recovery Act contract actions, about 89 percent, were obligated on existing contracts. We found that officials at several agencies said the use of existing contracts allowed them to obligate funds quickly. Of the funds NASA obligated for new actions, over 79 percent were obligated on contracts that were competed. We also found that NASA undertook efforts to provide oversight and transparency of Recovery Act-funded activities. For example, NASA issued guidance to the procurement community on the implementation of the Recovery Act, prohibited the commingling of funds, and increased reporting to senior management.

NSF

Of the $3 billion it received under the Recovery Act for projects and activities, NSF reported that it had obligated nearly all of the $3 billion (almost 100 percent) and spent $1.4 billion (46 percent) as of September 30, 2011. Table 5 shows Recovery Act funding, obligations, and expenditures for NSF.

Table 5: Recovery Act Funding, Obligations, and Expenditures (Cumulative) Reported by NSF by Program Account as of September 30, 2011

Dollars in millions

Program	Funding	Obligations	Percentage obligated	Expenditures	Percentage expended
Research and Related Activities	$2,500	$2,500	100%	$1,225	49%
Education and Human Resources	100	100	100%	24	24%
Major Research Equipment and Facilities Construction	400	400	100%	129	32%
Total	**$3,000**	**$3,000**	**100%**	**$1,379**	**46%**

Source: GAO analysis of NSF data

Note: Funding, obligations, and expenditures are rounded to the nearest million.

[26]GAO, *Recovery Act: Contracting Approaches and Oversight Used by Selected Federal Agencies and States*, GAO-10-809 (Washington, D.C.: July 15, 2010).

In our October 2010 report,[27] we reviewed the effectiveness of new and expanded activities authorized by the America Creating Opportunities to Meaningfully Promote Excellence in Technology, Education, and Science Act of 2007 (America COMPETES Act).[28] The act authorized NSF's Science Master's Program, later funded by the Recovery Act.[29] This program, along with 24 new programs and 20 existing programs, was funded to increase federal investment in basic scientific research and science, technology, engineering, and mathematics (STEM) education in the United States. The Science Master's Program awarded 21 grants in fiscal year 2010, totaling $14.6 million. We found that evaluating the effectiveness of federal basic research and STEM education programs such as those authorized by the act can be inherently difficult. We also found that NSF was taking steps to evaluate the long-term effectiveness of their funded projects. As part of its broader initiative to pilot and review new approaches to the evaluation of its programs, NSF developed goals and metrics for activities in its education portfolio to reflect its increased expectations for evaluation of its funded projects.

Chairman Broun, Ranking Member Tonko, and Members of the Subcommittee, this completes my prepared statement. As noted, we are continuing to monitor agencies' use of Recovery Act funds and implementation of programs. I would be happy to respond to any questions you may have at this time.

Contact and Acknowledgments

For further information regarding this testimony, please contact me at (202) 512-3841. Tanya Doriss, Kim Gianopoulos, Carol Kolarik, Holly Sasso, Ben Shouse and Jeremy Williams made key contributions to this testimony.

[27]GAO, *America COMPETES Act: It Is Too Early to Evaluate Programs Long-Term Effectiveness, but Agencies Could Improve Reporting of High-Risk, High-Reward Research Priorities*, GAO-11-127R (Washington, D.C.: Oct. 7, 2010).

[28]Pub. L. No. 110-69, 121 Stat. 572 (Aug. 9, 2007).

[29]This program was authorized by section 7034 of the America COMPETES Act as the "Professional Science Master's Degree Program." In addition to changing the name of the program, while the program was originally authorized to be funded through NSF's research and related activities account, NSF funded the program through its education and human resource funding beginning in fiscal year 2010, according to information from NSF.

Related GAO Products

Recovery Act Education Programs: Funding Retained Teachers, but Education Could More Consistently Communicate Stabilization Monitoring Issues. GAO-11-804. Washington, D.C.: September 2011.

Recovery Act: Status of Department of Energy's Obligations and Spending. GAO-11-483T. Washington, D.C.: March 17, 2011.

Recovery Act: Energy Efficiency and Conservation Block Grant Recipients Face Challenges Meeting Legislative and Program Goals and Requirements. GAO-11-379. Washington, D.C.: April 2011.

NASA: Assessments of Selected Large-Scale Projects. GAO-11-239SP. Washington, D.C.: March 3, 2011.

Recovery Act: Opportunities to Improve Management and Strengthen Accountability over States' and Localities' Uses of Funds. GAO-10-999. Washington, D.C.: September 2010.

Recovery Act: Contracting Approaches and Oversight Used by Selected Federal Agencies and States. GAO-10-809. Washington, D.C.: July 15, 2010.

Recovery Act: Most DOE Cleanup Projects Appear to Be Meeting Cost and Schedule Targets, but Assessing Impact of Spending Remains a Challenge. GAO-10-784. Washington, D.C.: July 2010.

Department of Energy: Further Actions Are Needed to Improve DOE's Ability to Evaluate and Implement the Loan Guarantee Program. GAO-10-627. Washington, D.C.: July 2010.

Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability. GAO-10-604. Washington, D.C.: May 2010.

Recovery Act: Increasing the Public's Understanding of What Funds Are Being Spent on and What Outcomes Are Expected. GAO-10-581. Washington, D.C.: May 27, 2010.

Recovery Act: Factors Affecting the Department of Energy's Program Implementation. GAO-10-497T Washington, D.C.: March 4, 2010.

Recovery Act: Project Selection and Starts Are Influenced by Certain Federal Requirements and Other Factors. GAO-10-383. Washington, D.C.: February 10, 2010.

Recovery Act: GAO's Efforts to Work with the Accountability Community to Help Ensure Effective and Efficient Oversight. GAO-09-672T. Washington, D.C.: May 5, 2009.

American Recovery and Reinvestment Act: GAO's Role in Helping to Ensure Accountability and Transparency for Science Funding. GAO-09-515T. Washington, D.C.: March 19, 2009.

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Chairman BROUN. Thank you, Dr. Rusco.

Now, Mr. Wood, you are recognized for five minutes.

STATEMENT OF MR. MICHAEL WOOD,
EXECUTIVE DIRECTOR,
RECOVERY ACCOUNTABILITY AND TRANSPARENCY BOARD

Mr. WOOD. Mr. Chairman and Members of the Subcommittee, I want to thank you for the opportunity to appear before you today. As the Executive Director of the Recovery Accountability and Transparency Board, I will be speaking to you about our role in ensuring the transparency and accountability of the Recovery funds and also activities that are underway to extend lessons learned by the Recovery Board to all federal spending.

As you know, the Recovery Board was created in 2009 as a part of the Recovery Act. It is composed of Inspectors General, two of whom appear beside me today, Gregory Friedman and Todd Zinser. The primary mission of the Board is two-fold—first, to provide transparency for the funds that were expended; and second, to prevent or detect waste, fraud, and abuse for the Recovery money.

The Recovery Board achieves transparency of Recovery Act spending through reporting on the use of funds. Specifically, the Recovery Act requires recipients of Recovery funds to report on how they are using those funds and require agencies to report on spending as well. Every quarter, recipients of Recovery funds must report centrally into the Board's reporting Web site, FederalReporting.gov. In addition, on a weekly basis, agencies provide financial and activity reports, which include the amounts awarded and paid out.

Recovery.gov is a Web site that was developed to provide transparency for the spending that was occurring. It is an attractive, award-winning Web site. It has essentially a complex technological infrastructure, but it allows us to very quickly display quality-controlled data in unique ways to achieve unprecedented levels of transparency.

FederalReporting.gov and Recovery.gov allow a continuing quality-assurance process that involves the agencies, the Recovery Board, the Office of Management and Budget, and recipients. Innovative mapping on our Web site, Recovery.gov, allows us to display data with an unprecedented level of transparency, including the ability to search by ZIP codes so citizens can see what projects are occurring in their local community. You can also search by Congressional District to see what is happening in individual Congressional Districts.

In addition to ensuring the transparency of tax dollars, the Recovery Board also conducts and coordinates oversight of Recovery funds to prevent and detect fraud, waste, and mismanagement of those funds. The Recovery Board's accountability staff uses a suite of analytical tools in our Recovery Operations Center, or ROC, to find indicators of fraud among Recovery recipients and sub-recipients.

The Recovery Board's work in promoting transparency and accountability has garnered much positive attention. On June 13 of this year, both the Executive and Legislative branches took ex-

traordinary measures to extend the work of the Recovery Board to the rest of the Federal Government. The President issued an Executive Order calling for the creation of a new Government Accountability and Transparency Board, or GAT Board, which is tasked with "building on the lessons learned from the successful implementation of the Recovery Act" and working with the Recovery Board to apply those approaches developed by the Board across government spending.

And in Congress, Congressman Darrell Issa and Senator Mark Warner have both introduced legislation that, among other things, would create a new federal agency, the Federal Accountability and Spending Transparency Board—or FAST Board—to provide accountability and transparency for all contracts, grants, and loans funded with federal dollars. We look forward to working with these officials and other stakeholders to ensure that the work of the Recovery Board can serve as a template for tracking all government spending.

Even before the creation of the GAT Board and the pending legislation, the Recovery Board devoted time to enumerating our lessons learned and our experiences with transparency and accountability. One of the key lessons learned over the past two years has been "transparency drives accountability." The Board's accountability and transparency tools comprise two halves of the same fraud-detection operation, reinforcing and enhancing each other. Accountability works best when you have transparency; transparency works best when you have accountability.

A related lesson is that the interrelated transparency and accountability tools are so useful from both a program and an oversight perspective that agencies and the IG community should have equal access to both these pieces. While both pieces can clearly assist the investigatory and auditing functions of the IGs, the accountability and transparency data can also help agencies improve Agency functions and administration. Typically, when the goal of an initiative is fraud detection, IGs come to the table with a great deal of enthusiasm while agencies appear less motivated.

One valuable lesson we have learned is that when the common goal is fraud prevention, agencies and IGs are equally enthusiastic, and a remarkable collaborative effort takes place between the two. As a result of this lesson learned, the Recovery Board is piloting fraud prevention tools with agency personnel as well as with IGs. We believe this program, called FederalAccountability.gov, will assist agencies in performing their own risk evaluations for those seeking Recovery funds, just as it will help enforcement officials conduct reviews of Recovery funds in order to prevent and detect waste, fraud, and abuse.

Another lesson has been the tremendous inefficiencies caused by the government's lack of a uniform award ID. Currently, there is no requirement that awards be standardized across government, and we are working towards this goal.

Finally, rather than dismantle the Board's dual Web sites or systems established by the ROC, these three critical components can be combined into a "universal one-stop shop" applied more broadly across the whole spectrum of federal spending. Such a model is actually put forth by the DATA Act legislation.

Mr. Chairman, I will submit my full testimony for the record, and I would be happy to answer any questions you may have.

[The prepared statement of Mr. Wood follows:]

PREPARED STATEMENT OF MR. MICHAEL WOOD,
EXECUTIVE DIRECTOR,
RECOVERY ACCOUNTABILITY AND TRANSPARENCY BOARD

Mr. Chairman and Members of this Subcommittee, I want to thank you for the opportunity to appear before you today. As the Executive Director of the Recovery Accountability and Transparency Board (Board), I will be speaking to you today about the Board's role in ensuring the transparency and accountability of funds expended under the American Recovery and Reinvestment Act of 2009 (Recovery Act), with particular emphasis on the programs of heightened interest to this subcommittee. After my opening remarks, I will be glad to answer any questions you have for me.

As you know, the Recovery Board was created in February 2009 as a part of the Recovery Act. Congress established this Board of Inspectors General – two of whom appear beside me today, Gregory Friedman and Todd Zinser – to accomplish two missions. First, to establish and maintain a user-friendly website that would provide historic levels of transparency on how the Recovery funds were being spent. And, second, to prevent fraud, waste, and abuse of the money.

The Recovery Board achieves transparency of Recovery Act spending through reporting on the use of funds. Specifically, the Recovery Act requires recipients of Recovery funds to report on how they are using those funds and requires agencies to report on spending as well. Every quarter, recipients of Recovery funds must report centrally into the Board's reporting website – FederalReporting.gov. In addition, on a weekly basis, agencies provide a Financial and Activity Report, which includes amounts awarded and paid out to states, the types of awards

(contracts, grants, or loans), and agency activities and future plans. This information is then displayed on the public-facing website many of you are familiar with: Recovery.gov.

Recovery.gov is more than just an attractive, award-winning website. The beauty and simplicity of the site belie the complexity of the technological infrastructure that lies beneath. That infrastructure allows us to display quality-controlled data quickly, in uniquely arrayed ways, to achieve unprecedented levels of transparency. FederalReporting.gov and Recovery.gov allow a continuing quality-assurance process that involves the agencies, the Recovery Board, the Office of Management and Budget, and recipients. And our innovative use of geospatial maps allows Recovery.gov to display all of this data with an unprecedented level of transparency. One of its most well-known mapping features allows users to drill down into their own zip codes to find Recovery awards. Also, by comparing a variety of maps offered on the website, users can see where federal funds are disbursed and decide for themselves whether the funds are going where the need is greatest. For aesthetics, usability, and pure data, Recovery.gov has raised the standard for transparency across the federal government.

According to the most recent recipient data posted on Recovery.gov, which encompasses the quarter that ended September 30th, nearly $278 billion has been disbursed in the form of contracts, grants, and loans. With regard to some of the science-, space-, and technology-focused agencies:

- The Department of Energy (DOE) recipients have to date received more than $21 billion.
- The Department of Commerce (Commerce) recipients have received about $1.7 billion.

- The Environmental Protection Agency (EPA) recipients have received $6.2 billion.
- The National Science Foundation (NSF) recipients have received about $1.5 billion.
- The National Aeronautics and Space Administration (NASA) recipients have received about $1 billion.

Among the science programs with the highest current payouts are the DOE's "Energy Efficiency and Renewable Energy," "Defense Environmental Clean-up," and "Title 17 Innovative Technology Direct Loan Financing" programs; EPA's "State and Tribal Assistance Grants" program; and Commerce's "NTIA-Broadband Technology Opportunities Program."

The Recovery Board's website makes an effort to portray such spending information in a way that is readable and informative for users. For instance, Recovery.gov recently highlighted that the National Institutes of Health had designated $8.2 billion of Recovery funding to support a variety of medical research projects, and we created a map showing where these grants have been awarded across the country.

In addition to ensuring the transparency of taxpayer dollars, the Recovery Board also conducts and coordinates oversight of Recovery funds to prevent and detect fraud, waste, and mismanagement of those funds. The Recovery Board's accountability staff uses a suite of analytical tools in our Recovery Operations Center (ROC) to find indicators of fraud among Recovery recipients and subrecipients. Since our inception in February 2009, we have provided more than 70 leads to the Offices of Inspectors General at DOE, Commerce, EPA, NSF, and NASA, combined. While we cannot provide much detail on these matters as the investigations are still ongoing at their respective Offices of Inspectors General, representative examples would

be the discovery that a recipient's CEO was on the Excluded Parties List, and the finding that another recipient falsely certified it had not recently been convicted of a crime in order to receive multiple Recovery contracts.

The Recovery Board's work in the transparency and accountability realms has garnered much positive attention in the past couple of years. Most recently, on June 13th, 2011, both the Executive and Legislative branches took extraordinary measures to extend the work of the Recovery Board to the rest of the federal government. The President issued an Executive Order calling for the creation of a new Government Accountability and Transparency Board (GAT Board), which is tasked with "building on the lessons learned from the successful implementation of the Recovery Act" and working with the Recovery Board "to apply the approaches developed by the [Board] across Government spending." And in Congress, Congressman Darrell Issa and Senator Mark Warner have both introduced legislation that, among other things, would create a new federal agency, the Federal Accountability and Spending Transparency Board – or FAST Board – to provide accountability and transparency for all contracts, grants, and loans funded with federal dollars. We look forward to working with all of these officials and other stakeholders to ensure that the work of the Recovery Board can serve as a template for tracking all government spending.

Even before the creation of the GAT Board and the pending legislation, the Recovery Board devoted time to enumerating our lessons learned and our experiences and experiments with transparency and accountability. One of the key lessons learned over the past two years has been that transparency drives accountability. The Board's accountability and transparency tools comprise two halves of the same fraud-detection operation, reinforcing and enhancing each other.

A related lesson is that the interrelated transparency and accountability tools are so useful both from a program and an oversight perspective that agencies and the IG community should have equal access to both pieces. While both pieces can clearly assist the investigatory and auditing functions of the IGs, the accountability *and* transparency data can also help agencies improve agency functions and administration. Typically, when the goal of an initiative is fraud detection, IGs come to the table with a great deal of enthusiasm while agencies appear less motivated. One valuable lesson we have learned is that when the common goal is fraud *prevention*, agencies and IGs are equally enthusiastic, and a remarkable collaborative effort takes place between the two. As a result of this lesson learned, the Recovery Board is piloting fraud-prevention tools with agency program personnel as well as OIGs. We believe this program, called FederalAccountability.gov, will assist agencies in performing their own risk evaluations of those seeking Recovery Act funds, just as it will help enforcement officials conduct reviews of Recovery Act funds in order to prevent and detect fraud, waste, and abuse.

One eye-opening lesson has been the tremendous inefficiencies caused by the government's lack of a uniform award ID number for contracts, grants, loans, and other forms of financial assistance. Currently, there is no requirement that award IDs be standardized across the government. As a result, agencies and even subunits of agencies use inconsistent award-numbering systems. These countless award-numbering schemes make the task of reviewing and auditing spending data unnecessarily arduous. We believe the government simply must move toward implementing a single alphanumeric award ID number for all contracts, grants, and loans. If a single agency were selected to serve as a central distributor of award ID numbers across the entire government, the resulting data uniformity and consistency would assist the dual goals of accountability and transparency of federal spending.

Finally, rather than dismantle the Board's dual websites or the systems established in the ROC, these three critical components can be combined into a "universal one-stop shop" and applied broadly over the whole spectrum of federal spending data collection, display, and analysis. Such a model is actually put forth by the DATA Act legislation. One website would serve as an inbound data collection site – FederalReporting.gov could continue to serve in this capacity. Another website – say, FederalTransparency.gov – would serve as the public-facing site for the display of any of the data collected through FederalReporting.gov. Finally, FederalAccountability.gov, the new website I mentioned, could serve as a portal through which agencies and oversight personnel could access the accountability tools currently housed in the ROC. All of the existing disparate government data collection sites – as well as any future financial data collection activities – could be rolled up into one effective and economical solution. With the assistance of proven cloud-computing technology already in use by the Recovery Board, this technical solution could reduce duplicative infrastructure investments governmentwide, shrink the federal information-system footprint, and promote data centralization. In an era of rooting out redundancies and inefficiencies, this condensing of systems could create an enormous savings to the U.S. Government and American taxpayers.

The Recovery Board is scheduled to sunset in September of 2013, less than two years from now. Since 2009, we have shined the light on spending data in a way that had never been done before. Transparency leads to public engagement, which in turn enhances the government's effectiveness and improve the quality of its decisions. Taxpayers have every right to know where and how their hard-earned dollars are being spent, and government officials must be held accountable.

Mr. Chairman, that concludes my prepared testimony. I thank you for this opportunity, and I will be happy to answer any questions you or other Members of the Subcommittee might have.

Chairman BROUN. Thank you, Mr. Wood.

Mr. Friedman, you are recognized for five minutes.

STATEMENT OF HON. GREGORY FRIEDMAN, INSPECTOR GENERAL, U.S. DEPARTMENT OF ENERGY

Mr. FRIEDMAN. Thank you, Mr. Chairman. And to you and Members of the Subcommittee, I appreciate the opportunity to testify today in response to your request on the work of the Office of Inspector General concerning the Department of Energy's activities under the American Recovery and Reinvestment Act.

Not to be outdone by at least two of my colleagues, I should point out in response to your earlier question that my attorney is here with me today, but I do not expect to have him testify unless I collapse in place. But I do want to clarify in my response to your earlier question.

Chairman BROUN. The record will reflect that. Thank you.

Mr. FRIEDMAN. Thank you.

As you know, the intent of the Recovery Act was to quickly stimulate the economy, create jobs, and transform the Department's mission while fostering an unprecedented level of accountability and transparency. The Department received over $35 billion in Recovery Act funding for various initiatives, eclipsing its normal annual budget of approximately $26 billion.

The Department's implementation of the Recovery Act has been a priority for my office. I have testified on several occasions as to the Department's progress, including before this Subcommittee in March of 2009. Most recently, on November 2, 2011, I testified before the House Committee on Oversight and Government Reform's Subcommittee on Regulatory Affairs, Stimulus Oversight and Government Spending. Since enactment, my office has issued 70 reports covering all major program activities, initiated a number of Recovery Act-related criminal investigations, and conducted 300 fraud awareness briefings for nearly 16,000 federal contracts, State, and other officials.

As I have previously testified, while there has been significant progress, the Department's efforts to use Recovery Act funds to stimulate the economy has been more challenging than many had originally envisioned. We found the Department's programs required extensive advanced planning, organizational enhancements, and additional staffing and training at federal, State, and local levels.

A fairly consistent pattern of delays existed in the pace at which funds have been spent by grantees and other recipients. According to the Department's records, as of November 18 of 2011, about 43 percent of its Recovery Act funds had not been spent, largely by recipients such as State and local governments.

In addition, our reviews have identified performance issues that affected the Department's ability to meet its Recovery Act goals. Specific examples are provided in my full testimony.

In contrast, we found that the Department's Office of Science and its laboratory system generally complied with Recovery Act requirements, expended funds in a timely manner, and employed sound

project management practices. The Office of Science received approximately $1.6 billion in Recovery Act funds, most of which were used to accelerate ongoing work by purchasing equipment and completing construction projects which had already begun.

The Recovery Act established challenging goals. There was what we considered to be an intense effort to implement and execute the various aspects of the Department's responsibilities. These efforts notwithstanding, we had a number of observations about the Department's implementation and execution of the Recovery Act. These observations, which I have described in prior testimony, are:

- First, the pressure of achieving expeditious program implementation and execution placed an enormous strain on the Department's personnel and infrastructure.
- Second, dealing with a diverse and complex set of departmental stakeholders complicated Recovery Act startup and administration.
- Third, in general, the concept of shovel-ready projects was not realized.
- Fourth, federal, State, and local government infrastructures were, simply put, overwhelmed. In several States, the very personnel who were charged with implementing the Recovery Act's provisions had been furloughed due to local economic conditions.
- Fifth, the pace of actual expenditures was significantly slowed because of the time needed to understand and address specific requirements of the Recovery Act.
- Sixth, recipients expressed their concern with what they perceived to be or they described to us as overly complex and burdensome reporting requirements.

In summary, a combination of massive funding, high expectations, and inadequate infrastructure resulted at times in less-than-optimal performance. Given the significant amount of Recovery Act funds that remain to be spent, we have reviews planned in a number of high-risk areas. Additionally, we have identified a series of cost-reduction and efficiency-enhancement actions for consideration by Department management. These are provided in our recently issued report on "Management Challenges at the Department of Energy."

Finally, we are drafting a summary report to highlight other lessons learned and best practices related to the Recovery Act in the areas of risk management, financial management, accounting and reporting, human capital management, regulatory compliance, and delivery of public services.

Mr. Chairman, this concludes my statement and I look forward to your questions and those of the Subcommittee.

