

Audit Highlights



Highlights of Legislative Auditor report on the Office of Energy issued on February 2, 2012. Report # LA12-13.

Background

The Office of Energy (Office) is responsible for implementing the Governor's energy policy and serving as the State's point of contact with the U.S. Department of Energy (DOE). The Office administers grants and contracts that encourage conservation and energy efficiency, the development and utilization of Nevada's renewable energy resources, and the promotion of economic development. It facilitates cooperation between key stakeholders and leads initiatives to attract energy related businesses to Nevada. The Office is also involved in several activities including developing energy plans, energy policy development and implementation, technical assistance, education, and public information. The agency is part of the Office of the Governor, and is located in Carson City.

Purpose of Audit

The purpose of this audit was to: (1) determine if the Office complied with State Energy Program (SEP) Formula and SEP ARRA grant requirements, (2) evaluate the Office's energy reduction planning and project selection processes, and (3) evaluate performance measures including the reliability of reported results. Our audit focused on grant compliance and energy reduction planning and project selection from July 2009 through December 2010, and included follow-up work on project selection and grant expenditures through August 2011. The audit also focused on performance measures and reported results for fiscal year 2010 and projections for 2011.

Audit Recommendations

This audit report contains five recommendations to improve grant oversight including subrecipient reporting and on-site monitoring. In addition, five recommendations address energy reduction planning and project selection. Finally, four recommendations were made to improve the reliability and effectiveness of performance measures.

The Office accepted 12 recommendations and rejected 2 recommendations.

Recommendation Status

The Office's 60-day plan for corrective action is due on April 26, 2012. In addition, the six-month report on the status of audit recommendations is due on October 29, 2012.

Office of Energy

Office of the Governor

Summary

The Office can improve its oversight of energy grants. Periodic reports from subrecipients were infrequent and unsupported. When reports were provided, information was not always complete or reliable. In addition, the Office has not developed a site monitoring schedule to ensure projects comply with grant requirements. Furthermore, grant payments to subrecipients were not always managed according to federal regulations and guidance.

The Office's energy reduction planning and project selection processes can be improved. A plan to reduce grid-based energy consumption in Executive Branch agencies has not been prepared as required by statute. As a result, the State may have missed opportunities to further reduce energy costs in state buildings over the past 6 years. In addition, an energy plan would have been a useful tool when allocating ARRA funding. Finally, the Office needs to ensure that planned solar projects at state agency sites adequately protect State interests and result in lower energy costs.

The Office can take steps to improve the reliability and effectiveness of its performance measures. Current practices for developing and monitoring performance measures make it difficult to assess performance. Additionally, the Office has changed its measures in each of the last three Executive Budgets, making it difficult to assess performance over time. Finally, we could not verify the reliability of measures because documentation supporting reported results was not maintained.

Key Findings

Grant subrecipients did not always provide the Office with required quarterly reports. We found only 10 of 78 required quarterly reports were submitted to the Office from June 2010 through March 2011. When subrecipients did provide information, it was not always adequately supported. As a result, information generated by the Office and reported to the federal government was not always reliable. (page 5)

The Office has not developed a site monitoring schedule for ARRA funded projects to define when monitoring visits should take place. Office staff visited 15 of 119 projects that were subject to inspection during our audit period. Aside from one series of site visits, conducted jointly with DOE staff, on-site monitoring was typically informal and not well documented. (page 7)

The Office complied with other grant requirements reviewed. In addition, the Office was timely at committing funds to qualified projects and promoting projects that leveraged grant funds. (page 9)

The Office has not prepared a plan requiring Executive Branch agencies to reduce grid-based energy purchases for state-owned buildings by 20% by 2015, as required by state law. Additionally, required biannual reports on the general progress toward energy reduction in state buildings have not been provided to the Legislative Commission. During our audit, the Office began taking some steps to develop a plan. (page 11)

The State recently contracted with a vendor to allow state agencies to enter into agreements to build vendor owned solar energy systems. The vendor will pay costs to construct, operate, and maintain solar energy systems, and sell energy generated from the solar panels to state agencies. Savings or losses will not be known for many years because the contracts to purchase power from the vendor may last 20 years or more. Therefore, careful review is needed before entering into agreements with the vendor. (page 18)

The Office can take steps to improve the process for evaluating Request For Proposals. We found a wide range in scores among evaluators when scoring the same proposal. Additionally, evaluators did not always score all evaluation criteria areas. As a result, weaknesses in the evaluation process could impact applicants selected. (page 22)

The Office's practices for developing and maintaining performance measures make it difficult to assess performance. Most goals lack corresponding performance measures to assess progress towards achieving goals. In addition, some measures are not worded clearly enough to understand what is being measured. Finally, the Office has frequently changed its measures, making it difficult to assess performance over time. (page 26)

The reported results for most performance measures were not reliable for two reasons. First, documentation supporting reported results was not always retained. Second, when the Office retained supporting documentation, results were not always reported accurately. (page 30)