[The prepared statement of Mr. Friedman follows:]

PREPARED STATEMENT OF HON. GREGORY FRIEDMAN,
INSPECTOR GENERAL,
U.S. DEPARTMENT OF ENERGY

Statement of Gregory H. Friedman

Inspector General

U.S. Department of Energy

Before the

Subcommittee on Investigations and Oversight

Committee on Science, Space, and Technology

U.S. House of Representatives

FOR RELEASE ON DELIVERY
10:00 AM
November 30, 2011

Mr. Chairman and Members of the Subcommittee:

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

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

Recovery Act Funding

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

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

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

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

Overall Observations

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

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

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

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

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

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

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

Recovery Act Investigations

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

Recovery Act Implementation and Performance Observations

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

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

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

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

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

Path Forward

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

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

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

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

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Attachment

Department of Energy Office of Inspector General
Recovery Act Reports

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

Attachment

Department of Energy Office of Inspector General
Recovery Act Reports

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

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

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

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

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

Chairman BROUN. Thank you, Mr. Friedman.

I now recognize Mr. Zinser for five minutes.

STATEMENT OF HON. TODD ZINSER,
INSPECTOR GENERAL,
U.S. DEPARTMENT OF COMMERCE

Mr. ZINSER. Thank you, Chairman Broun, Ranking Member Tonko, Members of the Subcommittee. Thank you for the opportunity to testify today about our oversight of the Department of Commerce's Science, Technology, and other programs funded through the Recovery Act.

I would like to summarize my testimony by updating the Subcommittee on the status of Commerce's spending of Recovery Act funds and informing the Subcommittee of the most significant challenges remaining for Commerce with respect to the Recovery Act. The Act appropriated $7.9 billion to five Commerce agencies in the OIG. As a result of approximately $1.1 billion in rescissions and transfers, that amount was reduced to $6.8 billion, almost all of which has been obligated. Approximately $2.9 billion, or 40 percent of those obligations, has been spent. The 2010 decennial census and the coupon program that NTIA administered as part of the Nation's transition to digital TV accounts for $1.3 billion spent so far.

In all, the Department awarded 467 grants and issued 433 contracts under the Recovery Act. As of September 30, 2011, nearly $4 billion for Recovery Act programs and operations at Commerce agencies had not yet been dispersed—including $2.8 billion for infrastructure grants under NTIA's Broadband Technology Opportunities Program, or BTOP; $300 million for NIST construction of research facilities and their Science and Technical Research Programs; and $125 million for NOAA procurement, acquisition, and construction projects.

By far, BTOP remains the most significant Recovery Act challenge for Commerce. Aside from BTOP, however, the greatest challenge lies in completing other projects on time. Given the constrained budget environment, increased cost or loss of Recovery Act funding caused by schedule delays could put projects and the operations they support at serious risk. For example, our testimony discusses projects that NOAA itself identified as experiencing schedule challenges—including the construction of the NOAA ship *Reuben Lasker*, an $87 million project which has experienced significant delays and difficulties meeting performance requirements; and the construction of the La Jolla Southwest Science Center in California, an $85 million project which has also experienced delays (the responsibility for which is currently a matter of dispute between the government and the contractor).

We are currently auditing the $179 million NIST Recovery Act program which awarded 16 construction grants, primarily for university research facilities, and believe there are four projects that are at some risk of not being completed by the new September 2013 deadline recently set by OMB.

Finally, Mr. Chairman, based on our ongoing oversight and close interaction with the Department and its bureaus, we have seen improved oversight procedures and processes as well as evidence that

the Department is being diligent about its responsibilities under the Recovery Act. As demonstrated by our July 2011 findings concerning recipient reporting, the Recovery Act has resulted in more diligent oversight by program offices and greater executive-level involvement than we have seen in the past. In our view, the emphasis on transparency and accountability has been a significant benefit of the Recovery Act.

Going forward, a challenge will be to institutionalize that emphasis on transparency and accountability for all spending carried out by the Department of Commerce, and we look forward to working with the Department in doing so.

This concludes my statement, Mr. Chairman. I would be happy to respond to any questions.

[The prepared statement of Mr. Zinser follows:]

PREPARED STATEMENT OF HON. TODD ZINSER,
INSPECTOR GENERAL,
U.S. DEPARTMENT OF COMMERCE

Subcommittee on Investigations and Oversight

Committee on Science, Space, and Technology

U.S. House of Representatives

Wednesday, November 30, 2011

Stimulus Oversight: An Update on Accountability, Transparency, and Performance

Chairman Brown, Ranking Member Tonko, and Members of the Subcommittee:

I appreciate the opportunity to testify today about our oversight of the Department of Commerce's implementation of the science, technology, and other programs funded through the American Recovery and Reinvestment Act of 2009. The Recovery Act demands of its recipient federal agencies unprecedented accountability and transparency—related to both their spending decisions and the impact of funded activities—particularly as they contribute to the administration's goals of creating jobs and strengthening the economy.

The Recovery Act established a central role for Offices of Inspector General in monitoring their agency's use of funds in efforts to prevent fraud, waste, and abuse. My testimony today will focus on our oversight of the $7.9 billion of Recovery Act funding that the Department of Commerce received, including:

- challenges and risks the Department of Commerce has encountered in spending these funds,
- a summary of the Department of Commerce OIG's Recovery Act oversight activities, and
- lessons learned from our oversight of Recovery Act spending.

Slower Spending Has Challenged Agencies' Science, Technology, and Business Development Initiatives Aimed at Job Creation

Of the $7.9 billion in Recovery Act funds the Department of Commerce received (see table 1), $1.1 billion was ultimately rescinded or transferred to other agencies. Bureaus receiving funding include the Census Bureau, Economic Development Administration (EDA), National Institute of Standards and Technology (NIST), National Oceanic and Atmospheric Administration (NOAA), and the National Telecommunications and Information Administration (NTIA). Additionally, OIG received Recovery Act funds for oversight purposes.

Table 1. Department of Commerce Recovery Act Funding

Agency	Amount FUNDED (in millions)	Amount RESCINDED or TRANSFERRED[a] (in millions)
NTIA	$5,300	$737
Census	$1,000	
NOAA	$830	$350
NIST	$610	
EDA	$150	
OIG	$ 16	
Total	***$7,906***	***$1,087***

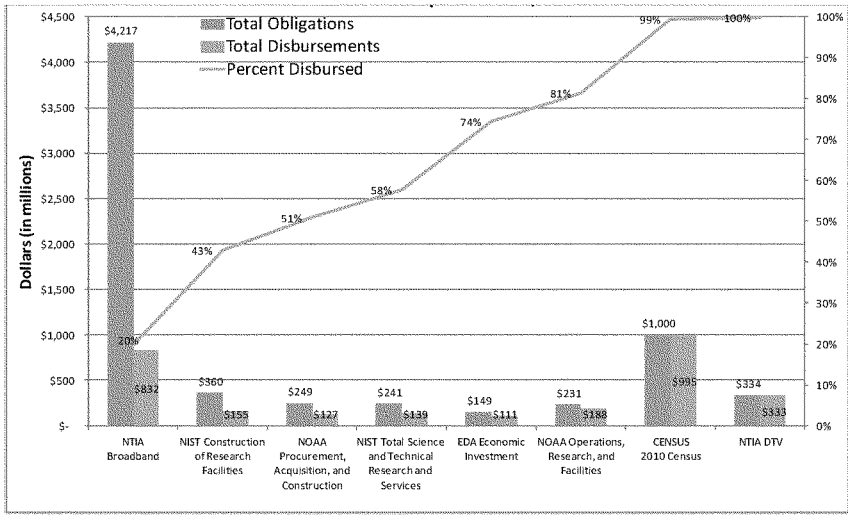
Source: OIG

Shaded: agencies with science or science-related funding

[a] Digital TV Transition and Public Safety program (DTV) rescissions totaled $240 million; the Broadband Technology Opportunities Program (BTOP) rescission was $302 million. Transfers to other agencies include NOAA ($350 million) and NTIA ($195 million) transfers. Of the $545 million total in transfers, $18 million was returned to NOAA in unspent funds.

As of September 30, 2011, the Department had obligated almost all of the remaining $6.8 billion of Recovery Act funds and disbursed approximately $2.9 billion (see figure 1):

Figure 1. Commerce Agencies' Recovery Act Obligations and Disbursements as of September 30, 2011



Source: Data from Department of Commerce weekly spending reports; chart created by OIG

Obligations for NOAA procurement, acquisition, and construction (PAC)—as well as NOAA operations, research, and facilities (ORF)—total $480 million. The remaining $350 million was transferred to other federal agencies for completions of specific Recovery Act projects. The two largest of these projects was $140 million transferred to the Naval Facilities Engineering Command for construction of the Pacific Regional Center in Hawaii and $73 million transferred to the Department of Energy for assistance in high performance computing services provided by Oak Ridge National laboratories.

Two agencies in our Department (NOAA and NIST) received $1.4 billion for purposes that OIG categorizes as science or science-related.

NOAA has directed its Recovery Act funds toward activities intended to promote and enhance its broad marine and environmental stewardship mandates:

- ***$430 million*** **for construction and repair of NOAA facilities, ships, and equipment; improvements in weather forecasting; and development of satellite sensors**. NOAA consolidated laboratories and facilities are under construction in La Jolla, California, and Honolulu, Hawaii. The NOAA satellite tracking station at Fairbanks, Alaska, has been completed. The NOAA Ship Reuben Lasker (FSV6) is under construction and two climate monitoring instruments are under development for the Joint Polar Satellite System program.

- ***$230 million*** **for habitat restoration, navigation projects, and vessel maintenance** have made significant progress towards completion.

- ***$170 million*** **for climate modeling activities and climate research, including procurement of supercomputers** that have been installed.

NIST has used its Recovery Act funds to expand its technical research capacity:

- ***$360 million*** **to construct research facilities**, including $180 million in competitive grants to universities for the construction of research science buildings; and

- ***$220 million*** **in scientific and technical research, equipment, and services**.

In addition, NIST has received an additional $20 million from the Department of Health and Human Services to accelerate efforts to develop and deploy health records and a nationwide health care information technology testing infrastructure—as well as $10 million[1] from the Department of Energy to develop a comprehensive framework for a nationwide, fully interoperable "smart grid" for the U.S. electric power system.

The remaining $5.4 billion was spread across NTIA, Census, and EDA for the expansion of broadband services, 2010 decennial census operations, and public works projects respectively.

To meet Recovery Act goals for unprecedented transparency and accountability (stated in section 1512), recipients of Recovery Act grant and contract funds are required to submit quarterly reports containing detailed information on projects, activities funded by the Act, and their impact on jobs creation. It also directs agencies to review this information before it is posted to a public website (www.Recovery.gov). For the quarter ending September 30, 2011, the Department's recipient reporting data includes:

- 437 ongoing grants required to provide quarterly reports, representing almost $4.7 billion of obligated funds, and 35 fully completed grants totaling $58 million (about 1 percent of the total value of grants awarded);

- 196 ongoing contracts required to submit quarterly reports, representing almost $539 million, and 283 fully completed contracts totaling approximately $338 million (about 40 percent of the total value of contracts awarded); and

- 4,748 jobs created or retained[2] from grants and 687 from contracts.

In our July 29, 2011, audit report *Commerce Has Procedures in Place for Recovery Act Recipient Reporting but Improvement Should Be Made,* we found that the Department has implemented effective internal controls over its Recovery Act recipient reporting and, as a result, had an overall very low error rate. However, this success arose as the result of the Department's grants and contracts personnel performing many manual procedures to compensate for grant and contract system inadequacies. We made recommendations on several areas in which the

[1] After February 2009, the Department of Energy added another $2 million to the $10 million it sent to the NIST Scientific and Technical Research Services account to help develop a comprehensive framework for a nationwide, fully interoperable "smart grid" for the U.S. electric power system.

[2] "Jobs created or retained" calculations derive from jobs funded in that quarter by the Recovery Act. Agencies report jobs created or retained quarterly and are not cumulative.

Department could reduce its reliance on manual effort, increase the efficiency of its reporting, and improve data quality. For example, its systems could be updated to make data fields consistent with recipients' quarterly reports. Also, implementing a single Department-wide management system to replace the three current systems would further streamline processes and increase accuracy.

Newer Programs Experienced Slower Disbursements Than Existing Ones

As detailed in figure 1, the disbursement rate of what OIG considers science, science-related, and technology funds ranges from a low of 20 percent to a high of 81 percent. Agencies have faced challenges—first in obligating and now in spending the funds—with certain programs.

The slower-developing disbursements resulted from:

- establishing new programs, like NTIA's $4.7 billion Broadband Technology Opportunities Program (BTOP), the largest of the new programs;
- building facilities that required environmental assessments before construction could even start; and
- the lengthy process of soliciting and evaluating proposals for competitive grant and contract awards.

Funding that supplemented existing programs, such as the 2010 decennial census and NTIA's digital-to- analog TV coupon program, experienced much quicker disbursements. With new programs established, awards made, and many environmental assessments completed, spending should now accelerate.

The Department Faces Risks of Not Completing Recovery Act Projects on Time

Other challenges remain to completing projects on time. Recovery Act spending in general—and, thus, the Department's Recovery Act-funded science and science-related programs—relies heavily on grantees and contractors completing these projects. Effective oversight by the Department and its agencies is necessary to make sure projects are completed and the science-related benefits sought for both the public and government use are realized.

An additional challenge is the September 15, 2011, OMB guidance to accelerate spending for Recovery Act grants. In light of the current economic situation and the need to maximize economic stimulus, OMB stated that it is critical that agencies spend remaining grant funds as quickly and efficiently as possible. To that end, OMB directed agencies to accelerate the spending of Recovery Act grant funds, consistent with existing laws and regulations and program objectives—if these funds remain unspent by September 30, 2013, agencies will reclaim them to the extent permitted by law. This new OMB policy aims to compress the period of availability for the bulk of remaining grant funds into the next 2 years. OMB has provided a way for federal agencies to request waivers from the September 30, 2013, deadline. However, agencies should request such waivers sparingly.

The Department's agencies and programs facing construction-related challenges with the new OMB guidance on accelerating Recovery Act grant spending include:

- $3.4 billion in 121 NTIA BTOP comprehensive community infrastructure grants,
- $180 million in 16 NIST competitive construction grants,
- $170 million in 50 NOAA habitat restoration grants, and
- $150 million in 67 EDA economic adjustment assistance grants.

Each of these agencies fund some construction-related grants currently scheduled for completion after the September 30, 2013 deadline—or have projects that will likely require extensions beyond September 30, 2013, based on their current rate of project completion. Agencies are working with their recipients to accelerate project completion when possible.

Based on our review of agencies' progress reports, there are still some projects lagging behind schedule (as reported by NOAA). For example:

- The building of the NOAA ship Reuben Lasker (an $87 million project using $80 million in Recovery Act funds) has experienced significant construction delays that will prevent the transit of the ship to the Atlantic Ocean prior to the winter closure of the St. Lawrence Seaway. In addition to the construction delays, the ship has had difficulty meeting the acoustic quieting performance requirements of the contract.
- The La Jolla Southwest Science Center in California (an $85 million project using $79 million in Recovery Act funds) is currently 90 days behind schedule—and the government is currently in dispute with the contractor as to whether the fault of the delay lies with the contractor or the government. If it is found that the government is at fault, the cost of project completion will also increase.
- The High Performance Computer Center (with research occurring at Oak Ridge National Laboratory, Tennessee, and development in Fairmont, West Virginia) had a 2-month construction delay attributable to Fairmont facility renovation. Concurrently, there was also a delay in the delivery of computer chips to the Oak Ridge Laboratory. The High Performance Computer Center's total cost is $170 million.

Along with NOAA, our office will continue to monitor these projects through their completion.

In our ongoing work on NIST construction grants, we focus on the low completion rates of several projects, which risk meeting federally mandated deadlines. During our field work, we found that at least 4 of the 16 projects scheduled for completion by September 30, 2013—according to grant award documents—will probably not meet this completion date based on the estimated number of construction days required to complete the project. NIST's construction grants program is relatively new (prior to the Recovery Act, it had awarded only three grants) and has experienced many new-program setup challenges.

Summary of OIG Recovery Act Oversight

In our March 2, 2009, *Initial Oversight Plan for the American Recovery and Reinvestment Act of 2009* we outlined the key elements of our oversight framework:

- dedicated Recovery Act staffing;
- targeted risk-based audit and investigative planning and expedited reporting;
- participation (in an advisory capacity) in Department steering committee and working groups; and
- training for potential applicants, awardees, contractors, and Department personnel on internal controls, compliance, and fraud awareness.

Our audit plan targeted the highest-risk programs and activities with more oversight. To implement this plan, our oversight has included tracking of program progress and reporting, performing training and outreach, and conducting specific reviews. As BTOP represents the Department's largest amount of Recovery Act funds and the riskiest of the projects, we have placed much of our focus on this program.

Since the passage of the Recovery Act, we have:

- ***issued 15 audits and evaluations*** providing recommendations to improve program operations in the areas of operational efficiency, compliance with Recovery Act requirements and OMB guidelines, and internal controls for monitoring project progress (see appendix A); and
- ***performed over 100 separate training and fraud prevention sessions*** for about 5,500 program officials and potential grant recipients—on topics such as fraud awareness, lessons learned for first-time award recipients, and the importance of monitoring subrecipients of grant funds (see appendix B).

We have received and processed numerous complaints—and, for some, we have opened investigations. For instance: based on a referral from the Recovery Accountability and Transparency Board, we investigated a company that was awarded numerous federal contracts, including several NIST contracts funded by the Recovery Act. The firm had pled guilty in March 2008 to a criminal charge involving export regulations. Our subsequent investigation found that company personnel inaccurately certified to federal contracting offices that the firm had not been convicted of a crime or had a civil judgment against it within 3 years preceding the certification. During the period covered by these certifications, the company obtained 276 contracts from 16 agencies—totaling nearly $20 million. Based on our findings, the company was initially suspended from future contracting and recently entered into a corporate compliance agreement as an alternative to debarment.

Currently we are performing reviews of NIST's oversight of Recovery Act construction grants, BTOP grantees' $1.4 billion matching share (that portion of project costs not borne by the federal government), and NTIA's monitoring of the Booz Allen Hamilton contract for support

of the BTOP program. (The total contract value was $99 million, of which $75 million will be exercised). We are also reviewing complaints against a BTOP award that benefits the San Francisco Bay Area. Finally, we monitor each quarter the recipient reporting results and the progress of the projects that represent higher risk for completion or meeting program goals. For FY 2012, we plan to initiate a review of available Recovery Act funds in interagency agreements and memorandums of understanding involving NOAA and NTIA. Other planned FY 2012 reviews include the monitoring of BTOP subrecipients, acquisition of BTOP project equipment, and sustainability for BTOP-funded projects.

Lessons Learned Include the Value of Up-Front Planning and Timely Data Analysis by Agencies

Agency practices for administering Recovery Act funds that have added significant value include:

- Anticipating internal control issues and addressing recurring audit findings from similar grant programs;
- Setting up adequate program policies, procedures, and staffing before soliciting and awarding grants and contracts (to avoid problems in completing complex construction and technology projects); and
- Close monitoring of grant and contract activities—including spending and performance outcomes—to ensure program goals are met.

We raised early concerns about balancing the timeliness of making awards while ensuring compliance with program requirements and legislative intent in our May 8, 2009 *Commerce Experience with Past Relief and Recovery Initiatives Provides Best Practices and Lessons Learned on How to Balance Expedience with Accountability*. In that report, we noted how adequately staffed quality control and quality-assurance programs within agencies are essential to the efficient and effective use of taxpayer dollars. Also, the 2005 *Guide to Opportunities for Improving Grant Accountability* issued by the Domestic Working Group Grant Accountability Project (sponsored by the Comptroller General of the United States, with participation by federal, state, and local audit organizations) states "[o]rganizations that award . . . grants need good internal control systems to ensure that funds are properly used and achieve intended results."

Our early Recovery Act reports emphasized the importance of addressing recurring audit findings from similar grant programs and setting up program policies and procedures.

- In March 2009, we reported that NTIA should apply lessons learned from the Public Safety Interoperable Communications Program to ensure sound management and timely execution of the $4.7 billion BTOP. Specifically, we cited the need to (1) evaluate and approve detailed project proposals and spend plans with peer reviews before making grant awards, (2) complete environmental assessments expeditiously, so as not to hinder grantees from completing their projects within mandated time frames, and (3) work with OMB to ensure adequate resources to manage the program operations beyond FY 2010.

- In October 2009, our report on NIST and NOAA grants recommended that NOAA review prior audit reports and take actions to mitigate risks of making an award to an entity with known performance problems. We also recommended that the Department update how individual background screening was conducted to assure that grant awards were made to recipients that were responsible, competently managed, and committed to achieving award objectives.

- In May 2010, our report on monitoring Recovery Act program performance recommended that NIST and NOAA establish performance metrics to measure outcomes. Specifically, we recommended that performance metrics for their more significant Recovery Act programs should focus on intermediate outcomes that assess the programs' benefits. For example, performance metrics should track whether a program has improved the body of knowledge in a particular field, disseminated newly developed tools and models, supported research or technology innovation, or made advances in science and technology for the public's benefit.

- In November 2010, we reported our concern that a lack of oversight funding (and its impact on NTIA's oversight of the awards) substantially increases the risk of delay in grants projects—and jeopardizes the agency's ability to guard against waste, fraud, and abuse. We (1) encouraged NTIA to work with OMB and Congress to ensure adequate resources to administer the program and (2) recommended that they develop alternative approaches to monitoring and oversight based on different funding levels.

More than two and a half years after passage of the Recovery Act, the twin challenges of setting up new programs and the long lead time to complete construction projects has resulted in much of the Department's spending being incomplete. NTIA's BTOP provides an example of the challenges encountered with setting up a new program. BTOP has had to confront a number of challenges, including staffing a program office, implementing new systems, developing grant program rules and regulation, coordinating development of activities with other departments and agencies (such as the Department of Agriculture and Federal Communications Commission), awarding grants, and performing effective oversight activities.

Oversight of BTOP is complicated because (1) the awards went to a diverse group of recipients that included public entities, nonprofit organizations, tribal entities, and for-profit corporations with varying levels of experience in administering federal awards, and (2) NTIA must require the projects be completed within 3 years of grant award issuance. Timely completion of infrastructure projects (e.g., laying new fiber optic cables or upgrading wireless towers) poses a particular challenge as most of these require site preparation, construction, or ground disturbing activity. For example: of approximately 230 total awards, 118 made as of September 30, 2010 (representing nearly $3.2 billion in BTOP awards), required completed environmental assessments before permitting significant project progress such as construction. Many of the environmental assessments have taken longer than the 6 months planned. As of September 30,

2011, 12 award recipients still had outstanding environmental assessments or special award conditions,[3] totaling approximately $500 million in federal funds.

Some of the Department's science-related Recovery Act-funded projects have faced spending challenges. Because of (1) the complex nature of many of these science and science-related projects, (2) delays that some projects have encountered, and (3) OMB guidelines that necessitate funds be spent by September 30, 2013, the Recovery Act requires close monitoring of these projects by the agencies and continued oversight by our office. Despite the slower pace at which science and science-related spending has occurred, the Department's Recovery Act-funded programs represent a promising mix of new programs and continued vital support of projects that advance the United States' role as a world leader in science and technology.

Mr. Chairman and members of the subcommittee, this concludes my statement and I would be happy to answer questions at this time.

[3] As of November 7, 2011, NTIA reported that 10 award recipients still had outstanding environmental assessments or special award conditions totaling approximately $445 million.

APPENDIX A

Department of Commerce OIG Recovery Act-Related Reports, Testimony, Works in Progress, and Audits Planned

Recovery Act-Related Reports

- NTIA Has an Established Foundation to Oversee BTOP Awards, But Better Execution of Monitoring is Needed: OIG-012- 013-A, (November 2011)
- Commerce Has Procedures in Place for Recovery Act Recipient Reporting, but Improvements Should Be Made: OIG-11-031-A (July 2011)
- Review of BTOP Award for the San Francisco Bay Area Wireless Enhanced Broadband (BayWEB) Project: OIG-11-024-A (May 2011)
- 2010 Census: Cooperation Between Partnership Staff and Local Census Office Managers Challenged by Communication and Coordination Problems: OIG-11-023-I (April 2011)
- Commerce Needs to Strengthen its Improper Payment Practices and Reporting: OIG-11-021-A (March 2011)
- Broadband Program Faces Uncertain Funding, and NTIA Needs to Strengthen its Post-Award Operations: OIG-11-005-A (November 2010)
- Review of Recovery Act Contracts and Grants Workforce Staffing and Qualifications at Department of Commerce: ARR-19900 (September 2010)
- NIST & NOAA Monitor Their Recovery Act Programs, but Performance Metrics Need to Measure Outcomes: ARR-19881 (May 2010)
- NTIA Must Continue to Improve its Program Management and Pre-Award Process for its Broadband Grants Program: ARR-19842-1 (April 2010)
- Review of Contracts and Grants Workforce Staffing and Qualifications in Agencies Overseeing Recovery Act Funds (March 2010)
- More Automated Processing by Commerce Bureaus Would Improve Recovery Act Reporting: ARR-19779 (December 2009)
- Commerce Has Implemented Operations to Promote Accurate Recipient Reporting, but Improvements Are Needed: ARR-19847 (October 2009)
- Improvements Recommended for Commerce Pre-Award Guidance and NIST and NOAA Processes for Awarding Grants: ARR-19841 (October 2009)
- Commerce Experience with Past Relief and Recovery Initiatives Provides Best Practices and Lessons Learned on How to Balance Expediency with Accountability: ARR-19692 (May 2009)
- NTIA Should Apply Lessons Learned from Public Safety Interoperable Communications Program to Ensure Sound Management and Timely Execution of $4.7 Billion Broadband Technology Opportunities Program: ARR-19583 (March 2009)

Recovery Act-Related Testimony

- IG's Testimony on Recovery Act Broadband Spending: Subcommittee on Communications and Technology, House Committee on Energy and Commerce (February 2011)
- IG's Testimony on FY 2012 Commerce Appropriations/Top Management Challenges: Appropriations Subcommittee on Commerce, Justice, Science, and Related Agencies, House Committee on Appropriations (February 2011)
- IG's Testimony on Recovery Act Oversight: Subcommittee on Investigations and Oversight, House Committee on Science and Technology (March 2009)

Recovery Act-Related Audits and Reviews in Progress

- Further Review of Complaints Made Against a BTOP Award to the Bay Area
- Announcement of Audit of Broadband Technology Opportunities Program, Booz Allen Hamilton Contract
- Announcement of Review of NTIA Broadband Technology Opportunities Program (BTOP) Grantees' Match
- Announcement of Review of NIST's Oversight of Recovery Act Construction Contracts (Maintenance, Renovation, Construction of New Facilities and Labs)
- Announcement of Review of NIST's Oversight of Recovery Act Construction Grants (Research Science Buildings)

Recovery Act-Related Audits Planned

- Review of Available American Recovery and Reinvestment Act (ARRA) Funds in Interagency Agreements and Memorandums of Understanding
- Acquisition of Equipment for Broadband Technology Opportunity (BTOP) Projects
- Review of Subrecipient Monitoring Efforts
- Review of Sustainability Issues for BTOP Projects

APPENDIX B

Recovery Act Training Delivered by Department of Commerce OIG, as of September 30, 2011

As of September 30, 2011, OIG's Recovery Act Task Force and Office of Investigations have conducted more than 100 onsite and video training sessions and briefings related to the mitigation of fraud, waste, abuse, and mismanagement of Recovery Act funding. This extensive national effort has reached a combined audience of more than 5,500 Department employees involved in procurement, grants, and programs—as well as current and potential recipients of Recovery Act grants from five of the Department's bureaus (EDA, Economic and Statistics Administration/Census, NIST, NOAA, and NTIA).

The five training topics developed and delivered by OIG staff addresses grants and contract management and fraud prevention. Two others—construction cost estimating and suspension and debarment—were created and presented by private contractors. In addition to their focus on transparency and accountability, all briefings emphasize whistleblower protections and encourage reporting to OIG concerns about the use of Recovery Act funds.

Training	Number of Events	Attendees Trained	Hours of Training Provided
BTOP	50	2,701	2,871
Fraud Prevention	44	1,669	2,144
Grants	11	244	478
IG Outreach	7	830	1,030
Contracts	4	78	156
Construction Cost Estimating	2	34	322
Suspension and Debarment	1	38	228
Total Inception to Date	***119***	***5,594***	***7,229***

APPENDIX C

Department of Commerce OIG Recovery Act Funding[a]

Agency	Amount	Purpose (from Joint Explanatory Statement)
EDA	**$150,000,000**	Leverage private investment, stimulate employment and increase incomes in economically distressed communities.
	$50,000,000	Economic Adjustment Assistance to help communities recover from sudden and severe economic dislocation and massive job losses due to corporate restructuring.
	$50,000,000	May be transferred to federally authorized, regional economic development commissions.
Census	**$1,000,000,000**	To hire additional personnel, provide required training, increase targeted media purchases, and improve management of other operational and programmatic risks.
	$250,000,000	Up to $250,000,000 shall be for partnership and outreach efforts to minority communities and hard-to-reach populations.
NTIA	**$4,700,000,000**	BTOP, to be available until September 30, 2010. For competitive grants to accelerate broadband deployment in unserved and underserved areas and to strategic institutions that are likely to create jobs or provide significant public benefits.
	$350,000,000	To establish the State Broadband Data and Development Grant program, as authorized by Public Law 110-385 and for the development and maintenance of a national broadband inventory map as authorized by division B of this Act.
	$200,000,000	For competitive grants for expanding public computer center capacity.
	$250,000,000	For competitive grants for innovative programs to encourage sustainable broadband adoption.
OIG	$10,000,000	To be transferred to the Department of Commerce OIG for audits and oversight of funds provided under this heading.
NTIA	**$650,000,000**	For additional implementation and administration of the digital-to-analog converter box coupon program, including additional coupons to meet new projected demands and consumer support, outreach and administration.
	$90,000,000	Of the amounts provided, up to $90,000,000 may be use for education, and outreach to vulnerable populations including one-on-one assistance for converter box installation.
NIST		
Scientific and Technical Research and Services	**$220,000,000**	For research, competitive grants, additional research fellowships and advanced research and measurement equipment and supplies.
	$20,000,000	Provided by transfer from the Health Information Technology (HIT) initiative within this Act. For HIT activities, NIST is directed to create and test standards related to health security and interoperability in conjunction with partners at the Department of Health and Human Services.
	$10,000,000[b]	Provided to implement section 1305 of Public Law 110–140 Energy Independence and Security Act of 2007. SEC. 1305. SMART GRID INTEROPERABILITY FRAMEWORK. The Director of NIST shall have primary responsibility to coordinate the development of a framework that includes protocols and model standards for information management to achieve interoperability of smart grid devices and systems.
Construction of Research Facilities	**$360,000,000**	To address NIST's backlog of maintenance and renovation and for construction of new facilities and laboratories.
	$180,000,000	Of the amounts provided, $180,000,000 shall be for the competitive construction grant program for research science buildings, including fiscal year 2008 and 2009 competitions.
NOAA		
Operations, Research, and Facilities	**$230,000,000**	To address a backlog of research, restoration, navigation, conservation and management activities.
Procurement, Acquisition , and Construction	**$600,000,000**	For construction and repair of NOAA facilities, ships and equipment, to improve weather forecasting and to support satellite development.
	$170,000,000	Of the amounts provided, $170,000,000 shall address critical gaps in climate modeling and establish climate data records for continuing research into the cause, effects and ways to mitigate climate change.
OIG	**$6,000,000**	To remain available until September 30, 2013.

[a] NTIA's Digital TV Transition and Public Safety program (DTV) rescissions totaled $240 million; the BTOP rescission was $302 million. Transfers to other agencies include NOAA ($350 million) and NTIA ($195 million) transfers. Of the $545 million total in transfers, $18 million was returned to NOAA in unspent funds. [b] After February 2009, the Department of Energy added another $2 million to the $10 million it sent to NIST for smart grid activities.

Chairman BROUN. Thank you, Mr. Zinser.

Now, the Subcommittee recognizes Ms. Lerner for five minutes.

STATEMENT OF MS. ALLISON LERNER,
INSPECTOR GENERAL,
NATIONAL SCIENCE FOUNDATION

Ms. LERNER. Thank you.

Chairman Broun, Ranking Member Tonko, and Members of the Subcommittee, I appreciate this opportunity to provide an update of my office's continuing efforts to monitor the $3 billion in Recovery Act funds provided to the National Science Foundation.

Our approach to ARRA oversight has consisted of two phases: a proactive phase for risk mitigation activities that was accomplished primarily during the funding stage to help prevent problems and prepare for more substantive work; and an operational phase, during which we plan to undertake more traditional audits, investigations, and other types of reviews.

During the proactive phase, we conducted real-time reviews of NSF's ARRA-related activities that resulted in several recommendations to NSF management. Our work during this phase included identifying potential high-risk ARRA awardees and recommending ways to make NSF's award process more accountable and transparent. We also conducted a series of reviews of universities and nonprofit organizations that received ARRA funds to determine at an early stage whether those institutions had the financial capability to manage Recovery Act funding and how well those organizations were complying with the Act's quarterly reporting requirements.

With respect to financial capability, we concluded that, in general, the entities we examined had established adequate internal controls to ensure that ARRA funds were properly segregated as required.

With regard to data quality, we found that while the institutions we reviewed had generally established appropriate processes, there were several areas in which NSF recipients were not consistently, accurately, or completely reporting data. We made recommendations to NSF to promote consistent and accurate reporting, and the Agency generally agreed with those recommendations. The ARRA recipients we reviewed also indicated that they were taking action to improve their reporting.

In the operational phase, among other things, we are planning to audit specific ARRA awards at recipient institutions. In determining which awards to audit, we will conduct a risk assessment, which takes into consideration variables such as award type, the results of prior audits, and ARRA-specific issues such as the total number and dollar value of Recovery Act awards.

Mr. Chairman, because of the large amounts of ARRA funding they received, the complexity of the projects, and the management challenges inherent in construction projects, we have directed significant oversight to NSF's construction of three major projects: the Alaska Region Research Vessel, the Ocean Observatory's Initiative (or OOI), and the Advanced Technology Solar Telescope (or ATST). I will conclude my testimony by focusing on problems uncovered in

audits of OOI and ATST and the impact of those problems on Recovery Act funds.

We began this oversight activity with audits of the cost proposals for OOI, which had total projected costs of $386 million with $106 million in ARRA funds, and for ATST, which had total projected costs of $298 million with $146 million in ARRA funds. We reviewed these proposals because they are the basis on which recipients can draw down funds over the course of their awards. The resulting audits performed on our behalf by the Defense Contract Audit Agency disclosed significant problems with the use and management of contingency funds.

NSF requires awardees to include contingency estimates in the budgets of construction projects to ensure that actual costs do not exceed planned costs. The auditors found that the $150 million in contingencies in the two cost proposals are not allowable under federal cost principles which state that "contingencies for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance that they are happening are unallowable." The questioned amount includes $55 million in ARRA funding.

The auditors were also troubled by the lack of controls over the contingency funds. NSF allows contingency funds to be held by the awardee's project officer during the construction phase. The auditors found that the awardees can draw down contingency funds without prior NSF approval at any point in the project and that there are no technical barriers to prevent these funds from being used for purposes other than contingencies. As a result, there is an increased risk of fraud or misuse of these funds.

We have recommended that NSF require awardees to remove the unallowable contingencies from their proposed budgets and that NSF, not awardees, control the release of contingency funds. We are working with NSF management to resolve these and other contingency findings, and because of the large dollar amounts and the risk posed by NSF's current process of funding contingencies, we will begin work this year to examine the use of ARRA funds for contingencies in the construction of the Alaska Region Research Vessel.

This concludes my statement, and I will be happy to answer any questions.

[The prepared statement of Ms. Lerner follows:]

Prepared Statement of Ms. Allison Lerner, Inspector General, National Science Foundation

Committee on Science, Space, and Technology

Subcommittee on Investigations and Oversight

United States House of Representatives

"Stimulus Oversight: An Update on Science Funding Accountability, Transparency, and Performance"

November 30, 2011

Chairman Broun, Ranking Member Tonko, and Members of the Subcommittee, I appreciate this opportunity to provide you with an update of my office's continuing efforts related to monitoring the $3 billion in American Recovery and Reinvestment Act (ARRA) funding provided to the National Science Foundation (NSF).

Brief Summary of Past ARRA-Related Work

Under the American Recovery and Reinvestment Act (ARRA), NSF received an additional $3 billion in appropriations for its three core appropriation accounts: Research and Related Activities (R&RA), Education and Human Resources (EHR), and Major Research Equipment and Facilities Construction (MREFC). ARRA also provided for unprecedented levels of transparency and accountability through increased reporting requirements, accountability measures, and oversight from various entities including agencies' Inspectors General. To that end, my office received $2 million in ARRA funding to conduct this necessary oversight. Based upon guidance from the Office of Management and Budget (OMB) that established new administrative obligations for NSF and its awardees, my office's approach to ARRA oversight has consisted of two phases: 1) an initial *proactive* phase for risk mitigation activities that was accomplished primarily during the funding stage to help prevent problems and prepare for more substantive work; and 2) an *operational* phase during which we planned to undertake more traditional audits, investigations, and other types of reviews.

During the initial proactive phase, my office conducted what we referred to as "real-time" reviews of NSF's ARRA-related activities. This work resulted in several recommendations to NSF management. First, in May, 2009, prior to NSF awarding a significant number of ARRA grants, my office reviewed the pool of potential ARRA awardees and identified those that we considered to be of greater risk based on previous audit and investigative findings. Second in May, 2009, we conducted an in-depth review of stakeholder expectations on how NSF could meet the goals of ARRA, in addition to providing comments on NSF's required ARRA program plans. Finally, in September, 2009, we provided NSF with a report on our review of a sample of

its initial ARRA awards and recommended methods for how the award process could be more accountable and transparent. In addition to these memoranda, we provided NSF with feedback in other ways, such as reviewing and providing suggested changes to NSF's proposed ARRA award terms and conditions, as well as providing feedback on NSF's activities through its ARRA "Tiger Teams." NSF was very receptive to our proactive "real time" approach and made changes to its business processes based on our input.

Efforts Related to Data Quality of Recipient Reports

During this proactive phase, we also undertook several efforts related to the quality of data reported by ARRA recipients. One of the key aspects of ARRA is its unique quarterly reporting requirement, which provides both transparency and accountability. For this mechanism to be effective, the data contained in the awardee-provided reports must be both timely and accurate.

Our first data quality project, in October, 2009, sought to determine whether NSF was establishing a process to perform effective limited reviews of reported data to identify material omissions and/or significant reporting errors on recipient quarterly reports and notify recipients, when necessary, of the need to make appropriate and timely changes. At that point we found that NSF was still in the process of establishing its policies and procedures and working out the details of its process, but appeared to be on the right track. Because of the importance and high profile nature of the information contained in recipient reporting under ARRA, we revisited this issue in early 2010 and tested how well NSF was finding errors within the data it received from ARRA recipients. As a result of this review, we found that NSF's process was effectively detecting errors in awardee-reported data, for those data elements we reviewed. These projects were conducted as part of government-wide ARRA-related oversight projects that we participated in with the Recovery Accountability and Transparency Board (RATB).

In addition to examining how NSF was overseeing recipient-reported data, we also focused on the source of the data – the recipients themselves. To that end, we initiated a series of reviews of large, medium, and small universities and non-profit organizations that received ARRA funds. Each of these reviews consisted of two separate components. The first sought to determine at an early stage whether the organization had the financial capability to manage ARRA funds. The second assessed how well the organization was complying with the Act's quarterly reporting requirements.

The financial capability reviews were intended to provide an overall opinion of internal controls over the grants process. Internal controls are an essential mechanism for ensuring that recipient institutions properly account for costs claimed by grant awardees. For example, OMB requirements stated that agencies must ensure that all funds provided by ARRA were clearly distinguishable from non-ARRA funds in agency financial systems. We reviewed the institutions' financial management systems to determine whether they could adequately segregate and separately track ARRA funds in their project cost accounting systems, as required by OMB. We also looked at overall internal controls to determine whether institutions had processes to adequately manage current grants, as well as their additional ARRA funding. Additionally, we focused on each institution's ability to provide accurate and timely quarterly reporting as required by ARRA.

With respect to financial capability, we found that, in general, the entities we sampled had established adequate internal controls to provide reasonable assurance that non-ARRA funds had been properly segregated from ARRA funds in their accounting systems.

Regarding the data quality reviews[1], we concluded that the institutions we reviewed had generally established appropriate processes for compiling and reporting quarterly data in compliance with ARRA reporting requirements. However, we identified five areas where NSF recipients were not consistently, accurately, or completely reporting data in their quarterly reports. These areas were: ARRA jobs for NSF fellowships; scholarships, and training grants; job estimates for sub-awards and vendor contracts; jobs reported in the proper quarter; grant activities; and sub-awardee and contractor debarment and suspension status. Since the quarterly reports are published on the website Recovery.gov to provide the public an understanding of how ARRA funds are being spent, it is critical for this information to be accurate to meet ARRA's goals of accountability and transparency.

To promote consistent and accurate recipient reporting, we recommended that NSF perform additional outreach to its recipient community and/or work with OMB to enhance its reporting guidance. Key recommendations included that NSF clarify whether ARRA job creation and retention estimates should be reported for NSF fellowships, scholarships, and training grants and for vendor contracts under $25,000. We also recommended that NSF conduct more outreach to emphasize the importance of reporting job information in the quarter when the work was performed. Further, we recommended that recipients take steps to ensure that they do not award ARRA funds to entities that have been debarred or suspended from receiving federal money.

NSF generally agreed with the findings and recommendations and has taken or proposed appropriate actions to address the recommendations. Also, the ARRA recipients we reviewed stated that they were taking corrective action to establish and/or enhance processes for improving the quality and accuracy of their quarterly ARRA data.

Brief Summary of Present and Future Engagements

Now that NSF's $3 billion in ARRA funding has been fully obligated, our focus has shifted from one of proactive, side-by-side business-system monitoring, to an *operational* phase during which more traditional audits, investigations, and other types of reviews are conducted.

Several of our current audit programs contain an ARRA component. For example, the Alaska Region Research Vessel is a MREFC project that received $148 million of ARRA funding. From our ongoing monitoring of this project, we have found that the project for the resulting vessel, the *R/V Sikuliaq*, has significant risks, including how the awardee is spending budgeted contingencies funds that were provided with ARRA monies. My office is now conducting an audit of these high risk areas, as well as the project's overall compliance with ARRA and other applicable federal and NSF requirements.

[1] Ten of these data-quality reviews subsequently became part of a larger, government-wide RATB review.

In addition, to help improve U.S. academic research facilities, ARRA provided NSF with $200 million to revive the former Academic Research Infrastructure (ARI) program. The ARI Program provides funds to purchase equipment or services to repair and renovate, or in exceptional cases, replace research facilities; to assist research organizations, including those that have historically received limited federal research and development funds, to improve their science and engineering research environments; and to enable academic departments, disciplinary and cross-disciplinary units, or multi-organization consortia to renovate research facilities through the addition or augmentation of cyber-infrastructure. ARI awards have a strong construction component and unique cost considerations. They all require cost sharing and have their own cost allowability considerations, in addition to the cost standards that are set forth in OMB regulations. Because of the complexity of the ARI program and its financial standards, we will begin auditing NSF's management of this inherently risky program in FY 2012.

In addition, we will be auditing specific ARRA awards, including some ARI awards, at recipient institutions. In determining which awards to audit, we will be conducting a risk assessment which takes into consideration variables such as award type, results of prior audits and reviews, and anomalous spending patterns. ARRA-specific risk factors include the total number and dollar amount of ARRA awards, whether the recipient was a new NSF awardee, and the percentage increase in total funding at an institution as a result of receiving ARRA funds. ARRA-specific audit work at selected grantees will also include some non-financial variables, such as jobs retained and created.

Special Risks Related to Acceleration of ARRA Expenditures

One of the special risks our office will be paying attention to as we conduct audits of ARRAawards relates to the impact of the acceleration of ARRA expenditures on costs incurred by ARRA recipients. On September 15, 2011, OMB issued a Memorandum (M-11-34) to the heads of federal departments and agencies urging them to spend remaining ARRA funds quickly and efficiently. Federal agencies were instructed to recapture funds not spent by September 30, 2013, to the greatest extent permitted by law.

At NSF, projects are frequently funded for three, four and sometimes even five years. After receiving this memorandum, NSF reviewed its ARRA portfolio and found over 600 awards with expiration dates after September 30, 2013. NSF is currently working to implement the OMB Memorandum, but has indicated that its ARRA awardees should look for opportunities to accelerate their award spending where this can be done "responsibly within the terms and conditions of their awards."

Accelerated spending of these "stimulus" funds has always been a goal of ARRA. Moving funds quickly into the economy, rather than allowing them to languish within the treasury, is a key component of economic recovery. Scientific discovery, unlike manufacturing, is difficult to accelerate, and the need to increase spending may prove challenging. Our audits will examine ARRA award expenditures, including ones that may have been accelerated, to ensure that they are allowable and for the purposes of the intended award and that the pressure to spend available funds has not led to improper decision making.

Special Risks Related to Contingency Funding in Large Facility Projects

One of the most visible aspects of NSF's ARRA funding is its MREFC component, which consists of $400 million to upgrade and enhance the nation's research capabilities through repairing, renovating, and in some cases replacing existing research facilities and continuing to outfit those facilities with state-of-the-art research equipment. Within the MREFC program, NSF received ARRA funds for the construction of three major projects: the Alaska Region Research Vessel, the Ocean Observatories Initiative (OOI), and the Advanced Technology Solar Telescope (ATST).

We have directed significant oversight resources to these projects due to the large amounts of ARRA funding they received, the complexity of the projects, and the management challenges inherent in such projects. We began this oversight activity with audits of the cost proposals for OOI, which had a total projected cost of $386 million (including $106 million in ARRA funds), and for ATST, which had total projected costs of $298 million, (with $146 million in ARRA funds). We reviewed these cost proposals because they constitute the basis upon which the awardees can draw down funds over the course of their awards. The resulting audits, performed on our behalf by the Defense Contract Audit Agency (DCAA) disclosed significant problems with the use and management of contingency funds.

NSF requires awardees to include contingency estimates in the budgets of its large MREFC projects in an effort to ensure that actual costs do not exceed planned costs. The applicable cost principles provide that "[c]ontributions to a contingency reserve or any similar provision made for events the occurrence of which *cannot be foretold with certainty* as to time, intensity, or with an assurance of their happening, are unallowable."

DCAA found that the awardees' proposed budgets for OOI and ATST, contained a combined total of $150 million of unallowable contingency costs[2], $55 million of which (or 37%) consisted of ARRA funds. The auditors questioned the costs because they found them to be inconsistent with the relevant cost principle.

In both audits, the auditors were also concerned by the lack of controls over the contingency funds. Although NSF allows contingency funds to be held by the awardee's project officer during the construction phase, DCAA found the awardees could draw down the contingency funds without prior NSF approval at any point in the project just as they would normal funds, and that there were no technical barriers to prevent these funds from being drawn down in advance and used for purposes other than contingencies. As a result, there is an increased risk of fraud or misuse of these funds.

We recommended that NSF require the awardees to remove unallowable contingencies from their proposed budgets and that NSF stop its current practice of allowing awardees to manage contingency funding. We recognize that the identification of funds needed for contingencies is an important part of project management; however, we are concerned by the risk associated with

[2] Total proposed contingency costs for OOI were $88 million; for ATST, the total amount of proposed contingencies was $62 million.

the approach NSF is taking. To protect federal funds set aside for contingencies, we have therefore recommended that NSF, not awardees, control the release of contingency payments for unforeseen events. NSF should implement procedures so that it controls contingency funds and does not release them until the awardee has demonstrated to NSF that the funds are needed to meet a project requirement.

We are currently working with NSF to resolve these and other contingency-related findings. Because of the large dollar amounts associated with contingencies in NSF awards, the risk we see posed by the agency's current process of funding these costs, and the complexity of the issue, we have started additional audit work that focuses broadly on NSF's use of contingencies in its awards. Among other things, we are beginning work to examine the use of ARRA funds for contingencies in the construction of the Alaska Region Research Vessel in light of these findings.

Conclusion

Mr. Chairman, ARRA came at a time of great need in our nation and with it came great hopes for job growth and economic stability. But ARRA also brought with it significant transparency and accountability requirements that had never been seen before within government. My office has worked to strategically use our resources to develop and implement an oversight protocol that combines proactive business-system monitoring with a more traditional audit and investigative approach. We feel this model has been valuable for both ourselves as an Office of Inspector General, and for our agency.

This concludes my statement. I would be happy to answer any questions you or other Members have.

Chairman BROUN. Thank you, Ms. Lerner.

I now recognize Ms. Robinson for five minutes.

STATEMENT OF MS. GAIL ROBINSON,

DEPUTY INSPECTOR GENERAL,

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Ms. ROBINSON. Thank you, Mr. Chairman. And thank you to you and the Members of the Subcommittee for inviting us here today.

NASA received $1 billion in direct Recovery Act funding, the bulk of which it dedicated to ongoing projects in Earth Science, Astrophysics, Exploration, and Aeronautics Research. For example, the James Webb Space Telescope received an infusion of $75 million; the Multipurpose Crew Vehicle, $166 million; and the Mobile Launcher, $25 million; while $24.4 million was used to fund contracts in the Small Business Innovative Research and Small Business Technology Transfer Programs. In addition, NASA used $50 million to repair facilities at the Johnson Space Center that had been damaged by Hurricane Ike in 2008. As was already pointed out in contrast to some of the other agencies, NASA has obligated and, in fact, dispersed virtually all of these funds.

Since passage of the Act, the OIG has actively monitored NASA's Recovery Act efforts through both our audit and investigative work. On the audit side, we have issued seven products, including reports examining the Agency's use of funds for the James Webb Space Telescope, for three Earth science missions, and for the Johnson hurricane repair work. We also have five audits currently in progress.

Overall, we have found that NASA generally used Recovery Act funds in accordance with the requirements and goals of the Act and OMB's implementing guidance. However, we also made more than $2 million in monetary findings and identified several internal control weaknesses in NASA's processes, including unauthorized persons recommending payment of invoices, poor negotiation of project oversight costs, and incomplete contract files. We made eight recommendations to improve NASA's internal controls. The Agency agreed with all of our recommendations, and five of them have been closed. The Agency continues to work to address the remaining three.

In addition to our audit work, we currently have seven open investigations relating to the Recovery Act. One is a proactive effort involving SBIR and STTR contracts, three involve allegations of companies submitting false information, and one involves a possible conflict of interest and misappropriation of funds by a former NASA employee. We also have an active investigation involving procurement irregularities and a case in which an individual has been indicted for stealing copper from a project funded with Recovery Act money. In addition to these ongoing matters, we recently closed two cases as unsubstantiated, and we referred two other issues to NASA managers for their disposition.

As NASA's Recovery Act efforts wind down, the OIG will continue to conduct audits, reviews, and investigations to ensure compliance with the Act's mandates.

This concludes my oral statement and I would be happy to answer any questions.

[The prepared statement of Ms. Robinson follows:]

PREPARED STATEMENT OF MS. GAIL ROBINSON,
DEPUTY INSPECTOR GENERAL,
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Stimulus Oversight: An Update on Science Funding Accountability and Transparency

Statement of

Gail A. Robinson

Deputy Inspector General

National Aeronautics and Space Administration

1

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting the NASA Office of Inspector General (OIG) to discuss our oversight work of the Agency's use of American Recovery and Reinvestment Act of 2009 (Recovery Act) funds.

NASA received a total of $1.052 billion in Recovery Act funding – $1 billion in a direct appropriation and an additional $52 million from the National Oceanic and Atmospheric Adiminstration (NOAA), the National Science Foundation (NSF), and the Department of Energy (DOE) for jointly funded programs. NASA used its Recovery Act funding primarily to augment ongoing research and development activities in several program areas including Science (with an emphasis on Earth Science and Astrophysics), Exploration, and Aeronautics Research. In addition, NASA used Recovery Act funds to repair and restore buildings at Johnson Space Center that were damaged by Hurricane Ike in 2008.

NASA's Recovery Act spending plan is summarized below.

PROGRAM AREA	RECOVERY ACT FUNDING	DESCRIPTION
Science	$400 million	Accelerate development of Tier 1 Earth Science climate research and increase Agency supercomputing capabilities ($75 million for the James Webb Space Telescope, $20 million for supercomputing projects, and more than $300 million for Earth Science missions).
Exploration	$400 million	Stimulate efforts within the private sector to develop and demonstrate technologies that enable commercial human spaceflight capabilities (more than $90 million for commercial crew and cargo projects, $166 million for the Multi-Purpose Crew Vehicle, and $25 million for the Mobile Launcher).
Aeronautics	$150 million	Undertake activities related to aviation safety, environmental impact mitigation, and Next Generation Air Transportation System (more than $57 million for fundamental Aeronautics projects including integrated aeronautical vehicle system level research in areas that have applicability to future aeronautical vehicle concepts, more than $30 million for Next Gen, and $46 million for test facilities such as wind tunnels).
Cross Agency Support	$50 million	Repair hurricane damage at the Johnson Space Center
Reimbursable Authority	$52 million	Recovery Act funds received from DOE, NSF, and NOAA to jointly funded projects. For example, NOAA provided Recovery Act funding to NASA for the development of two sensors that play a critical role in assessing climate change data as part of the National Polar-orbiting Operational Environmental Satellite System (NPOESS) Program.
Total	**$1.052 billion**	

As of October 28, 2011, NASA has spent more than $1.01 billion (96 percent) of its Recovery Act funds. Further, NASA contractors and other award recipients have completed work totaling an additional $17.6 million that NASA will pay for with Recovery Act Funds. In total, NASA has disbursed or obligated approximately 98 percent of its Recovery Act funds and expects to disburse the remaining funds by 2013.

The Recovery Act requires a significant level of transparency and accountability to ensure that Recovery Act funds are expended in accordance with the Act's requirements and to make information about these expenditures readily available to the public. The Act also requires Offices of Inspector General to oversee agency compliance with the Office of Management and Budget's (OMB) Implementing Guidance for the Act, which sets forth the requirements agencies must follow in awarding and modifying contracts funded with Recovery Act funds.[1]

NASA OIG received $2 million to conduct oversight of NASA's use of its Recovery Act funds. As of November 30, 2011, the OIG has spent about $1.3 million of these funds, leaving approximately $700,000 for oversight work in fiscal years 2012 and 2013. In addition, we have used approximately $350,000 in regular appropriations to further our Recovery Act work.

NASA's Use of Recovery Act Funds

Generally, we have found that NASA used Recovery Act funds in accordance with the requirements and goals of the Act and the implementing guidance issued by OMB. Early in the program, NASA performed risk assessments to identify potential problems in meeting Recovery Act requirements. Based on these risk assessments, the Agency established new internal controls to help ensure that money was spent appropriately, funded tasks remained on target, and recipients were held accountable for managing and reporting on their use of the funds. For example, all Recovery Act funded contracts and contract modifications were closely reviewed and modified as needed prior to award to ensure compliance, and quarterly Recovery Act reports were identified as a required deliverable in all contracts. In addition, NASA officials closely monitored the reports submitted by Recovery Act contractors to confirm accuracy and compliance with deadlines imposed by the Recovery Board.

The majority of NASA's Recovery funds were allocated to existing projects such as the James Webb Space Telescope (JWST), which received $75 million; the Multi-Purpose Crew Vehicle (previously known as Orion), which received $166 million; and the Ares I rocket, which received $103 million. NASA also competitively awarded $24.4 million in Small Business Innovative Research (SBIR) contracts and $36 million of the $50 million in contracts to repair hurricane damage at Johnson Space Center.

As part of our oversight work, the OIG has issued seven Recovery Act audit products and has five more audits in progress. Our audit work has included reviews of NASA's use of Recovery Act funds in terms of both the administrative management and the financial and programmatic performance related to the funds. We have identified more than $2 million in monetary findings related to excessive project oversight and questionable risk costs. We also reported instances of

[1] Office of Management and Budget, "Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009" (M-09-15, April 3, 2009).

non-compliance indicative of internal controls weaknesses, such as unauthorized persons recommending invoices for payment, poor negotiation of project oversight costs, and incomplete contract files. We made eight recommendations to improve NASA's internal controls over Recovery Act contracts. The Agency agreed with our recommendations. Five of the recommendations have been implemented and we are awaiting completion of corrective action on the remaining three.

In addition to our audit work, we have seven open investigations involving Recovery Act funding. One of the investigations is a proactive effort involving Small Business Innovative Research/Small Business Technology Transfer contracts; three involve allegations of companies submitting false information to the Government through the On-line Representations and Certifications Applications (ORCA) system or other systems, and one involves a possible conflict of interest and misappropriation of funds by a former NASA employee. We also have active investigations involving procurement irregularities and a case in which an individual has been indicted for theft of copper from a project funded with Recovery Act money. In addition to these ongoing matters, we recently closed two cases of Recovery Act-related allegations as unsubstantiated and referred two additional issues to NASA managers for their disposition.

Two of the matters we investigated resulted from referrals from the Recovery Accountability and Transparency Board. The first referral involved issues with a contractor providing the wrong identification code or Data Universal Numbering System (DUNS) number and the second involved ORCA process concerns. We referred the DUNS issue to NASA and we continue to investigate the ORCA issue.

We summarize our completed and ongoing Recovery Act audit products below.

NASA's Use of Recovery Act Funding for the James Webb Space Telescope Project. In March 2011, the OIG issued a report examining NASA's use of $75 million in Recovery Act funds for the James Webb Space Telescope (JWST) Project. In this review, we assessed NASA's compliance with Recovery Act mandates and adherence to OMB guidelines. The overall objective of our review was to determine whether NASA used Recovery Act funds appropriately and whether this use met the Act's goals and requirements.

JWST used the $75 million it received in 2009 to maintain the Project's workforce at a consistent level and help keep key development activities on track. We found that the JWST Project adequately addressed the requirements of the Recovery Act and related OMB guidance and delivered measureable outcomes consistent with Agency program and project plans and the goals of the Act. Specifically, we found that the $75 million enabled 454 jobs to be retained on the JWST Project in the fourth quarter of FY 2009 and 149 jobs in the first quarter of FY 2010. In addition, of the 40 tasks funded by the Recovery Act, 34 were completed on schedule. According to program officials, NASA had made significant progress on the other 6 tasks, which were subsequently completed using non-Recovery Act funding. Based on our review of the final performance reports from the contractors and discussions with NASA officials, we concluded that the performance results on the JWST Recovery Act activities fulfilled the intent of the Recovery Act.

NASA's Use of Recovery Act Funds to Repair Hurricane Damage to Johnson Space Center Facilities. In September 2011, the OIG issued an audit examining the $50 million allocated to Johnson Space Center (JSC) for repair of facilities damaged in September 2008 by Hurricane Ike. The objective of our audit was to assess cost, schedule, and performance of the contracts, as well as compliance with applicable OMB and NASA guidance. To accomplish our objective, we reviewed the performance of nine of the largest contractors hired by JSC to perform the Recovery Act-funded work: one quality assurance contractor; seven construction contractors that directly performed repair work; and JSC's existing facilities support services contractor, Computer Sciences Corporation Applied Technology Division (CSC). In total, we reviewed $41 million of the $50 million in Recovery Act contracts awarded by JSC.

In general, we found that the work performed by the nine contractors in our review met cost, schedule, and performance milestones, and that JSC's use of Recovery Act funds for these contracts generally complied with OMB and NASA guidance. However, we identified a number of issues pertaining to delivery orders JSC awarded to CSC. Specifically, we found that by awarding delivery orders for repair work to CSC rather than to a contractor that had the resources to perform the work directly, JSC incurred up to $1.8 million in excessive project oversight costs. In addition, we found that JSC did not negotiate with CSC on project oversight costs that significantly exceeded independent Government estimates or otherwise appeared excessive. We also found that JSC project management officials approved the payment of $348,534 in questionable risk-related costs to CSC. Further, we questioned the methodology CSC used to calculate these costs and whether they were reasonable under the Federal Acquisition Regulation (FAR). Lastly, we found that JSC officials allowed unauthorized individuals to recommend payment of CSC invoices. We recommended that NASA's Recovery Act Implementation Executive work with the Agency's Assistant Administrator for Procurement to

- provide updated guidance on evaluating proposals for excessive pass-through costs in accordance with the FAR;
- ensure that contracting officers verify contractor-proposed charges for individual cost elements against appropriate supporting documentation, evaluate rates proposed by the contractor to ensure their reasonableness, and document this determination in the contract files; and
- remind contracting officers that for contracts where a COTR has been appointed, only the COTR is authorized to recommend invoices for payment.

NASA's Chief Financial Officer concurred with our recommendations, stating that the Recovery Act Executive will work with NASA's Assistant Administrator for Procurement to improve existing processes.

Review of NASA's Efforts to Meet the Intent of the National Academy of Sciences 2007 Decadal Survey. NASA allocated $85.4 million in Recovery Act funds to three Earth Science missions identified in the National Research Council's 2007 Decadal Survey for Earth Science: the Soil Moisture Active Passive (SMAP) mission; the Ice Cloud and land Elevation Satellite (ICESat) mission; and the Deformation, Ecosystem Structure, and Dynamics of Ice (DESDynI) mission. In May 2011, the OIG issued a review of NASA's efforts to meet the intent of the

Decadal Survey. As part of this review we examined whether NASA used the Recovery Act funds dedicated to the decadal survey projects in compliance with OMB guidelines.

We found that NASA used Recovery Act funds to accelerate work on the projects in accordance with established criteria. Specifically, we found that NASA appropriately allocated the funds to advance early implementation of the establishment of preliminary designs for key elements of the SMAP mission; develop a laser altimeter for the ICESat mission; and develop an advance radar instrument development for the DESDynI mission. In addition, we found that the tasks that received Recovery Act funds were properly segregated from other project deliverables to ensure compliance with Recovery Act funding transparency requirements.

NASA's Plans for Recovery Act Funds. In compliance with the Recovery Act mandates and with OMB Guidance, in May 2009 NASA issued both an Agency Recovery Act Plan and program-specific plans describing how NASA intended to use its $1 billion in Recovery Act funding. As part of our oversight, we reviewed these plans and in January 2010 issued two memoranda describing the results of our review. Overall, we found that the plans generally complied with the OMB guidance. However, we identified several areas for improvement, specifically that the Agency Plan provided insufficient detail about NASA's broad Recovery Act goals in terms of outputs, outcomes, and expected efficiencies; did not include a projection of the expected rate of competition nor a rationale for those numbers; and did not address the use of fixed-price contracts as a percentage of all dollars spent. With respect to the five program plans, we found that none of the plans included a description of periodic reviews of planned Recovery Act-related activities and one did not address all the required elements. Based on additional information the Agency subsequently provided, we concluded that each of the plans adequately addressed the requirements of the OMB Guidance.

Review of Open Recommendations Affecting Recovery Act Activities. OMB Guidance states that agencies should develop a risk mitigation plan to identify, prioritize, and mitigate implementation risks associated with use of Recovery Act funds. As part of this plan, agencies should determine whether final action has been taken regarding weaknesses or deficiencies disclosed by prior audits and investigations in program areas under which Recovery Act funds are authorized. To ensure NASA properly considered previously identified weaknesses and deficiencies in the programs receiving Recovery Act funds, we reviewed all open recommendations from prior OIG audit reports, the Government Accountability Office (GAO), and independent auditors to identify recommendations that could potentially affect NASA's Recovery Act activities.

In May 2010, we issued a memorandum discussing the status of 13 open audit recommendations that could potentially affect programs and projects receiving Recovery Act funds. We found that NASA had taken steps to implement corrective actions for a majority of the recommendations. Specifically, the Agency had fully implemented corrective actions in response to 6 of the 13 open recommendations and was awaiting verification and closure by the appropriate audit agency. As of April 2010, corrective actions for another 3 recommendations were partially complete, and NASA officials reported they expected to complete the remaining actions by September 2010. For the remaining 4 recommendations, NASA officials were still determining whether corrective actions needed to be implemented. We recommended that NASA make a

decision regarding these 4 recommendations quickly to ensure that any identified weaknesses did not affect the use of Recovery Act funds.

Audit of NASA's Recovery Act Procurement Actions at Johnson Space Center, Goddard Space Flight Center, and Ames Research Center. In July 2010, the OIG issued a report on its examination of Recovery Act-funded procurements made by NASA between February 17, 2009, when the Recovery Act was enacted, and November 30, 2009. For the purpose of this audit, we reviewed contracts, cooperative agreements, and contract modifications to determine NASA's compliance with Recovery Act requirements and with NASA and OMB guidance. In total, we reviewed 28 procurement actions using $432 million in Recovery Act funds. We found that all 28 procurements complied with the OMB Guidance, but that 3 did not fully comply with NASA guidance. Specifically, we found that the contract modification files for the Orion Project at Johnson Space Center and the Landsat Data Continuity Mission at Goddard Space Flight Center did not contain all of the supporting documentation necessary to demonstrate that negotiations had taken place between NASA and the respective contractors as required by NASA guidance and that Ames Research Center procurement staff had not required a contractor to submit an updated schedule of Recovery Act task milestones.

In addition to the completed audit work described above, the OIG is currently working on the projects summarized below.

Audit of Recovery Act Funded Contracts under NASA's Small Business Innovation Research (SBIR) Program and Small Business Technology Transfer (STTR) Program – NASA allocated $24.4 million in Recovery Act funds to SBIR/STTR contracts. The OIG is examining whether the contractors met cost, schedule, and performance milestones and whether NASA's Recovery Act internal controls were properly implemented and operating effectively.

Audit of Aerospace Research Mission Directorate's Use of NASA Research Announcements – NASA allocated approximately $34 million in Recovery Act funds for NASA Research Announcements (NRA). NASA's program offices use NRAs to award contracts, grants, or agreements for basic and applied science and technology research and for science, technology, engineering, and mathematics (STEM) education. In this audit we are examining whether technical results, including results of awards funded by the Recovery Act, advanced NASA's aeronautics research goals and whether award costs were allowable and properly supported.

Audit of NASA's Development of the Multi-Purpose Crew Vehicle – Announced in October 2011, this audit will evaluate how NASA is managing the spacecraft's development in response to the NASA Authorization Act of 2010 (P.L. 111-267) and subsequent changes in national space exploration policy. We will also examine whether NASA has properly tracked the nearly $166 million in Recovery Act funds used in development of the vehicle.

Audit of NASA's Plans for the Mobile Launcher – Announced in early November 2011, this audit will examine whether NASA sufficiently evaluated possible alternatives to ensure that modifying the mobile launcher in support of the Space Launch System is in the best interest of the Government. We will also examine whether NASA has properly accounted for the $25 million in Recovery Act funds spent on the mobile launcher.

Conclusion

In summary, the majority of NASA's Recovery Act funds were allocated to ongoing rather than new projects. The Agency took proactive steps early in the Recovery Act process to help ensure compliance with the Act's requirements and as a result NASA has been generally successful in ensuring that its Recovery Act funds were used in accordance with the requirements and goals of the Act and OMB's implementing guidance. As NASA's Recovery Act efforts wind down, the OIG will continue our comprehensive program of audits, reviews, and investigations to ensure NASA's continued compliance with Recovery Act mandates and NASA guidance.

This concludes my prepared statement. I would be pleased to answer any questions.

Attachment 1

NASA Office of Inspector General
Issued Recovery Act Products

	Title	Report Number	Date Issued
1.	Final Memorandum on Analysis of NASA's Final Program-Specific Recovery Act Plans	IG-10-005	January 2010
2.	Final Memorandum on Analysis of NASA's Final Agency-Wide Recovery Act Plan	IG-10-006	January 2010
3.	Final Memorandum on Review of Open Audit Recommendations Affecting Recovery Act Activities	IG-10-014	May 2010
4.	Audit of NASA's Recovery Act Procurement Actions at Johnson Space Center, Goddard Space Flight Center, Langley Research Center, and Ames Research Center	IG-10-017	July 2010
5.	Final Memorandum on the Quality Control Review of the PricewaterhouseCoopers LLP and the Defense Contract Audit Agency Office of Management and Budget Circular A-133 Audit of the Jet Propulsion Laboratory for the Fiscal Year Ended September 27, 2009	IG-11-011	January 2011
6.	NASA's Use of Recovery Act Funds for the James Webb Space Telescope Project	IG-11-014	March 2011
7.	NASA's Use of Recovery Act Funds to Repair Hurricane Damage at Johnson Space Center	IG-11-025	September 2011

Chairman BROUN. Thank you, Ms. Robinson.

I want to thank all of you all. By the way, that is southern for—it is plural for you all. But I want to thank all of you all for your testimony.

Reminding Members that Committee rules limit Members' questions to five minutes per round of questions, the Chair at this point will open the round of questions. And I will recognize myself for five minutes.

To Mr. Friedman, a lot of attention has been paid to the loan guarantees to Solyndra and Beacon Power because of their bankruptcies. Beacon Power also received funding from DOE's Energy Delivery and Energy Reliability Program, the Office of Science, and ARPA–E. What happens to the grant money when companies go bankrupt? And does the company keep it? Does the Agency keep it or does it go back to the Treasury?

Mr. FRIEDMAN. Well, Mr. Chairman, I frankly am not personally familiar with the specific terms in the non-loan guarantee expenditures the Department made with regard to Beacon, so I can't give you a definitive answer. However, in general, depending upon the nature of the agreement, there are either time payments based on completion of various aspects of goals of the project or there is a payment up front. If, in fact, the entity is bankrupt and they are cashless, if that is the case, then obviously, the—if the money has been expended it can no longer be recovered. If, on the other hand, it has not been dispersed, my assumption would be there would be a hold placed on those funds until the bankruptcy is resolved.

Chairman BROUN. Well——

Mr. FRIEDMAN. But that is an assumption on my part, Mr. Chairman.

Chairman BROUN. Sure.

Mr. FRIEDMAN. I am not positive.

Chairman BROUN. Well, assets should have value, though, so where does the taxpayers' interest fit within the bankruptcy proceedings?

Mr. FRIEDMAN. Well, I——

Chairman BROUN. Who would recover those funds?

Mr. FRIEDMAN. I am not intimately familiar with the way the Department is proceeding. I have seen the published reports on sale of assets and the Department's interest in those assets. I don't know how that intersects with the funds, other than the loan guarantee funds that have been expended with Beacon.

Chairman BROUN. Okay. To all you all, if a recipient is unable to spend its ARRA funding prior to the OMB deadline of September 30, 2013, what happens to that money? Does the Agency keep it or does it go back to the Treasury?

Mr. ZINSER. Mr. Chairman, it is unclear from the OMB guidance what exactly is going to happen, but one factor of the Dodd-Frank legislation is that it included some provisions about unobligated and unspent Recovery Act money. I think our sense would be that the unspent money would go back to the Treasury.

Chairman BROUN. Anybody else want to weigh in on that? Dr. Rusco.

Dr. RUSCO. I think in general we agree our reading of it is that it will go back to the Treasury. There may be some conditions

where the OMB guidance is unclear, in which case it would have to be resolved.

Chairman BROUN. All right. Ms. Robinson, in your testimony you stated that the $75 million in ARRA funding that NASA received for the beleaguered James Webb Space Telescope enabled 454 jobs to be retained on the JWST project in the fourth quarter of fiscal year 2009 and 149 jobs in the first quarter of fiscal year 2010. I am familiar with jobs created and the attempt to quantify jobs saved. Is jobs enabled mentioned as a criterion in the Act or in OMB guidelines?

Ms. ROBINSON. I don't know, Sir, of exactly what they use in the OMB guidelines. I do know that the James Webb Space telescope project was going to run out of money in that year, in fiscal year 2009, and that they used that money to continue work which enabled the—primarily the contract personnel to continue that work in that period.

Chairman BROUN. All right. JWST was initially expected to cost $1 billion and to launch in 2008. It has now ballooned to almost $9 billion and is expected to launch in 2018. Should cost overruns be considered an economic stimulus?

Ms. ROBINSON. Again, I don't think cost overruns are an economic stimulus. As we are all aware, the program has repeatedly been over schedule and over budget, and Congress and NASA and the Administration have worked hard to give them the additional money they need to finally bring it to fruition.

Chairman BROUN. Okay. And are these jobs enabled contractors that flow from project to project? Or are they federal employees that are part of a standing workforce that are there at NASA Center?

Ms. ROBINSON. I believe with regard to the telescope, they were primarily contractor employees.

Chairman BROUN. Okay. My time has expired.

I now recognize my Ranking Member, Mr. Tonko, for five minutes.

Mr. TONKO. Thank you, Mr. Chair.

While the Solyndra story has preoccupied many, the real story on DOE's Loan Guarantee Program is not about one company going under but about the Department holding tens of billions of dollars in loans, all of which carry risk.

From my experience in New York State, I can attest that nuclear projects are among the most expensive and sometimes most risky. I am not alone in that opinion. In a 2003 study, CBO put the risk of default for nuclear loans at "well above 50 percent." The key factor they wrote is "accounting for this risk is that we expect that the plant would be uneconomic to operate because of its high construction costs relative to other electricity generation sources." Nothing has changed on this, of course. In 2003, a new report by CBO cites a study that found "of the 117 privately owned plants in the United States that were started in the '60s and '70s and for which data are available, 48 were cancelled and almost all of them experienced significant cost overruns."

The Solyndra loan is dwarfed by just one of the nuclear project loans that DOE has approved. The first approved loan is for over

$8 billion to the Southern Company. That single loan is roughly 16 times the size of the Solyndra loan.

So, Dr. Rusco, I would ask according to the July 2010 report from the Department of Energy which treats—or on the Department of Energy by GAO treats nuclear loans differently than other types of applicants. Can you describe the treatment that these loans—that the loan applicants receive and shed light for us on why there was that difference?

Dr. RUSCO. Well, first of all, there is a difference between the Recovery Act loans and the 1703 loans and the nuclear loans were conditionally committed to under the 1703 program. So in that program, the companies themselves will be paying their credit subsidy cost. But that is just to clarify that that is not a Recovery Act—those aren't Recovery Act loans. And that money has not yet gone out the door and is awaiting licenses.

What we found is that in the application process that the nuclear loans and some of the larger fossil fuel loans were able to essentially skip some steps in the application process and were—reached conditional commitment prior to having completed all those steps, and we felt that that was inconsistent with the guidance and the rules as set out by the program. The explanation by the program for that was that more is known about these types of projects and therefore they were able to skip those steps, but we didn't feel the documentation for that justification was sufficient.

Mr. TONKO. Right. But as I understand it, these loans were brought under the ARRA in terms of employment-reporting requirements, were they not? And there is absolutely no difference in how the Department of Energy handles those loans?

Dr. RUSCO. Well, the basic loan process differs in the sense that for the 1703 programs, the government won't be picking up the credit subsidy cost, which will be very significant for the nuclear loans.

Mr. TONKO. Um-hum. Given the favorable way that nuclear applicants were treated, is there any assurance you can provide this panel that DOE is being as tough on reexamining the nuclear loan exposure as they are in looking at everything else? Perhaps Dr. Rusco or Mr. Friedman, can you give us those assurances in this case?

Dr. RUSCO. GAO has broad concerns about the slow speed at which the loan program has codified and made consistent its application review process and its due diligence process. And so we are concerned about all loans that may or may not have gone through all the steps of the process, and we think that if the program will more clearly document what they are doing and their reasons for deviating from their process, there will be greater transparency and we will be more comfortable.

Mr. TONKO. Mr. Friedman, would you have anything to add to that or would you agree with that?

Mr. FRIEDMAN. I agree. I don't have any information on it. I can't give you any assurance because obviously that is not within my purview. But we issued a report in March of this year concerning the very issues that you have just heard about, which is basically the level of documentation with regard to identification of risks and the mitigation of those risks and how they have been addressed

and the lack of documentation and inadequate documentation. So obviously we agree. And it covers the entire portfolio of loan guarantees in terms of the ability of the Department in the event of a crisis to identify why they took the actions that they took. So we do agree.

Mr. TONKO. Um-hum. And finally, if we can get some info on the funds that are obligated but uncommitted—spent—what leverage do the agencies have to push recipients of awards to spend these funds? Is there anyone on the panel or all of you that might want to address how we could get those monies spent?

Mr. ZINSER. Sir, I think whether guarantees remain on schedule is a function of the program offices overseeing those projects. Beyond that, I think you have to strike a balance between pushing the grantees or contractors to spend the money quickly and making sure that the money is spent effectively.

Chairman BROUN. The gentleman's time has expired.

I would like to remind my friend from New York there is a huge difference between Southern Company and Solyndra, between the technology of nuclear energy as well as what Solyndra was trying to do. So the risk of the loan to Southern Company or any other nuclear power company is vastly different than loaning—lending money to a company like Solyndra, particularly with all the warnings that came from the previous Administration, as well as this Administration.

Now, I recognize Dr. Bucshon for five minutes.

Mr. BUCSHON. Thank you, Mr. Chairman. I thank all the panelists here today.

When we passed the stimulus bill, I wasn't here, but it was promised that the unemployment rate would be below eight percent and drop down, so my questions are going to be related to—similar to that process. Because as everyone knows, we now have a persistent over nine percent unemployment rate, and the economy is still sluggish.

It appears to me not being in Congress at the time that everyone that received money had to scramble to find uses for the money and then retrospectively assess whether or not it was used properly, or more importantly, has resulted in long-term improvement and changes that are necessary to decrease our over nine percent unemployment. It seems to me that that is backward from the way we should be thinking about this process.

So I will make the assumption that all the departments represented here would take extra money if it is offered to them, but the question I have—and I guess I would direct it to Mr. Friedman first as it relates to the Department of Energy—did the Department of Energy request the money? Did they need the money? Or, in your view, did the Department of Energy have to find ways to spend the money once it was out there?

Mr. FRIEDMAN. Well, I am not sure I have good answer to your question, but I—in March of 2009, we issued a report concerning lessons learned on our prior work in this regard, Congressman. And at that point, it was clear that the Recovery Act, with regard to the Department of Energy, had three purposes. One is economic stimulus, two is job creation, and three was transformation of the Department. So I think there was a clear understanding on the

part of both the Congress at the time and those who voted for the legislation and the Administration that the funds would be used for that purpose as well, transforming the Department of Energy, focusing on green—going green, renewables, and what have you, and the technology area.

Mr. BUCSHON. Okay. Thank you. Mr. Zinser.

Mr. ZINSER. We are not part of the inner circle of the Department, so we do not have a lot of insight on how the requests were formulated. However, there were two factors related to agencies that have experienced issues with timely spending. I think some were older budget requests that had not been funded in previous years, and then, in the case of the Department of Commerce, for example, there is an entire $5 billion program thrust upon a small agency not properly staffed to administer a program of that size and scope. So I think it is likely a combination of factors.

Mr. BUCSHON. Ms. Lerner.

Ms. LERNER. Thank you. And I would echo what Mr. Zinser said and further it by the fact that I was not at NSF in February of 2009 when the stimulus act was passed. So I am not aware of what role the Agency had in determining the $3 billion that the Agency got, but I do know that NSF has wanted to boost the acceptance rate for people that they fund over time, and they were excited that the $3 billion would enable them to fund more scientific research. Two-thirds of the funding that they received was used to fund proposals that they had in hand that had been rated well, so I think they were prepared to move pretty quickly and execute the funding that they received, and they were able to build the acceptance rate. And that helps them, as I said, ensure that more basic scientific research is done, and that the science and technology workforce of the future is trained.

Mr. BUCSHON. Ms. Robinson.

Ms. ROBINSON. I also was not at NASA in 2009 when the Act was passed, so I do not know what role the Agency played in how much money they were going to get. Again, they did—they got the smallest amount of the people here. They did do a lot up front to make sure that they were going to use it appropriately and that they were going to meet the transparency and other requirements of the Act.

Mr. BUCSHON. I guess my line of questioning is just meant to establish the fact that it seems to me that a bunch of federal funding was thrust upon these different agencies and then they had to scramble to find out how to use it and in many cases did not even have the infrastructure in place to appropriately implement whatever programs it was supposed to benefit. And being a new Member of Congress, that just seems backwards to me and the way we allocate money at the Federal Government. And again, I think that the proof is in the results. We still have an over nine percent unemployment rate, and now we have almost $800 billion more on the federal deficit and the entire intent of the stimulus was to get people back to work.

And I yield back. Thank you.

Chairman BROUN. Thank you, Dr. Bucshon.

I now recognize Mr. McNerney for five minutes.

Mr. MCNERNEY. Thank you, Mr. Chairman.

One of the things that I really have found useful in this set of testimonies is that the increase in transparency and accountability has been caused by the American—by the ARRA. And that is a good thing.

But moving forward, Dr. Rusco in particular, do you believe that those checks and balances have made a difference in reducing waste and abuse and fraud?

Dr. RUSCO. Yes, I am certain that the oversight—the extra oversight that we and the IGs and the other bodies were giving this have reduced that. There has been fraud, waste, and abuse found but the added oversight has also made the agencies more careful and also created better processes for performing their own oversight.

Mr. MCNERNEY. Well, good. Do you think those processes will be in place moving forward into non-ARRA expenditures?

Mr. RUSCO. I hope so.

Mr. MCNERNEY. I do, too. Well, that is going to be something we are going to be watching, I guess.

Mr. Wood, I found your testimony very informative, and I want to congratulate you and the RAT Board for the excellent work you have done in—toward creating transparency. I am sure there is room for improvement as we go forward, but there are costs associated with this improvement in transparency reporting and so on. Do you have any insights as to whether the enhanced transparency is worth the cost that went into developing those processes?

Mr. WOOD. My position would be that it was worth the costs. We established a system where recipients needed to report information and they did. We tried to establish systems that were very easy to use. When I built the reporting system, I basically told people if you can order a book online, you can use the reporting system, which is fairly true. It is a Web-based system.

There can be improvements made. We can incorporate things such as pre-population sums of data so that the recipient wouldn't have to add that information. I know the DATA Act includes a provision for providing some administrative overhead. I think it is .5 percent for recipients to use for things like reporting and so forth. So there are some things that could be improved.

We looked at—one of the concerns was reporting burden when we were getting going in looking at the Recovery Act. We think the Recovery Act and the Transparency Act—FFATA, its predecessor—both established that it was sort of floor of $25,000. So if you received $25,000 or more, you had to report. That scenario you could look at for—if you were concerned about reporting burden on small entities and so forth.

Mr. MCNERNEY. Dr. Rusco, again, one of the things that I was disappointed to hear was that you were unable to assess the employment impact of the ARRA. Is that—did I understand that correctly? Was that your position?

Dr. RUSCO. Well, not exactly. GAO has not set out to evaluate ourselves what the job creation effects have been. We have looked at what has been reported, and we have also looked at some of the efforts in particular in the Environmental Management Office of DOE, and we found that the methodologies used by that office were

not conforming to OMB guidance and they were in some cases clearly overcounting, in some cases perhaps even undercounting.

Mr. MCNERNEY. Is there anyone on the panel here this morning that could answer that question about the impact of the ARRA funding on employment in your particular department?

Mr. ZINSER. Sir, I think the goal of calculating and tracking job creation was very ambitious, but, in the end, it didn't turn out to be very feasible. Jobs might be temporary or term positions; as a result, from one reporting period to another, the jobs are created in a particular quarter but aren't cumulative. So when the Recovery.gov Web site reports jobs created, it is just for that most current quarter.

Mr. MCNERNEY. Well, you know, the improvement in accountability and transparency is terrific. It would be good to have an improvement in terms of being able to assess the impact of this funding on employment.

And with that I yield back.

Chairman BROUN. Thank you, Mr. McNerney.

I now recognize Mrs. Adams for five minutes.

Mrs. ADAMS. Thank you, Mr. Chair.

Dr. Rusco, your testimony notes that DOE has only implemented two of your eight recommendations concerning weatherization programs that received $5 billion in stimulus funds. Have any independently verified studies been conducted to see what energy savings have occurred as a result of this program?

Dr. RUSCO. There is a study being done by Oakridge National Lab, and they have some preliminary results, but they are also, I think, in two years going to have more definitive results of that study.

Mrs. ADAMS. So there is one independent to your knowledge?

Dr. RUSCO. Yes.

Mrs. ADAMS. And the five billion dollars in stimulus funds given to weatherization programs is more than 20 times as much as programs was previously appropriated. Such huge increases can lead to a number of challenges for any agency that sees such an increase. Can you discuss some of the challenges faced by DOE due to the increase? And what lessons can be learned from this experience, and how can they be applied to other programs?

Dr. RUSCO. Well, I think some of the main challenges were related to ramping up both at the Department but also at the recipient level. So the recipients were not used to receiving as much funds as were available under the Recovery Act. And some recipients received hardly any funds in the past, and so for them to set up the accountability structure and to set up the training systems and the reporting systems and to get guidance from DOE took time. And those are sort of just the basic challenges of setting up something that was—that ran at a much smaller scale.

Mrs. ADAMS. Thank you.

Mr. Zinser, your testimony notes a referral from the Recovery Board that led to an investigation about a company that had previously pled guilty to a criminal charge concerning export regulations. This company then falsely certified that it had not been convicted of a crime in order to receive the stimulus funding. Which company is this, and why did it even—why did they even receive

the stimulus funds in the first place with the Recovery Board's DATA system in place?

Mr. ZINSER. Congresswoman, I believe the name of the company is MTS, and it does do a lot of work with the government. I think what happened is that when it was convicted in 2008, nobody made the effort to get it onto the government's excluded list. And so, when the company started competing for contracts, there is some ambiguity whether that particular conviction met the government's criteria for exclusion. So it said no based on advice of their counsel.

Mrs. ADAMS. So that ambiguity from their side—what about your side?

Mr. ZINSER. We referred the company for suspension and debarment from government contracting. And it has entered into an agreement with the government to have its operations monitored by an independent third party. Further, we are investigating its conduct for any potential judicial action.

Mrs. ADAMS. So instead of being disbarred, they have entered into a corporate compliance agreement and therefore continuing to operate. Would you support disbarring them?

Mr. ZINSER. We did support disbarring them, yes.

Mrs. ADAMS. Ms. Robinson, your testimony mentions inflated overhead costs for hurricane damage repair at the Johnson Space Center. Is NASA making any effort to recoup this money from the contractor?

Ms. ROBINSON. NASA could not recoup the money from the contractor. It was a fixed-price contract and amounts that they had agreed to pay.

Mrs. ADAMS. Your testimony, you know, is generally positive concerning NASA's stimulus expenditures. Is that because these funds were primarily directed towards existing programs? Or was NASA better able to manage the funding increase over other agencies?

Ms. ROBINSON. I think it was probably a combination of the fact that it was existing programs and that the Agency took steps proactively to make sure that they had set up systems to ensure the proper use of the money.

Mrs. ADAMS. Mr. Zinser, you said in an answer earlier that it was an ambitious goal to track the employment or lack of employment based on these funds. Do you think it is possible at all to truly know if it did or did not help unemployment? Because the numbers show that we are well over eight percent, so if I am going by what I see every day in my communities, I would say no, it did not help.

Mr. ZINSER. In the beginning of the Recovery Act, there were two different tracks that were set up. One was set up by the Council of Economic Advisors where they were going to determine what the impact of the Act had been on employment. The other track was for award recipients reporting the jobs created. My previous answer dealt with that second track. Trying to count the number of jobs created and the problems you run into.

Mrs. ADAMS. Well, let me ask you this. Would you agree that unemployment is higher today than it was when this was passed?

Mr. ZINSER. Based on my reading of the economic statistics, I would say that the unemployment rate is higher today than it was then.

Mrs. ADAMS. Thank you. I yield back.

Chairman BROUN. Thank you, Mrs. Adams.

I now recognize Mr. Hultgren for five minutes.

Mr. HULTGREN. Thank you, Mr. Chairman. And thank you all very much.

This is important for us to be discussing, and the American people want accountability. They want results that really make a difference and get things rolling again, so I think this is an important discussion to be having today. So thank you for the work that you are doing and for your role being here today.

It appears to me that money spent on and channeled through the national labs was money that was much better spent than these apparently rushed loan guarantees and economic interventions that we saw. Mr. Friedman, I wanted to address a question to you and wondered if you could speak to what efforts and formal studies DOE has conducted to assess and properly weigh the relative merits of funding to the labs versus other recipients. Fermilab is located in my district, and they do cutting-edge work that really is important. Given how hard it has been for DOE to find even modest additional funding for the lab, this question is very important to me, so I wonder if you could shed some light on that for me.

Mr. FRIEDMAN. Well, if you are asking whether the Department has done such a study, I am not aware of one. And they may well have. But what we have found, both in terms of the science funds and in terms of the environmental remediation funds that the Department received which were significant, the work done in preexisting programs and advancing preexisting programs at the national laboratories actually worked quite well. The requirements of the Recovery Act appear to have been followed. There was a fairly expeditious expenditure of the funds. They did hire people in fact and they have completed the—they have applied reasonably good project management skills to those funds.

Mr. HULTGREN. Okay. Well, again, thank you all for being here. I appreciate the work that you are doing in this important discussion.

I yield back.

Chairman BROUN. Thank you, Mr. Hultgren.

We will endeavor to do a second round of questioning. I now recognize myself for five minutes.

Ms. Lerner and Ms. Robinson, are there lessons learned from the Recovery Act SBIR funding that can be translated to overall SBIR programs and agencies that are so troubled by waste, fraud, and abuse? Whichever one wants to start.

Ms. ROBINSON. We believe there are. We are actually doing an ongoing audit at the moment that is looking at the Agency's Recovery Act SBIR/STTR work and we haven't quite completed it yet. But we do believe that there will be some actions that the Agency took during—before the Recovery Act that would be applicable and recommended to apply to their other programs as well, non-Recovery Act.

Chairman BROUN. Ms. Lerner.

Ms. LERNER. I would note that the greater access to data about SBIR and STTR programs that is provided through the reported data and the stimulus act was useful in trying to work those types

of cases. One of the challenges agencies have had has been the quality of data about SBIR and STTR, projects that have been funded. There have been improvements made to databases that the SBIR program is intended to maintain, but the additional data that is available from the Recovery Act is useful as well and it makes it easier for our agencies, particularly in cases where there is duplicate funding, to find opportunities to work together and to combat fraud in those programs.

Chairman BROUN. Very good.

Dr. Rusco, in GAO's 2009 testimony, they mentioned that the Recovery Act made a $2.32 billion available to energy to jointly fund private sector projects demonstrating clean coal and carbon capture and sequestration technologies. FutureGen was the subject of considerable attention by this committee after the Bush Administration decided to cancel the program citing cost overruns. Various reports and testimony, GAO found that DOE did not base its decision to restructure FutureGen on a comprehensive analysis of factors such as associated cost benefits and risks. Did DOE ever conduct the recommended analysis prior to awarding over $1 billion in stimulus funding to the project?

Dr. RUSCO. Beyond the point at which we last testified and reported, we have not looked at that program, but I am unaware of such a study at this point.

Chairman BROUN. So the answer is no.

Recently, Ameren, the owner of the power plant, announced their intent to close down the site to comply with EPA regulations leaving the restructured FutureGen project once more in limbo. What implications did this announcement have on the future of the project?

Dr. RUSCO. Again, we haven't looked at it recently but, you know, obviously they—that program has been troubled by a number of things, including the fact that in our view they haven't really reconciled the purpose of the program with what industry is willing and able to do, and I think that that needs to be looked into further.

Chairman BROUN. Okay. What is the current status of the billion dollars in stimulus funding? What impact do you anticipate the future announcement will have on the overall cost to FutureGen? And if FutureGen does not move forward, what will happen to that obligated funding?

Dr. RUSCO. Yeah, I am sorry I can't answer that at this point, but I could look into that and see if I can answer it for the record.

Chairman BROUN. Okay. Mr. Friedman, do you have any comment? Can you answer that?

Mr. FRIEDMAN. No, I can't elaborate on what has been said already, Mr. Chairman.

Chairman BROUN. Okay. To all you all, start with RATB, Mr. Wood, what oversight body is responsible for ensuring that the goals of the stimulus bill were met, and who is looking whether outcome-based metrics are being evaluated?

Mr. WOOD. The Recovery Board does coordination of the accountability mainly for waste, fraud, and abuse and passes out if we find information such as was discussed earlier, we will refer it to the Inspectors General for investigation. I think on the performance

metrics, that is an area that was not stressed in the Recovery Act. We did publish program plans for each agency that OMB required, but if you look at performance metrics per se, it is probably one of the weaker areas of the Act. We can track the dollars. We do collect information on the jobs, but the performance metrics is probably not an area where we specifically collect information.

Chairman BROUN. Anybody else want to weigh in?

Mr. ZINSER. Yeah, Mr. Chairman, in the case of NOAA, for example, they received about $150 million for habitat restoration. They have actually established a Web site, Restoration.NOAA.gov, that identifies where those projects are located, and you go to that Web site and you can click on the map and it will actually give you the performance of grant recipients associated with those projects.

Chairman BROUN. You cited one instance but we are spending billions of dollars here. Is this just one instance out of all of the stimulus funding, or is it pretty pervasive across the whole gamut of stimulus expenditures?

Mr. ZINSER. Recovery.gov does provide for analysis a lot of information about individual projects. Whether they are all outcome measures or not, I am not sure. Many are output measures, but for many, the key outcome is economic stimulus. And I think I have testified about the difficulties in calculating job creation.

Chairman BROUN. Thank you. My time has expired.

Mr. Tonko, you are recognized for five minutes.

Mr. TONKO. Thank you, Mr. Chair.

Let me congratulate all of you for the work that you have done to enhance the public's ability to see where its money goes. It also is important I think to thank you for all the work done to raise your own effort to bring accountability to the ARRA program. The transparency of ARRA is wonderful, but it does come at a cost, as was earlier stated by Representative McNerney. I would like to delve into that a little deeper.

Agencies have obviously more burdens associated with working with fund recipients and collecting data. And the IGs and the RAT Board have burdens for spot-checking reporting compliance and in aggregating data before making them available to the public. Perhaps most importantly, recipients of funds have costs in complying with reporting requirements and tracking where those funds specifically go. Now, members and staff have heard complaints over the last two years from colleges, from universities, from small businesses that that reporting is indeed onerous and confusing. Now, I am very supportive of making government funding as transparent as possible for our public. However, it should be stated that we don't want it to see—to have it serve as an unnecessary burden onto agencies or small businesses and universities.

So to our witnesses, I would like you to share your thoughts about how we can apply the lessons learned with ARRA to make government funding more transparent while not overburdening funding agencies and recipients. Just like—could you address what you believe is the right balance and should we perhaps establish a dollar value which would then kick in for further scrutiny or reporting requirements? Perhaps, Mr. Wood, we can start with you and then have the entire panel address that.

Mr. WOOD. Yeah, I think I mentioned earlier this is an excellent question. We tried to build our reporting systems to be as least burdensome as possible. There are some things I think we could do. You have mentioned some of them. One thing you could look at is raising the floor from $25,000 to a higher level. You would lose some granularity in the information you collect, but you would probably alleviate some of the small business concerns and so forth.

There are some things we could do technologically and we have done. For instance, we installed data checks and so forth to prevent people from making common mistakes, putting in the wrong ZIP code where putting a New Hampshire ZIP code with Nevada and so forth. So there are things we can do along those lines.

I think the other thing we did in the Recovery Act that was effective is we actually limited it to 99 data elements. That sounds like a lot, but that is a limited data set for some of the things the Federal Government does. I think you could even look at reducing the number of data elements some, making sure that you really were collecting exactly what you wanted. And you could do some prepopulation of those data elements. You could use existing government systems that might have information in them to pre-populate it. So, even though there were data elements that needed to be reported, it wasn't burdensome for the person filing the report.

Mr. TONKO. Um-hum. Dr. Rusco.

Dr. RUSCO. I think improved guidance from programming agencies would help and that was one of the big challenges. Getting that guidance to be clear and timely was a challenge, and hopefully that is also a lesson learned going forward.

Mr. TONKO. Um-hum. Mr. Friedman.

Mr. FRIEDMAN. Well, of course you have hit, Mr. Tonko, on one of the really important questions that have come out of this, and I appreciate that.

Look, I think we need a risk-based strategy, we need thresholds that make sense, and that is one of the lessons that I think we have learned. We heard the same thing from recipients that you are alluding to, which is that they felt the reporting requirements were overly burdensome and not necessarily productive, and we agree with that.

I would just—one note of caution, though, that if the body politic is prepared to accept the thresholds and understand the risks associated with accepting those thresholds and no reporting below the threshold or limited reporting, that would be okay. But if, on the other hand, at the end of the day we are going to adopt such a mechanism and then have people criticize the fact that there wasn't reporting and there wasn't adequate oversight below those thresholds, we will have actually ended up, I think, moving a ball backwards rather than moving the ball forward. I don't know if that makes any sense. I hope that addresses your question.

I think the—several Members of the Subcommittee have hit on some extremely important points with regard to lessons learned and best practices, and if we spent 3/4 of a billion dollars or $800 million on the Stimulus Act and if we haven't learned both in the IG community, in the program part of our agencies, and frankly the Congress if I may say so, if we haven't learned a lot, then shame on all of us.

Mr. TONKO. Thank you. Mr. Zinser.

Mr. ZINSER. Well, Mr. Wood knows better than anybody about the development of FederalReporting.gov. Early on I think the RAT Board thought that it would just use existing financial systems to access grantee and contractor information. To navigate those labyrinthine systems, however, would take years. So the RAT Board came up with this FederalReporting.gov system, and I think the legislation that Mike referred to is intended to institutionalize that for all government spending, and we think that would be a good idea.

One of the problems the system encountered was that it was layered over existing reporting systems. There were a lot of complaints early on. We have been through nine quarters of reporting now, and the complaints have subsided. The recipient data now have a high quality. All the OIGs have done audits of the data quality, so the data is better, and I think if we were able to get rid of some of the legacy systems in place of this FederalReporting.gov that would be an improvement.

Mr. TONKO. Thank you. Ms. Lerner.

Ms. LERNER. I would concur with what Mr. Zinser said. I certainly have heard a lot of complaints about the burden, especially in the early days from NSF recipients. And I have some sympathy with that. But, I think part of the reason people feel overburdened is because they have to report data not just to the Recovery Board but to multiple other sources for the Federal Government. And I think, moving forward, if we could get to a point where we could combine many of those sources which often require overlapping data, we would achieve some cost-savings because we wouldn't be separately maintaining dozens of different reporting systems, just the single one. We would have improved accountability because it would be one-stop shopping for data, and hopefully in a situation like that we could expand on the data collected in a way that would provide more useful information to people like me and people like you for oversight purposes at a lesser burden on the recipients.

Mr. TONKO. Thank you. And finally, Ms. Robinson.

Ms. ROBINSON. I don't really have anything to add to that. I think it is pretty much all done by the panel.

Mr. TONKO. Thank you very much to all of you.

Thank you, Mr. Chairman.

Chairman BROUN. The gentleman's time has expired.

Well, I have a lot of leeway here, and I am not going to run things real tight, particularly when we are looking into an issue such as oversight, transparency, and accountability.

To me, the good thing that has come out of the stimulus act is that I do think we have more transparency and accountability for federal spending. We have certainly identified some problems in regard to trying to pour a massive amount of money, almost a trillion dollars, and I respectfully disagree with my friend from New York about the success of the Stimulus Act.

I think it has been—you can't pour almost a trillion dollars into the economy without having some positive effects, but I think overall it has been an abject failure and the metrics I use for determining that is we were promised by the President that if we passed this stimulus bill—and you and I both were here during that period

of time, Mr. Tonko, that our unemployment rate would not go above eight percent and it has steadily risen to over 10 percent. In my district it is over 10 percent; in my State it is over 10 percent today. So there are other ways, I think, that are better of stimulating the economy and that is getting the tax burden and regulatory burden off the private sector so that we can start creating jobs and start creating a strong economy.

Having said that, I want to thank the witnesses for all being here and for you all's valuable testimony. It has been very enlightening and I appreciate you all's hard work. In that regard, I thank members for their very insightful questions, too.

Members of the Subcommittee may have additional questions for you all, and we ask that you respond in writing to those questions that will be submitted. The record will remain open for two additional weeks for additional comments or questions from the Members.

The witnesses are excused. Again, thank you all so much for being here and for you all's hard work on this issue.

The hearing is now adjourned.

[Whereupon, at 11:36 a.m., the Subcommittee was adjourned.]

Appendix

Answers to Post-Hearing Questions

ANSWERS TO POST-HEARING QUESTIONS

Responses by Dr. Frank Rusco, Director,
Natural Resources and Environment Team,
Government Accountability Office

Questions Submitted by Chairman Paul C. Broun

Questions for Frank Rusco, Director
Natural Resources and Environment
U.S. Government Accountability Office

Questions for the Record Submitted by Representative Broun

1. **Which entity in the government has the lead in verifying how many jobs were created by the stimulus bill? Are individual agencies responsible for developing these numbers? If so, who reviews and verifies their methodology?**

GAO Response:

Three entities play a role in the process of quantifying the jobs that were created by the Recovery Act – recipients, federal agencies, and the Recovery Accountability and Transparency Board (Recovery Board). Nonfederal recipients of Recovery Act funded grants, contracts, or loans are required to submit reports with information on each project or activity, including an estimate of the jobs created or retained.[1] In its guidance to recipients for estimating employment effects, The Office of Management and Budget (OMB) instructed recipients to report only the direct employment effects as "jobs created or retained" as a single number.[2] In its guidance, OMB also provides a definition for what recipients should consider as "full-time equivalent," which is used to determine the number of jobs created. Recipients are to file reports for any quarter in which they receive Recovery Act funds directly from the federal government. While recipient reporting under the Recovery Act represents a step forward in federal spending transparency, it has also highlighted problems in obtaining quality recipient reported data due to the overall complexity of funded programs and the nationwide scope. OMB and the Recovery Board have been responsive to feedback through updated guidance and system enhancements and also improved recipient reported data quality and reliability. However, "full-time equivalent" calculations continue to result in noncomparable data across Recovery Act funded programs and pose problems for some recipients as evidenced through our field work in selected jurisdictions.

In an effort to address the level of risk in recipient reporting, OMB's June 22, 2009, guidance[3] on recipient reporting includes a requirement for data quality reviews. OMB's data quality guidance is intended to address two key data problems—material omissions and significant reporting errors. Material omissions and significant reporting errors are risks that

[1]Recovery Act, div. A, § 1512. Neither individuals nor recipients receiving funds through entitlement programs, such as Medicaid, or tax programs are required to report.

[2]OMB Memoranda, M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009* (June 22, 2009).

[3]OMB Memoranda, M-09-21.

the information is incomplete and inaccurate.[4] OMB gave specific time frames for reporting that allow recipients time to enter their information and review the data to ensure that complete and accurate reporting information is provided prior to a federal agency review and comment period. Subsequent to the recipients reviewing their information, federal agencies perform data quality reviews and notify the recipients of any data anomalies or questions, at which time they may make data corrections. Recipients have the ultimate responsibility for data quality checks and the final submission of the data. Since this is a cumulative reporting process, additional corrections can take place on a quarterly basis.

OMB requires federal agencies to develop data quality plans to articulate how they intend to detect and correct material omissions and significant reporting errors.[5] In our May 2010 report on the Recovery Act,[6] officials from almost all of the programs included in the review that had awarded funds for the second reporting round told us that they conduct automated checks of data, specifically of the numerical fields. For example, Department of Energy (DOE) officials told us that they ensure the quality of recipient reported data for the Weatherization Assistance Program primarily through an automated analysis of key data fields, including the jobs calculated. In a few cases, they also manually review the data for other anomalies.

Most recently, in our December 2011 report on DOE's Weatherization Assistance Program,[7] we found that each quarter, DOE performs quality assurance steps on the data that recipients provide to FederalReporting.gov, and officials reported that data quality continues to improve. Through these reviews and their interactions with recipients, DOE weatherization officials concluded that recipients now understand the reporting process and stated that the data reported for each reporting period have been of higher quality than the previous period.

In our April 2011 report on DOE's Energy Efficiency and Conservation Block Grant program (EECBG),[8] we found that in each quarter, the agency performs quality assurance steps on the data that recipients provide to FederalReporting.gov, including checks that are performed centrally across all their Recovery Act programs and review done by EECBG project officers at the program level. Based on these reviews, DOE officials reported that most recipients of Recovery Act funds have reported to FederalReporting.gov in previous rounds and now understand the reporting process, resulting in the reporting proceeding more smoothly. In this report, we also found that DOE performed several checks of the data

[4]Material omissions are defined as instances where required data are not reported or reported information is not otherwise responsive to the data requests resulting in a significant risk that the public is not fully informed as to the status of a Recovery Act project or activity. Significant reporting errors are defined as those instances where required data are not reported and such erroneous reporting results in significant risk that the public will be misled or confused by the recipient report in question.

[5]For the third reporting round, OMB added a third category of data quality issues—administrative/technical—for federal agencies to identify and track.

[6]GAO, *Recovery Act: Increasing the Public's Understanding of What Funds Are Being Spent on and What Outcomes Are Expected*, GAO-10-581 (Washington, D.C.: May 27, 2010).

[7]GAO, *Recovery Act: Progress and Challenges in Spending Weatherization Funds*, GAO-12-195 (Washington, D.C.: December 16, 2011).

[8]GAO, *Recovery Act: Energy Efficiency and Conservation Block Grant Recipients Face Challenges Meeting Legislative and Program Goals and Requirements*, GAO-11-379 (Washington, D.C.: April 7, 2011).

centrally as information became available. The agency compared jobs data from two reporting systems and contacted recipients to make necessary corrections when discrepancies were found. DOE also followed up with grant recipients who did not report to FederalReporting.gov.

In our May 2010 Recovery Act report,[9] we found that, in light of the importance of the quality of the Recovery Act data, the Recovery Accountability and Transparency Board (Recovery Board) worked with federal Inspectors General to establish a multiphased review process to look at the quality of the data submitted by Recovery Act recipients. At that time, the process had focused on (1) whether agencies developed data quality reviews in anticipation of the data to be submitted and (2) identified data errors and omissions in recipients' first cycle reports and factors that may have contributed to them and the actions taken by agencies, OMB, and the Recovery Board to improve the quality of the data that recipients would submit in future reporting cycles. According to the Recovery Board, future reports would focus on the effectiveness of the agency data quality review processes.

[9]GAO-10-581.

2. **Please provide an estimate on the percentage of government wide, stimulus funded projects [that] were in fact "shovel ready."**

GAO Response:

GAO has not calculated an estimate of "shovel ready" stimulus-funded projects. In our February 2010 Recovery Act report,[10] we found that there was a lack of clarity on the meaning of "shovel ready." Because there is no official definition of "shovel ready," local officials had different interpretations of the concept. According to officials at the National Association of Counties, localities had designated certain projects "shovel ready," but the necessary background work for these projects had not in fact been completed. Thus, it is unlikely that there is a meaningful estimate of those projects that were "shovel ready."

[10]GAO, *Recovery Act: Project Selection and Starts Are Influenced by Certain Federal Requirements and Other Factors*, GAO-10-383 (Washington, D.C.: February 10, 2010).

3. **How many of the ARRA-related recommendations your office provided to the Department have not been implemented or accepted? Please list them as well as how long they have been delinquent in addressing your recommendations.**

GAO Response:

In four GAO reports that addressed, among other things, Recovery Act-related funding to the Department of Energy (DOE), [11] GAO made a total of 18 recommendations directed to the following four DOE programs: (1) Energy Efficiency and Conservation Block Grant Program, (2) Environmental Cleanup Projects, (3) Loan Guarantee Program for Innovative Technologies, and the (4) Weatherization Assistance Program. Of the 18 recommendations, 6 have been closed[12] and 12 remain open. Of the 12 that remain open, DOE has taken some action on at least 6.[13]

Table 1 shows the four DOE programs, the date GAO made recommendations to DOE, and the total number of recommendations, closed recommendations, open recommendations, and open recommendations for which the agency has reported that it took some action.

Table 1: Status of GAO's Recommendations to DOE for Recovery Act-Related Funding

	GAO RECOMMENDATIONS				
Program	**Date Made**	**Total Number**	**Number Closed**	**Number Open**	**Number Open, with Some Action Taken**
Energy Efficiency and Conservation Block Grant Program	4/7/2011	2	1	1	1
Environmental Cleanup Projects	7/29/2010	4	0	4	2
Loan Guarantee Program for Innovative Technologies	7/12/2010	4	1	3	0
Weatherization Assistance Program	5/26/2010	8	4	4	3
	Total	**18**	**6**	**12**	**6**

[11]GAO. *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability*, GAO-10-604 (Washington, D.C.: May 26, 2010); *Department of Energy: Further Actions Are Needed to Improve DOE's Ability to Evaluate and Implement the Loan Guarantee Program*, GAO-10-627 (Washington, D.C.: July 12, 2010); *Recovery Act: Most DOE Cleanup Projects Appear to Be Meeting Cost and Schedule Targets, but Assessing Impact of Spending Remains a Challenge*, GAO-10-784 (Washington, D.C.: July 29, 2010); *Recovery Act: Energy Efficiency and Conservation Block Grant Recipients Face Challenges Meeting Legislative and Program Goals and Requirements*, GAO-11-379 (Washington, D.C.: Apr. 7, 2011).

[12]One of the six closed recommendations was closed, but not implemented by DOE. According to DOE officials, our recommendation to the Weatherization Assistance Program to develop a best practice guide for key internal controls was redundant, because they felt that there were sufficient documents already available online to require internal controls, such as the grant terms and conditions, and a training module.

[13]GAO periodically reviews agency actions to respond to our recommendations. In the interim between such reviews, it is possible agencies with outstanding recommendations have taken steps that we are not aware of.

Table 2 details the 12 Recovery Act-related recommendations to DOE that remain open as of February 17, 2012.

Table 2: DOE's Open Recommendations for Four Programs with Recovery Act-Related Funding

Program	Open Recommendation(s)
Energy Efficiency and Conservation Block Grant Program	*To better ensure that EECBG funds are used to meet Recovery Act and program goals, we are recommending that the Secretary of Energy take the following action:* (1) Explore a means to capture information on the monitoring processes of all recipients to make certain that recipients have effective monitoring practices.
Environmental Cleanup Projects	*To help ensure successful completion of Recovery Act projects and apply lessons learned to DOE's larger cleanup effort, we recommend that the Secretary of Energy direct the Assistant Secretary of Environmental Management to take the following four actions:* (1) Determine whether additional project management and oversight steps adopted for Recovery Act projects, such as more frequent reporting, have proven beneficial and whether these steps would be effective and appropriate for DOE's cleanup projects funded under annual appropriations. (2) Clarify the methodology used to calculate any supplemental job creation figures in addition to prime contractor and subcontractor FTEs, such as head count—that is workers who have charged any amount of time to Recovery Act projects—so that users of this information fully understand what each number represents and its significance and limitations. (3) Develop clear, quantifiable, and consistent measures for determining the impact of Recovery Act funding on environmental risk. As part of this effort, clearly define what the DOE footprint consists of, determine how changes to the footprint will be measured, and ensure that all DOE sites report changes to their footprint in a consistent and comparable manner. (4) Ensure that savings estimates over the life of the cleanup projects are calculated according to OMB and DOE guidance, so that these estimates accurately represent potential savings and reflect costs adjusted for both inflation and the time value of money.
Loan Guarantee Program for Innovative Technologies	*To improve DOE's ability to evaluate and implement the LGP, we recommend that the Secretary of Energy take the following actions:* (1) Direct the program management to develop relevant performance goals that reflect the full range of policy goals and activities for the program, and to the extent necessary, revise the performance measures to align with these goals. (2) Direct the program management to revise the process for issuing loan guarantees to clearly establish what circumstances warrant disparate treatment of applicants so that DOE's implementation of the program treats applicants consistently unless there are clear and compelling grounds for doing otherwise (3) Direct the program management to develop an administrative appeal process for applicants who believe their applications were rejected in error and document the basis for conclusions regarding appeals.

Weatherization Assistance Program	*Given the concerns we have raised about whether weatherization program requirements were being met, we recommended that DOE, in conjunction with both state and local weatherization agencies, develop and clarify weatherization program guidance that:* (1) Accelerates current DOE efforts to develop national standards for weatherization training, certification, and accreditation, efforts that are currently expected to take 2 years to complete. (2) Sets time frames for development and implementation of state monitoring programs. (3) Revisits the various methodologies used in determining the weatherization work that should be performed based on the consideration of cost-effectiveness, and develops standard methodologies that ensure that priority is given to the most cost-effective weatherization work. To validate any methodologies created, this effort should include the development of standards for accurately measuring the long-term energy savings resulting from weatherization work conducted. (4) Given that state and local agencies have felt pressure to meet a large increase in production targets while effectively meeting program requirements and have experienced some confusion over production targets, funding obligations, and associated consequences for not meeting production and funding goals, we recommended that DOE clarify its production targets, funding deadlines, and associated consequences while providing a balanced emphasis on the importance of meeting program requirements.

Responses by Mr. Michael Wood,
Executive Director,
Recovery Accountability and Transparency Board

Questions Submitted by Chairman Paul C. Broun

Questions and Answers for the Record

"Stimulus Oversight: An Update on Accountability, Transparency, and Performance"

Wednesday, November 30, 2011, 10:00 a.m. - 12:00 p.m.
2318 Rayburn House Office Building

Questions for Mr. Michael Wood,
Executive Director, Recovery Accountability and Transparency Board

Questions submitted by Dr. Paul Broun, Chairman

1. **Has the Board or any other federal entity conducted any review to accurately measure the impacts that American Recovery and Reinvestment Act (ARRA) funding had on our nation's economy, including job creation and economic impact?**

With a twin mission of ensuring accountability and transparency in Recovery spending, the Recovery Accountability and Transparency Board (Board) provides historic levels of transparency on how $840 billion in Recovery funds are being spent and implements processes to help detect and prevent fraud, waste and abuse in the Recovery program.

To track the movement of ARRA funds, the Board collects numerous data points from recipients of ARRA awards. Federal Agencies that disburse Recovery Act funds and the Offices of Inspectors General (OIGs) responsible for the oversight of those funds conduct data quality reviews of recipient reported data. The Board has taken steps to ensure accurate reporting and works with the agencies and Inspectors General (IGs) to improve data quality. Beyond this, the Board's mission does not involve measuring the impact that the Recovery Act has had on our nation's economy.

While the Board maintains the government's definitive web site on Recovery, including the number of jobs created and/or retained as reported by recipients, the Board has not directly evaluated or reported on the impact of Recovery on the economy or jobs. The Board provides unbiased data for use by others who would opine on this subject. ARRA specifically directs the Council of Economic Advisors to look at the impact of ARRA on the economy. Other groups, including the Congressional Budget Office, have produced reports on jobs and the overall Impact the Recovery Act is having on our nation's economy. These reports are available on Recovery.gov. Additionally Agency plans for Recovery spending and IG reports on implementation of the Act are available on this web site.

2. **The RATB recently issued a paper urging the adoption of a single, uniform grant award identification numbering system. What response have you received from OMB and other federal agencies about this proposal?**

The Board continues to support the concept of a "Uniform Award ID" (UAID) based on the need for government data standards and the goal of alleviating problems with reconciling spending data. . The Board directed a review of this issue and has developed information on possible approaches to implementation along with associated impacts. To date there has been broad interest in designing and implementing a UAID.

OMB and key agencies such as Department of Treasury, Health and Human Services (the largest grants department) and Department of Defense (the largest contracts department), have evaluated the Board's work through the Government Accountability and Transparency Board (GATB) process and identified a need to continue working towards this goal as part of the December 2011 GATB report to the President.

As part of the Board's work, agencies were interviewed to determine the feasibility of and possible implementation strategies for a UAID. Agencies provided valuable concepts and challenges that must be considered, such as:

- establishing a UAID should not impact existing agencies' systems in a way that would impose potential cost burdens
- processes could be used to assign a UAID to reduce adding further layers to an already cumbersome reporting process.
- reporting is done differently for grants and for contracts through two different reporting mechanisms, and with different time periods - an assigned UAID, could add clarity to the process

The Board is continuing to explore and develop options.

3. **Which entity in the government has the lead in verifying how many jobs were created by the ARRA? Are individual agencies responsible for developing these numbers? If so, who reviews and verifies their methodology?**

As mandated by the Recovery Act, prime recipients of ARRA awards are ultimately responsible for reporting the number of jobs created and/or retained with Recovery Act funds. However, for many programs, the majority of reported jobs are at the sub-recipient level. The prime recipient is responsible for the quality of this data. The job numbers are submitted quarterly, along with numerous other data fields, to the Board via its FederalReporting.gov portal. As mandated by ARRA, at the conclusion of each quarterly reporting cycle, data and recipient reports are displayed and made available on Recovery.gov, the Board's public facing website.

The Office of Management and Budget (OMB) establishes and enforces the policies and guidelines which govern recipient reported data. OMB guidance, specifically M-10-08 dated December 18, 2009, identifies how jobs are to be reported each quarter. To the extent that they are able to, during the review period, agencies provide quality assurance by examining the jobs data submitted by recipients.

The Board reviews the jobs data in broad analysis. If sharp variances from previously reported data are detected, the Board's Data Analysis Team further reviews the data to verify its accuracy. Based on reporting experience, the Board has incorporated edit checks in the process used by FederalReporting.gov to eliminate nonsensical and frivolous job reporting, e.g. the number of jobs should not equal the dollar amount of the award, or the total number of jobs must be smaller than the award amount divided by what the minimum wage is.

Recipient reported data is also audited and reviewed by the Government Accountability Office (GAO) and the 29 Inspectors General with ARRA oversight responsibility. The GAO was required to comment on aspects of the jobs created or retained as reported by recipients of ARRA funds and has produced reports that address the extent to which recipients were able to fulfill reporting requirements and the processes in place to help ensure data quality. The 29 IGs with ARRA oversight responsibility have conducted more than one thousand ARRA related audits, reviews, inspections, and evaluations, some of which include recipient reported jobs data within their objectives. All published ARRA related reports are available on the Recovery.gov website.

4. **Please provide an estimate on the percentage of government wide, ARRA funded projects that were in fact "shovel ready."**

The agencies were to identify what projects were shovel ready, however, no concrete definition of "shovel ready" was ever provided. State officials focused on projects that they felt were shovel ready, helping agencies make appropriate awards. The ARRA funding that began in February 2009 (FY2009) was supposed to be used by agencies to fund projects that were either underway or ready to begin at some point after the second quarter of FY2009.

Based upon award date, approximately 63 percent of all ARRA projects were funded during FY 2009. For example, the Department of Transportation (DOT) awarded 60 percent of its ARRA awards by September 30, 2009 - approximately 59 percent of its total awarded amount. In many cases, the Department of Transportation, through its Federal Highway program, required states to have submitted and approved projects; thus the agency was able to make ARRA awards to already approved projects that were either on-going or could quickly be implemented.

In a similar vein, the Department of Education, through the State Fiscal Stabilization Fund (a one-time ARRA program), made 47 percent of its awards in FY 2009, which made

up approximately 81 percent of funded amount for the program. The program was funded at $53.7 billion.

These DOT programs and the State Fiscal Stabilization Fund represent about 35 percent of all the ARRA funded contract, grant and loan programs. Overall, the Federal agencies were able to get very close to the requirement of awarding 70 percent of the ARRA funds during FY2009.

5. **How many of the ARRA-related recommendations your office provided to the Department have not been implemented or accepted? Please list them as well as how long they have been delinquent in addressing your recommendations.**

The Board's role has been to carefully monitor all Recovery Act spending through our Recovery Operations Center, and to maintain a centralized Recovery fraud hotline through the official government Recovery website, Recovery.gov. The Board refers information and matters of concern directly to the various OIGs responsible for the oversight of their Agency operations. Under this process, the Board has not made direct recommendations to Agencies. OIGs responsible for ARRA oversight independently send recommendations to their Department based on their audit, inspections and evaluations work. Each IG tracks recommendations in conjunction with their Departments, including recommendations that have not been implemented or accepted.

Responses by Hon. Gregory Friedman,
Inspector General,
U.S. Department of Energy

Questions Submitted by Chairman Paul C. Broun

Questions for the Record Submitted by Dr. Paul Broun, Chairman

1. *Your testimony noted that there have been problems in the quality of weatherization work.*
   a. *Based on your office's review of weatherization programs, how susceptible is the program to waste, fraud, and abuse? How confident are you that the job creation data based upon state weatherization programs is accurate?*

As we noted in our testimony, the Weatherization Program received $5 billion in Recovery Act funding, a more than 10-fold increase from its Fiscal Year 2009 budget of $450 million. As we have stated in several of our reports focusing on weatherization, our concern has been that the understandable desire to rapidly spend weatherization funds could lead to an environment conducive to wasteful, inefficient, and perhaps, even abusive practices.

With regard to job creation data, while we have noted some data concerns in our weatherization-related reviews, we have not evaluated its pervasiveness and have no specific information that raises larger concerns about the accuracy of job creation data.

2. *Your testimony discussed the challenges caused by the desire to quickly approve grants. What were some of these challenges and how were they resolved by the Department, if at all?*

The results of our reviews confirmed that while many program activities appeared to be straightforward, despite the best efforts of the Department, programs with many moving parts were extraordinarily difficult to manage. In many cases, program execution depended on the ability of the Federal government, state government, grant recipients and contractors to respond to a rapid and, at times, overwhelming increase in funding within existing regulatory guidelines. Further, these challenges were exacerbated by certain conditions and events, some of which were out of the Department's control, including state budget difficulties, availability of trained and experienced staff, and regulatory requirements.

In terms of mitigating and resolving these challenges, as in the case of the Weatherization Program, the Department has been responsive to the findings in our reviews and to the need to provide adequate and effective monitoring efforts.

3. *As ARRA oversight shifts from a preventative focus to an investigation and audit focus, how does this impact your staffing composition? Do you require different skill sets?*

Since passage of the Recovery Act, the Office of Inspector General has sought to provide effective oversight that focused on both proactive and reactive elements. Utilizing a multi-tiered audit approach, we have transitioned from reviewing preventative measures such as internal control structures to examining the use of funds by contract and grant recipients through transaction testing. Since enactment, we have focused on "real time" reviews as policies and procedures were developed to provide immediate feedback on

areas needing improvement. Concurrently, we have maintained an aggressive law enforcement presence relating to potential Recovery Act-related fraud. While both our audit and investigative efforts continue, we have maintained both a preventative and reactive approach from the outset. As a result, our current and future efforts relating to the Recovery Act should not impact our staffing composition or require different skill sets.

4. *What percentage of projects funded by the Department with stimulus money were in fact "shovel ready?"*

As we noted in our testimony, through the course of our reviews, we found that the concept of "shovel ready" projects was, in most cases, not realized. While specific efforts by the Department, including the expansion of existing projects related to environmental cleanup may be viewed as shovel ready, many Departmental programs and projects receiving Recovery Act funds did not fall under the category of shovel ready. With that said, it would be extremely difficult to translate this consideration on shovel ready projects into a specific percentage.

5. *How many of the ARRA-related recommendations your office provided to the Department have not been implemented or accepted? Please list them as well as how long they have been delinquent in addressing your recommendations.*

As of the date of your request, 58 Recovery Act-related Office of Inspector General recommendations remain open. A detailed account of these open recommendations is provided in the following table. Open recommendations include instances where no action has been taken to date or where corrective actions are in process, but additional steps are needed to fully address our findings and recommendations. In many instances, the open recommendations listed below have been accepted and are in the process of being implemented by the Department.

The Office of the Chief Financial Officer (CFO) is the Department's designated audit follow-up official and maintains the agency's audit follow-up system, known as the Departmental Audit Report Tracking System. The CFO's system is the primary source of the provided information. As part of this process, the CFO works with responsible program and administrative elements to ensure that audit recommendations and corrective actions are appropriately tracked.

Enclosure 1 (continued)

Department of Energy Office of Inspector General Recovery Act Reports with Open Recommendations	
Open Recommendation(s)	**Date Issued**
Department of Energy Efforts to Manage Information Technology Resources in an Energy-Efficient and Environmentally Responsible Manner (OAS-RA-09-03)	
The Administrator, National Nuclear Security Administration, the Under Secretary of Energy, and the Under Secretary for Science, in coordination with the Department and National Nuclear Security Administration Chief Information Officers, analyze the costs and benefits of utilizing thin-client computing in an unclassified environment and implement the results to the extent practical.	5/27/09
The Administrator, National Nuclear Security Administration, the Under Secretary of Energy, and the Under Secretary for Science, in coordination with the Department and National Nuclear Security Administration Chief Information Officers, identify and implement mechanisms to reduce data center energy consumption, including but not limited to conducting energy usage assessments and implementing the use of existing Department automated tools.	5/27/09
Management of Energy Savings Performance Contract Delivery Orders at the Department of Energy (IG-0822)	
We recommend that the Administrator, National Nuclear Security Administration, through the Senior Procurement Executive, direct the Contracting Officer to promptly make a determination on the need for an equitable adjustment on the Y-12 and Pantex ESPC orders for projects that no longer generate savings.	9/10/09
The Department of Energy's Management of Contractor Fines, Penalties, and Legal Costs (IG-0825)	
To address the weaknesses associated with the payment of unallowable costs and the review and approval of settlements, we recommend that the Department's Office of the General Counsel and the National Nuclear Security Administration's Office of General Counsel determine the need to revise regulations to require that Legal Management Plans define the types of settlements that would require the contractor to obtain the Department's approval.	9/30/09
Progress in Implementing the Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act (OAS-RA-10-04)	
The Department re-evaluate its monitoring and staffing plans and adjust them as necessary to prevent, detect, and remedy instances of fraud, waste and abuse of Recovery Act funds.	2/19/2010

Enclosure 1 (continued)

Management Controls over the Commonwealth of Virginia's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program (OAS-RA-10-11)	
To ensure the success of the Weatherization Assistance Program, we recommend that the Department's Assistant Secretary for Energy Efficiency and Renewable Energy ensure that Virginia establishes financial and reporting controls, including: a. Conducting on-site monitoring of sub-grantee financial activities as required by its approved Weatherization Program State Plan; b. Reviewing prior sub-grantee billings and seeking reimbursement for any amounts erroneously charged; c. Periodically reconciling the amount of funds invoiced and reimbursed to sub-grantee's actual costs; d. Maintaining inventories of vehicles and equipment; and, e. Correcting identified production reporting weaknesses.	5/26/10
To ensure the success of the Weatherization Assistance Program, we recommend that the Department's Assistant Secretary for Energy Efficiency and Renewable Energy ensure that Federal project officers responsible for monitoring grantees include financial reviews and evaluations of reporting capability in their on-site monitoring visits.	5/26/10
The Department of Energy's Use of the Weatherization Assistance Program Formula for Allocating Funds under the American Recovery and Reinvestment Act (OAS-RA-10-13)	
To address the particular allocation issue discussed in this report and to help improve the overall effectiveness of the Weatherization Program, we recommend that the Assistant Secretary for Energy Efficiency and Renewable Energy revise the Weatherization grant allocation formula in the Code of Federal Regulations to reflect current EIA data.	6/11/10
The State of Illinois Weatherization Assistance Program (OAS-RA-11-01)	
To address the significant deficiencies we observed during our audit, we recommend that the Assistant Secretary for Energy Efficiency and Renewable Energy take immediate action to ensure that the State of Illinois' Weatherization Program: a. Analyzes its monitoring reports to identify and recommend correction of systemic problems and to ensure that those contractors, inspectors, and assessors who repeatedly under-perform, address known weaknesses; b. Determines that the cost of materials is reasonable and supported with required documentation and establishes guidance regarding the percentage	10/14/10

Enclosure 1 (continued)

of mark-up on materials for tax, carrying cost, and overhead; c. Completes the implementation of the proposed State-wide weatherization training and certification for contractors and crew leads; and d. As appropriate, takes action to suspend funding or impose other available sanctions to help achieve compliance with program quality requirements.	
To address the significant deficiencies we observed during our audit, we recommend that the Assistant Secretary for Energy Efficiency and Renewable Energy take action to ensure that the State of Illinois requires CEDA to: a. Improve its initial assessment and final inspection processes by examining completed and final inspected homes, analyzing results, and taking corrective action on any deficiencies noted; and b. Implement a formal follow-up process to ensure that corrective action plans addressing needed contractor improvements have been implemented.	10/14/10
Selected Aspects of the Commonwealth of Pennsylvania's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program (OAS-RA-11-02)	
To achieve the objectives of the Recovery Act, we recommend that the Assistant Secretary for Energy Efficiency and Renewable Energy ensure that Pennsylvania reviews and validates the accuracy of data contained in and output from the weatherization tracking system.	11/1/10
The Department of Energy's Loan Guarantee Program for Clean Energy Technologies (IG-0849)	
We recommend that the Executive Director, Loan Programs Office, update existing or create new policies and procedures to establish a formal lessons learned process to include loan review process improvements to date; and ensure that roles and responsibilities, including those for reviewing independent advisors costs, are clearly defined.	3/3/11
We recommend that the Executive Director, Loan Programs Office, revisit loan guarantees that have been closed or that are in conditional commitment to ensure that documentation supporting decisions made during the due diligence process is adequately accounted for and maintained in a central location.	3/3/11
The Department of Energy's Geothermal Technologies Program under the American Recovery and Reinvestment Act (OAS-RA-11-05)	
To help achieve the objectives of the Recovery Act, as they relate to the Geothermal Technologies Program, we recommend the Acting Deputy Assistant Secretary for Renewable Energy direct responsible officials to develop formal procedures for project officer review of projects including compliance with Davis-Bacon Act provisions.	3/22/11

Enclosure 1 (continued)

To help achieve the objectives of the Recovery Act, as they relate to the Geothermal Technologies Program, we recommend the Acting Deputy Assistant Secretary for Renewable Energy direct responsible officials to provide training to recipients as necessary to ensure compliance with Federal award requirements in areas such as Federal cost standards and Davis-Bacon Act compliance for wage rates.	3/22/11
To help achieve the objectives of the Recovery Act, as they relate to the Geothermal Technologies Program, we recommend the Acting Deputy Assistant Secretary for Renewable Energy direct responsible officials to require awardees to amend subcontracts to include compliance with Davis-Bacon Act requirements where applicable.	3/22/11
The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Wisconsin (OAS-RA-11-07)	
To achieve the goals of the Recovery Act and the Department's Weatherization Program, we suggest that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy determine the appropriate level of documentation required to be retained to support applicant eligibility.	6/6/11
To achieve the goals of the Recovery Act and the Department's Weatherization Program, we suggest that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy ensure that Wisconsin monitors local agency financial activities in accordance with requirements to separately account for Recovery Act expenditures.	6/6/11
To achieve the goals of the Recovery Act and the Department's Weatherization Program, we suggest that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy complete the review of Ashland's allocation of costs to the Weatherization Program.	6/6/11
To achieve the goals of the Recovery Act and the Department's Weatherization Program, we suggest that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy recover funds that may be determined to be unreasonable based on the Ashland cost allocation review.	6/6/11
The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of West Virginia (OAS-RA-11-09)	
To address the deficiencies identified in our audit and to help ensure the success of the West Virginia Weatherization Assistance Program, we recommend that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy ensures that West Virginia takes immediate action to address the quality of weatherization services provided, including requiring local agencies to document the specific results of their individual Post Work Inspections on completed homes.	6/13/11
To address the deficiencies identified in our audit and to help ensure the success of the West Virginia Weatherization Assistance Program requires local agencies to develop policies and procedures to institute proper tracking, documentation and allocation of administrative personnel charges.	6/13/11
To address the deficiencies identified in our audit and to help ensure the	6/13/11

Enclosure 1 (continued)

success of the West Virginia Weatherization Assistance Program develops a methodology to provide assurance that Department Program funding is not used to weatherize homes/units that have received weatherization services after September 30, 1994.	
Further, we recommend that the Department's Contracting Officer work with the State of West Virginia to resolve questioned costs in the amount of almost $20,000 associated with sole source procurements and allocations for administrative personnel charges.	6/13/11
The Department of Energy's American Recovery and Reinvestment Act – California State Energy Program (OAS-RA-11-10)	
To ensure that the issues addressed in this report are resolved and in light of California's program results to date we recommend that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy establish and implement clearly defined roles and responsibilities to ensure that the Commission's internal control weaknesses are resolved.	7/28/11
To ensure that the issues addressed in this report are resolved and in light of California's program results to date we recommend that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy aggressively monitor the Commission's progress toward achieving its SEP Recovery Act goals and take appropriate action to maximize the achievement of those goals.	7/28/11
To ensure that the issues addressed in this report are resolved and in light of California's program results to date we recommend that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy determine whether completion of the Commission's planned actions are possible, and, as appropriate, reallocate funds to other projects if necessary.	7/28/11
The Advanced Research Projects Agency – Energy (OAS-RA-11-11)	
To address the issues noted in this report and ensure that ARPA-E meets its goals, we recommend that the Director, ARPA-E finalize the remaining policies and procedures related to the operation of ARPA-E, such as those related to monitoring and oversight of awardees; and termination of non-performing awards.	8/22/11
To address the issues noted in this report and ensure that ARPA-E meets its goals, we recommend that the Director, ARPA-E consult with the Headquarters Office of Procurement and Assistance Policy on the allowability of costs contained in the newly developed policy on technology transfer and outreach.	8/22/11
To address the issues noted in this report and ensure that ARPA-E meets its goals, we recommend that the Director, ARPA-E establish a process to accurately measure progress toward meeting the technology transfer and outreach spending requirement.	8/22/11
To address the issues noted in this report and ensure that ARPA-E meets its goals, we recommend that the Director, ARPA-E obtain a Contracting Officer official determination regarding the allowability of costs questioned	8/22/11

Enclosure 1 (continued)

in this report and to recover costs determined to be unallowable.	
To address the issues noted in this report and ensure that ARPA-E meets its goals, we recommend that the Director, ARPA-E communicate to recipients the types of costs that are allowable and unallowable as technology transfer and outreach costs.	8/22/11
The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Missouri (OAS-RA-11-12)	
To address the deficiencies we observed during our audit, we recommend the Acting Assistant Secretary for Energy Efficiency and Renewable Energy take immediate action to ensure that Missouri: a. Analyzes its technical monitoring reports and makes such changes as necessary to allow it to identify and recommend corrective actions for systemic problems with regard to those contractors, inspectors, and assessors who repeatedly under-perform; and, b. Implements appropriate weatherization training and certification for contractors and local agency assessors and inspectors.	8/22/11
To address the deficiencies we observed during our audit, we recommend the Acting Assistant Secretary for Energy Efficiency and Renewable Energy take action to ensure that Missouri requires its local agencies to: a. Improve the final inspection and assessment processes by examining completed and inspected homes, analyzing results, and taking corrective action on any deficiencies noted; and, b. Implement a formal follow-up process to develop and ensure implementation of corrective action plans addressing needed contractor improvements.	8/22/11
The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Indiana (OAS-RA-11-13)	
To achieve the objectives of the Recovery Act, we recommend that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy ensure that the State of Indiana establishes and enforces policies and procedures regarding costs incurred for special circumstance charges.	8/23/11
To achieve the objectives of the Recovery Act, we recommend that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy ensure that the State of Indiana develops a methodology to provide assurance that the Department's Weatherization Program funding is not used to weatherize homes/units that have received weatherization services after September 30, 1994.	8/23/11
We also recommend that the contracting officer resolve questioned costs for special circumstance charges.	8/23/11

Enclosure 1 (continued)

Los Alamos National Laboratory Environmental Management Activities Funded by the Recovery Act (OAS-RA-11-15)	
We recommend that the Manager, Los Alamos Site Office, ensure that Los Alamos completes the review of its G&A rate structure by 2013.	8/25/11
The Status of Energy Efficiency and Conservation Block Grant Recipients' Obligations (OAS-RA-11-16)	
We recommend the Acting Assistant Secretary, Energy Efficiency and Renewable Energy verify the reliability of obligations data reported by EECBG grant recipients, including assurance that: a. Over-obligated balances have been identified and corrected; b. State energy offices have reported obligations on funds passed through to local government entities; and c. Recipients have obligated funds associated with administrative costs.	9/1/11
We recommend the Acting Assistant Secretary, Energy Efficiency and Renewable Energy identify recipients who have not satisfied their 18-month obligation commitment under the terms of the grant awards, and take action to either: a. Encourage the recipient to submit an extension for approval; or, b. Use the remedies identified in the Department regulation.	9/1/11
We recommend the Acting Assistant Secretary, Energy Efficiency and Renewable Energy complete the analysis to identify those recipients who are unlikely to expend funds within the grant period and consider alternatives for managing EECBG Recovery Act funds, including actions to: a. Assist recipients in completing projects within the grant period; b. Establish criteria for grant performance period extensions and communicate the criteria and the plan to implement the criteria to grant recipients; c. Encourage recipients to reprogram funds to other allowable energy efficiency and conservation activities that could be more timely completed; or d. Terminate awards and remit funds to the Treasury.	9/1/11
The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Tennessee (OAS-RA-11-17)	
To address the deficiencies we identified during our audit, we recommend the Acting Assistant Secretary for Energy Efficiency and Renewable Energy	9/19/11

Enclosure 1 (continued)

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The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Tennessee (OAS-RA-11-17)	
To address the deficiencies we identified during our audit, we recommend the Acting Assistant Secretary for Energy Efficiency and Renewable Energy	9/19/11

Enclosure 1 (continued)

As part of its responsibilities for managing the Weatherization Program, we recommend the Acting Assistant Secretary for Energy Efficiency and Renewable Energy ensure appropriate action is taken by the State of New York to improve administration of Recovery Act Weatherization Program funds at Action for a Better Community, Inc.	9/30/11
The Western Area Power Administration's Control and Administration of American Recovery and Reinvestment Act Borrowing Authority (OAS-RA-12-01)	
Given the challenges in managing its potential $3.25 billion project portfolio, we recommend that the Administrator, Western Area Power Administration suspend investment of additional Recovery Act funds in transmission infrastructure projects until a root-cause analysis regarding the MATL Project is completed and corrective action plans for the Program are developed and implemented.	11/4/11
Given the challenges in managing its potential $3.25 billion project portfolio, we recommend that the Administrator, Western Area Power Administration ensure that MATL implements the necessary project safeguards before construction resumes, including earned value management to allow Western to monitor project progress against an updated integrated budget and schedule; and an adequate management reserve or equivalent to fund potential cost overruns;	11/4/11
Given the challenges in managing its potential $3.25 billion project portfolio, we recommend that the Administrator, Western Area Power Administration in coordination with the Department, expedite resolution of long-term funding sources for the Program.	11/4/11
The State of Nevada's Implementation of the Energy Efficiency and Conservation Block Grant Program (OAS-RA-12-02)	
To address the issues outlined in our report, we recommend that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy ensure the Nevada State Office of Energy provides assistance to sub-recipients that have unobligated funding or projects that have been delayed.	11/9/11
To address the issues outlined in our report, we recommend that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy ensure the Nevada State Office of Energy develops a plan to ensure funding is either deployed quickly or returned to the Department.	11/9/11
To address the issues outlined in our report, we recommend that the Acting Assistant Secretary for Energy Efficiency and Renewable Energy ensure the Nevada State Office of Energy improves its monitoring of sub-recipient's compliance with laws and regulations, including the Davis-Bacon Act and Buy American provisions of the Recovery Act.	11/9/11
The Department's Management of the Smart Grid Investment Grant Program (OAS-RA-12-04)	
To help improve the Department's ability to effectively administer and monitor the SGIG program, we recommend that the Assistant Secretary, Office of Electricity Delivery and Energy Reliability ensure that the	1/20/12

Enclosure 1 (continued)

allowability of the costs questioned in this report is determined and program procedures are updated, as needed.	
To help improve the Department's ability to effectively administer and monitor the SGIG program, we recommend that the Assistant Secretary, Office of Electricity Delivery and Energy Reliability ensure that grantees' cyber security plans are complete, including thorough descriptions of potential security risks and related mitigation through necessary cyber security controls.	1/20/12
To help improve the Department's ability to effectively administer and monitor the SGIG program, we recommend that the Assistant Secretary, Office of Electricity Delivery and Energy Reliability ensure that an effective methodology for monitoring the SGIG program is developed and implemented.	1/20/12
To help improve the Department's ability to effectively administer and monitor the SGIG program, we recommend that the Assistant Secretary, Office of Electricity Delivery and Energy Reliability ensure that Technical Project Officers are adequately trained and certified to manage the grants under their purview.	1/20/12
Saratoga County Economic Opportunity Council, Inc. – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009 (OAS-RA-12-05)	
As part of its responsibilities for managing the Weatherization Program, we recommend the Acting Assistant Secretary for Energy Efficiency and Renewable Energy ensure appropriate action is taken by the State of New York to improve administration of Recovery Act Weatherization Program funds at Saratoga County Economic Opportunity Council, Inc.	1/20/12

Responses by Hon. Todd Zinser,
Inspector General,
U.S. Department of Commerce

Questions Submitted by Chairman Paul C. Broun

Subcommittee on Investigations and Oversight

Committee on Science, Space, and Technology

U.S. House of Representatives

Wednesday, November 30, 2011

Stimulus Oversight: An Update on Accountability, Transparency, and Performance

Questions submitted by Dr. Paul Broun, Chairman:

1. *As ARRA oversight shifts from a preventative focus to an investigation and audit focus, how does this impact your staffing composition? Do you require different skill sets?*

   From the Recovery Act's 2009 passage to today, our oversight has indeed shifted—from a focus on prevention (providing training and identifying policies and processes to strengthening internal controls in such areas as pre- and post-award phases, recipient reporting, and agency monitoring of awards) to audits, evaluations, and investigations of high-risk areas (such as awardee matching share and subrecipient monitoring). However, this shift should not have significant impact on our staffing composition. As Recovery Act programs have progressed, OIG has adopted a flexible approach to staffing its oversight efforts. We have already adjusted our staffing skill set to ensure effective Recovery Act oversight throughout the lifetime of its programs.

   To accomplish its oversight goals, OIG staffed the Recovery Act Task Force (RATF) with managers with expertise in grants and contracts. The managers receive support from experienced auditors and analysts dedicated to Recovery Act programs. As needed and as resources permit, personnel OIG-wide assist RATF with Recovery Act oversight.

As the NTIA Broadband Technology Opportunities Program (BTOP) represents the Department's largest Recovery Act–funded program ($4.7 billion of the $7.9 billion received)—and the riskiest of the projects—we have focused much of our staffing and resources on this program. As the program has matured, Recovery Act oversight does require supplementing existing staff with others possessing some specific skill sets. For instance, we have begun using staff to review single audits and program-specific audit reports, prepared by independent public accountants, to identify whether any material weaknesses must be addressed. Also, we added a telecommunications specialist to help review BTOP technology solutions—as well as a civil engineer to review construction activities across all Recovery Act programs. Further, we have begun to incorporate existing data analytics staff (including statisticians and analysts) who use program data to identify risks we will address through audits, program reviews, and investigations.

Finally, the team also works closely with OIG Office of Investigations to review incoming complaints concerning BTOP grants and determine whether OIG or NTIA can best resolve these issues. Using this flexible staffing approach allows us to conduct multiple simultaneous program audits, address program management and grant recipient training requests, and respond quickly to complaints.

2. *What percentage of projects funded by the Department with stimulus money were in fact "shovel ready?"*

Although agencies and award applicants and recipients often use the term "shovel ready" throughout Recovery Act programs, a recent review we carried out on a BTOP award found that neither the Recovery Act itself nor the Notice of Funds Availability for BTOP's first- and second-round funding include or define the term.

In our January 10, 2012, memorandum to NTIA—which details our review of complaints made by the County of Santa Clara and City of San Jose against an infrastructure award for the San Francisco Bay Area—we noted that one lesson learned from this award, to inform BTOP and future grant programs, was the establishment of clearly understood definitions for fundamental terms associated with project readiness (e.g., "shovel ready"). During our review, we asked interviewees to define the term "shovel ready." The responses varied greatly and reinforced the notion that a single definition did not—and likely still does not—exist.

Project readiness is critical to enable quick project commencement and efficient disbursement of funds. However, more than 2 years after receiving the Recovery Act funds, the Department has disbursed only 52 percent of the total $6.8 billion as of January 31, 2012. Most slow disbursements are associated with construction-related projects:

- *Only 31 percent of BTOP's $4.2 billion in grant funds has been disbursed.* In our most recent reports on NTIA's efforts to monitor BTOP grantees, we identified reasons why projects were behind schedule and at risk of not meeting the 3-year completion deadline for BTOP projects. In many instances, environmental assessments (EAs) were not completed on schedule. EAs must conclude before any ground-disturbing activity can commence; the inability to complete EAs in a timely fashion could leave federal dollars unspent and construction work at risk of not being completed. As of January 27, 2012, EA reviews for 2 of the initial 100 BTOP projects remained uncompleted.

- *Only about 60 percent of NOAA's $600 million and NIST's $360 million in Recovery Act funds provided for construction projects have been disbursed as a result of slower-than-expected project progress.* Several NOAA construction projects experienced significant delays. For example, the NOAA La Jolla replacement laboratory has $78 million in Recovery Act funds—and the contractor encountered weather delays of more than 90 days (plus other construction delays) that are projected to add close to 190 days to complete the project. Also, the NOAA Hawaii Pacific Regional Center—with $153 million in Recovery Act funds of a total project exceeding $330 million—did not have an accurate and complete assessment of the below-ground obstacles at the construction site and encountered some construction delays. In addition, only 8 of the 16 NIST grant recipients have drawn down more than half of their respective funds. Delays have occurred due to such issues as the execution of security interests; fulfillment of National Environmental Policy Act requirements, including environmental assessments; and facilitating design agreements. Close monitoring of project progress, as well as timely evaluation and approval of project extension needs by federal management, are critical to prevent further delays.

3. *How many of the ARRA-related recommendations your office provided to the Department have not been implemented or accepted? Please list them as well as how long they have been delinquent in addressing your recommendations.*

We have issued 14 Recovery Act reports and memorandums, with 52 total recommendations, to date. Most recommendations have been implemented. However, there are still 3 reports and 1 memorandum that have 13 unimplemented recommendations. The below table provides a summary of those unimplemented recommendations:

Table 1.
As-Yet Unimplemented Recommendations from Recovery Act-Related OIG Reports and Memorandums

Report Title and Issue Date	No. of Recs	Recs As Yet Unimplemented
Review of Recovery Act Contracts and Grants Workforce Staffing and Qualifications at the Department of Commerce (ARR-19900) *09/10/2010*	4	"We further recommend that the Department of Commerce establish its own requirements for the training of grants personnel in all of its bureaus."
Commerce Has Procedures in Place for Recovery Act Recipient Reporting, but Improvements Should Be Made (OIG-11-031-A) *07/29/2011*	5	"We recommend that Commerce's Director of the Office of Acquisition Management evaluate ways to automate the reports generated by the Department's three grants management systems. This automation will help to ensure that recipient data are accurately reported and that agency staff uses the most efficient process to review data." "We recommend that Commerce's Director of the Office of Acquisition Management develop a plan for consolidating the data from the three distinct grants management systems into a single system that can provide accurate and comprehensive data feeds to public websites such as www.Recovery.gov." "We recommend that Commerce's Director of the Office of Acquisition Management consider upgrading the new C-Award contract system so that a single database incorporating data from all Commerce agencies would supply the information in the interface. This would assist the Department in running acquisition queries, resulting in a less manual process for data comparisons and reporting to public websites such as www.Recovery.gov." "We recommend that Commerce agencies ensure that the management systems used by the agencies can be updated to incorporate Recovery Act reporting requirements." "We recommend that Commerce agencies establish the ability to make corrections to data once they have been entered into the agencies' management systems."

Report Title and Issue Date	No. of Recs	Recs As Yet Unimplemented
NTIA Has an Established Foundation to Oversee BTOP Awards, but Better Execution of Monitoring Is Needed (OIG-12-013-A) *11/17/2011*	8	"We recommend that NTIA take prompt steps to strengthen the FPOs' monitoring efforts that include the following: (a) Revise the FPO handbook to provide guidance for performing due diligence on recipient information that seems inconsistent with knowledge of the project. (b) Revise the FPO handbook informing FPOs on the importance of following up on unresolved issues. (c) Streamline the site visit checklist to minimize redundancy and provide additional time to perform onsite inspection of project progress and verification of source documents. (d) Conduct a training session or workshop for FPOs on revised and augmented procedures to ensure consistency in the use of monitoring tools and execution of monitoring activities." "(We recommend that NTIA) [d]evelop and incorporate procedures to verify source documentation into its current monitoring efforts to verify grant-related activities such as competitive procurement processes and financial transactions and recipient match." "We recommend that NTIA strengthen its monitoring tools' internal control capabilities by creating a protocol for the use of the CSM tool to establish a consistent file-naming convention." "We recommend that NTIA prepare guidance for FPOs to use in their review of recipient match documentation during the site visit process." "We recommend that NTIA work with recipients at risk of failing to comply with the awards' progress and completion requirements to develop an action plan outlining revised completion dates that can be met." "We recommend that NTIA develop alternative strategies for those awards that will not satisfy their award terms—possibly including project extensions or rescoping of projects."
Misrepresentations Regarding Project Readiness, Governance Structure Put at Risk the Success of the San Francisco Bay Area Wireless Enhanced Broadband (BayWEB) Project (OIG-12-016-M) *1/10/2012*	1	"We recommend that NTIA make a determination whether the corrective actions underway by the grantee and political jurisdictions are sufficient to overcome the defects in the initial application. If so, NTIA needs to continue working with Motorola and the Bay Area political jurisdictions to salvage the project."

Responses by Ms. Allison Lerner,
Inspector General,
National Science Foundation

Questions Submitted by Chairman Paul C. Broun

"Stimulus Oversight: An Update on Accountability, Transparency, and Performance"

Wednesday, November 30, 2011
10:00 a.m. - 12:00 p.m.
2318 Rayburn House Office Building

Questions for Ms. Allison Lerner,
Inspector General, National Science Foundation

Questions submitted by Dr. Paul Broun, Chairman

1. Your testimony discussed the challenges caused by the OMB guidance to quickly approve grants. Since NSF projects are often multi-year programs, how will you ensure that OMB's guidance does not lead to waste, fraud, abuse, or mismanagement?

OMB Memorandum M-11-34 of September 15, 2011, urged federal agencies to spend remaining ARRA funds quickly and efficiently and to recapture funds not spent by September 30, 2013, to the greatest extent permitted by law. NSF is developing a process to assess its ARRA portfolio to determine for which awards it will seek a waiver from the OMB deadline.

As of November 7, 2011, NSF had more than 600 awards that were to expire after September 30, 2013. Accelerated spending increases the risk of fraud, waste, and abuse and; therefore, OIG has added "expiration after September 30, 2013" as a specific risk factor for its risk assessment process used to select audits.

Additionally, we will use automated systems to help us identify higher risk institutions and questionable expenditures to determine whether additional audit work is warranted.

2. Does NSF allow contractors to control how and when contingency funds are used? What are the problems associated with this practice? What should NSF do to ensure that contingency funds are properly controlled and used?

NSF allows award recipients with proposed contingency funds to control the draw-down of those funds. While recipients are supposed to obtain NSF's approval before expending contingency funds over a threshold amount, there are no effective technical barriers to prevent an awardee from drawing down contingency funds to use for other purposes.

OIG believes that NSF should not provide the full amount of contingency funds to an awardee when it funds an award. Rather, it should maintain control of these funds and release them to the awardee when the awardee can adequately demonstrate an appropriate need.

3. How confident are you on the accuracy of the jobs data that NSF is collecting?

OIG has some concerns about the accuracy of job reports. Therefore, to the extent possible, new audits of ARRA awards will include an objective to assess whether the awardees are reporting the number of jobs created/retained accurately. In addition, we will determine whether or not those jobs were in fact created or retained.

4. As ARRA oversight shifts from a preventative focus to an investigation and audit focus, how does this impact your staffing composition? Do you require different skill sets?

As noted in my testimony, our ARRA oversight has consisted of two phases—a proactive phase and an operational phase. Now that NSF's $3 billion in ARRA funding has been fully obligated, we have shifted our focus to traditional audits, investigations, and other types of reviews. Such work requires our normal staffing composition (auditors, investigators, and attorneys) and skill sets.

5. What percentage of projects funded by NSF with stimulus money were in fact "shovel ready?"

Because the OIG is not responsible for awarding ARRA funds, this is a question that is best answered by NSF directly. However, to the extent that we are able to provide relevant information, we have done so.

The concept of "shovel ready" projects has a different meaning within the context of funding basic research than it does when funding general infrastructure projects such as highways or bridges. For example, the definition of "shovel ready" developed by the House Transportation and Infrastructure Committee would not necessarily be applicable to the funding of a grant for the study of theoretical physics or mathematics.

NSF's approach to awarding the $3 billion in ARRA funding it received was to allocate a significant portion to existing programs for which it had active solicitations, rather than take the time to develop new programs and solicitations for funding. Roughly $2 billion, or 67% of the $3 billion in stimulus funding, was allocated for NSF's Research and Related Activities appropriate account. Within this account, NSF had existing programs and solicitations for which it was already receiving proposals for grants to draw upon for funding decisions. Some of these proposals had been previously declined simply due to a lack of funding and not because of a lack of merit. In these situations, NSF was able to reverse the declination and make a funding decision based on the previously determined merit evaluation. In other cases, NSF was already engaged in the merit-review process and was able to make the final decision using ARRA funds.

6. How many of the ARRA-related recommendations your office provided to NSF have not been implemented or accepted? Please list them as well as how long they have been delinquent in addressing your recommendations.

Resolution of grantee audits consists of two steps: (1) audit follow-up, which is a collaborative process during which NSF management and OIG agree that a proposed corrective action plan adequately addresses a recommendation; and (2) final action, which represents a determination by NSF management that the agreed-upon corrective action has been implemented.

For ARRA-related audits, there are 14 recommendations on which NSF and OIG have not yet reached agreement as to audit resolution, and 4 recommendations on which agreement on audit resolution has been reached but on which final action/implementation has not occurred. Therefore, there are a total of 18 recommendations that remain either not accepted and/or not implemented, that is, still "open."

These recommendations, on five audit reports, have been "open" for the following periods:

Report Open	Issued	Title	No. ARRA-Related Open	Time
10-1-022	9/30/10	COL OOI Proposed Budget	5	16.5 mo
11-1-008	3/10/11	ARRA Cal. Academy of Sciences	4	11 mo.
10-6-004	3/10/11	ARRA Capability CSU Fresno	2	11 mo.
11-1-001	3/31/11	Revised ATST Proposal	3	10.5 mo.
11-1-017	8/31/11	ARRA Capability U. AK-	4	5.5 mo.
TOTAL			18	

The list of the open recommendations is attached to this response.

ARRA-Related Recommendations Not Yet Accepted and/or Implemented

Report Number	Date Issued	Report Title	Date Resolved/ Status
10-1-012	**9/30/2010**	**COL OOI Proposed Budget**	
Recommendation 1:		Request DCAA to review all JOI/COL's Disclosure Statements effective on and after the merger of JOI and CORE to form COL (on June 1, 2007) for adequacy and compliance, and provide COL with a letter of determination of adequacy and compliance of the Disclosure Statements based on the results of audit. To facilitate DCAA's Disclosure Statement reviews, NSF should request COL to provide cost impact proposals explaining its disclosed accounting practice changes.	Not resolved. Due 3/31/11. OIG and NSF management are actively working to resolve the contingency issues on this audit.
Recommendation 2:		Require COL to change its G&A allocation base to a CAS-compliant base and submit to NSF a general dollar magnitude cost impact proposal which identifies the shift of costs between all COL's contracts and awards. This cost impact propsal should monetize the impact from the required date of the change until the completion of COL's CAS-covered contract (expected in September 2013).	Same as above
Recommendation 3:		Request DCAA to review COL's cost impact proposal and, upon determination that the data are acceptable for negotiating the cost impact due to the change, negotiate the cost impact with COL and require COL to revise its proposed budgets accordingly.	Same as above
Recommendation 4:		Require COL to remove unallowable contingency provisions from its proposed budgets for OOI and discontinue NSF's practice of funding contingencies. Instead, NSF should require its awardee to submit proposed budgets supported by auditable, current, accurate, and complete cost data, request independent audits of the awardee's proposed budgets prior to funding, and base NSF funding on the results of audit.	Same as above
Recommendation 5:		Require the awardee to revise its proposed budgets for OOI for subaward, direct labor, and fringe benefit costs questioned consistent with DCAA's audit findings.	Same as above

ARRA-Related Recommendations Not Yet Accepted and/or Implemented

Report Number	Date Issued	Report Title	Date Resolved/ Status
11-1-008	**3/10/2011**	**ARRA California Academy of Sciences**	
Recommendation 1.1:		Coordinate with the oversight audit agency, as needed, to require the Academy to establish and implement a policy to ensure staff members responsible for ARRA reporting stay informed of OMB and NSF changes and updates to Recovery Act reporting requirements and seek OMB and/or NSF technical assistance for clarification of any ambiguities.	Resolved 8/29/11 - pending final action
Recommendation 1.2:		Coordinate with the oversight audit agency, as needed, to require the Academy to improve internal control measures as follows: a) Develop policies and procedures covering key aspects of ARRA reporting. At a minimum, such guidance should include processes for calculating ARRA jobs using the FTE methodology and including vendor job estimates, cumulative reporting of expenditures and funds received, and accurate reporting of vendor payments; b) Establish a formal data quality review process to ensure ARRA quarterly reports are accurate, complete, and fully compliant with OMB reporting requirements; and c) Develop and maintain supporting documentation for key ARRA data elements with quarterly reports to allow for an effective data quality review process.	Resolved 8/29/11 - pending final action
Recommendation 2.1:		Coordinate with the oversight audit agency, as needed, to require the Academy to renegotiate its subaward agreement with University of Guelph to incorporate the required ARRA and NSF grant terms and conditions.	Resolved 8/29/11 - pending final action
Recommendation 2.2:		Coordinate with the oversight audit agency, as needed, to require the Academy to establish a standard subaward agreement for federal grants to ensure appropriate flow-down provisions are included to ensure proper stewardship and accountability of federal assistance funds.	Resolved 8/29/11 - pending final action
11-6-004	**3/10/2011**	**ARRA Capability of CSU Fresno**	
Recommendation 1:		Coordinate with the cognizant audit agency, as needed, to require Fresno to establish a payroll distribution and labor effort reporting system that is fully compliant with federal requirements. At a minimum, the effort reporting system should (a) be incorporated into Fresno's official institutional records, (b) provide integrated reporting of all compensated employee activities, and (c) ensure wages charged to sponsored projects are based on institutional base salaries.	
Recommendation 2:		Coordinate with the cognizant audit agency, as needed, to require Fresno to comply with established institutional cost sharing policies and procedures as follows: establish an oversight process to ensure cost sharing is timely tracked in its project costs accounting system and quarterly cost sharing reports and supporting documentation are timely obtained and maintained in project files. Such a process should hold PIs accountable for their assigned cost sharing responsibilities.	

ARRA-Related Recommendations Not Yet Accepted and/or Implemented

Report Number	Date Issued	Report Title	Date Resolved/ Status
11-1-001	**3/31/2011**	**REVISED ATST Proposal**	
Recommendation 1:		Request AURA to revise and resubmit an adequate ATST proposal based on current, accurate and complete cost data that is acceptable for auditing purposes. This revised proposal should include a detailed "basis of proposal" statement that explains the basis for all proposed costs, identifies the basis/rationale for all engineering estimates used in calculating proposed costs; and provide all reconciliations and calculations needed to arrive at proposed costs. AURA should also provide cost/price analysis for its proposed subcontracts showing the basis for establishing source and reasonableness of price.	Not resolved. Due 9/30/11. OIG and NSF management are actively working to resolve the contingency issues on this audit.
Recommendation 2:		2. Require AURA to remove unallowable contingency provisions from its proposed budgets for ATST and discontinue NSF's practice of funding contingencies. Instead, NSF should require its awardees to submit proposed budgets supported by auditable, current, accurate, and complete cost data, request independent audits of the awardee's proposed budgets prior to funding, and base NSF funding on the results of audit.	Same as above
Recommendation 3:		3. Request DCAA to audit AURA's revised ATST proposal, and based on the results of audit, negotiate a revised award price with AURA.	Same as above
11-1-017	**8/31/2011**	**ARRA Capability - University of Alaska Anchorage**	
Recommendation 2.1:		Coordinate with the cognizant audit agency, as needed, to require UAA to enhance its effort reporting policies and procedures as follows: define what is considered to be a "suitable means of verification" for certifying effort reports, as requried by federal cost principles, and the documentation required to be maintained in project files.	Resolution due 3/1/12
Recommendation 2.2:		Coordinate with the cognizant audit agency, as needed, to require UAA to enhance its effort reporting policies and procedures as follows: include NSF's two-months rule to ensure senior researchers limit salaries received from all NSF-funded grants to two months of the individual's regular salary.	Resolution due 3/1/12
Recommendation 2.3:		Coordinate with the cognizant audit agency, as needed, to require UAA to enhance its effort reporting policies and procedures as follows: establish a requirement fo a periodic independent internal evaluation of the payroll distribution and effort reporting system, as required by federal cost principles, to ensure its integrity and compliance with federal standards.	Resolution due 3/1/12
Recommendation 3.1:		Coordinate with the cognizant audit agency, as needed, to require UAA to establish appropriate Office of Procurement Services management oversight to ensure compliance with established University property standards for timely tagging of equipment and updating of property records.	Resolution due 3/1/12

Responses by Ms. Gail Robinson,
Deputy Inspector General,
National Aeronautics and Space Administration

Questions Submitted by Chairman Paul C. Broun

Questions for the Record

"Stimulus Oversight: An Update on Accountability, Transparency, and Performance"

Wednesday, November 30, 2011
10:00 a.m. - 12:00 p.m.
2318 Rayburn House Office Building

Questions for Ms. Gail Robinson
Deputy Inspector General, National Aeronautics and Space Administration

Questions submitted by Dr. Paul Broun, Chairman

1. As ARRA oversight shifts from a preventative focus to an investigation and audit focus, how does this impact your staffing composition? Do you require different skill sets?

   Answer: No. As outlined in my testimony, the NASA OIG has conducted a number of audits focused on NASA's use and management of Recovery Act funds and we are actively investigating a number of Recovery Act related complaints. Our audit and investigative staff has the necessary skills for these functions.

2. What percentage of projects funded by NSF with stimulus money were in fact "shovel ready?"

   Answer: NASA applied approximately 90 percent of its Recovery Act funding to existing contracts or to contracts for which solicitations had previously been issued. As I noted in my testimony, we believe that this was one of the reasons that NASA was generally successful in using Recovery Act Funds in accordance with the requirements and goals of the Act and OMB's implementing guidance.

3. How many of the ARRA-related recommendations your office provided to the Department have not been implemented or accepted? Please list them as well as how long they have been delinquent in addressing your recommendations.

   Answer: The NASA OIG issued 13 ARRA-related recommendations to the Agency. All of the recommendations have been accepted and have either been implemented or are in the process of being implemented. Specifically, 6 have been closed and the remaining 7 are currently on track to be closed by June 2012.

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