



GREGORY W. SULLIVAN
INSPECTOR GENERAL

The Commonwealth of Massachusetts
Office of the Inspector General

JOHN W. McCORMACK
STATE OFFICE BUILDING
ONE ASHBURTON PLACE
ROOM 1311
BOSTON, MA 02108
TEL: (617) 727-9140
FAX: (617) 723-2334

August 30, 2010

Meg Lusardi
Deputy Director
Green Communities Division
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

Re: EECBG Sub-recipient Monitoring

Dear Meg:

As you know, the Office of the Inspector General (OIG) has been charged with assisting in statewide oversight for expenditures of funds under the American Recovery and Reinvestment Act (ARRA) in Massachusetts. As part of our oversight role, the OIG has provided outreach and guidance to your office on the division's plans for monitoring sub-recipients. Thank you for working with the OIG over the last several months to review and make recommendations concerning the Department of Energy Resources' sub-recipient monitoring activities.

Specifically, we have worked with your office to help increase capacity for monitoring recipients of Energy Efficiency and Conservation Block sub-Grants (EECBG) awarded by your agency to 94 municipalities. You and your colleagues have been cooperative and very receptive to input from the OIG, and we understand that you continue to work toward building monitoring capacity for this program and others. We commend you on your efforts.

As a result of our meetings and discussions with you, the OIG recommended that DOER consider the following in developing its monitoring plan for EECBG:

1) *Define the Scope of Your Monitoring Role*

- Identify DOER's area(s) of responsibility by reviewing federal, state and department guidance to determine which monitoring activities are mandatory, suggested or rooted in sound business practices.
- Identify and evaluate available monitoring resources to determine oversight capacity.
- Define performance measures and goals for the sub-grant activities and make sure they are clear and well-defined.

2) *Assess Risks / Identify Vulnerabilities*

- Determine which legal, compliance and sound business practice issues need to be addressed through monitoring and oversight.
- Determine what other issues should be addressed within DOER's defined areas of responsibility by assessing the risks for fraud, waste and abuse in the use of these sub-grants.
- Focus additional monitoring and oversight efforts based on the perceived risks in the use of these sub-grants.
- Your risk assessment should include evaluating the capacity of sub-grantees to meet grant requirements and objectives effectively and within the timeframe required. Focus on management ability, staffing levels, program knowledge, prior performance history and adequacy of sub-grantee's internal controls and their own capacity for monitoring and oversight.
- Identify types of projects that might be more vulnerable to fraud, waste or abuse (e.g. installation of substandard insulation that cannot easily be seen or tested).

3) *Develop Monitoring Plan*

- Develop a list of goals and objectives for monitoring based on your risk assessment, grant requirements, legal mandates and "best practices."
- Develop practical review plan (checklists, guidelines, list of documents needed from sub-grantees etc.).
- Identify sample based on risk level, type of work, or other factor. (For example, the U.S. Department of Energy [USDOE] has indicated that it is looking at 10 - 30% of recipients). However, ensure that DOER's monitoring capacity can reasonably address the monitoring scope.
- Identify which sub-grantees will be subject to desk reviews vs. field work.
- Define how communications will flow to and from sub-grantees and how information will be shared, and communicate with sub-recipients about what is expected/required from them.
- Inform sub-grantees of compliance requirements and consider obtaining a written acknowledgement or signed compliance statement for certain required items.
- Develop standard reporting formats to document the monitoring work performed, and what monitoring activity needs to be reported to external agencies (e.g. GAO, USDOE, etc.).
- Identify monitoring staff and assign work.
- Ensure any corrective action requirements are communicated to and acknowledged by sub-grantees. Further ensure that corrective actions are performed and documented by sub-grantees.
- Ensure that sub-grantees have the ability to maintain equipment installed and monitor services purchased.
- Obtain reasonable assurance that sub-grantee met terms and conditions of ARRA grant, and that the grantor received the results expected from the grant award.

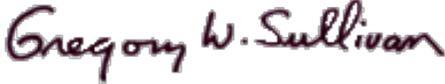
- At the end of the grant period, "close out" the grant by ensuring documentation is in order, dollars spent are accounted for, deliverables received, corrective actions performed and work has been completed, verified and evaluated.

As you know, the OIG has undertaken its own review of selected EECBG sub-grants. To the extent possible, we will share information with DOER that may be useful to both agencies. We request that DOER do the same.

We hope that the information provided to you by the OIG is helpful in planning your monitoring of EECBG sub-grants. Our office is available to you as an ongoing resource, and we urge you to contact us if we may be of further assistance in your monitoring efforts, including providing training to staff, and assisting in the evaluation of issues that may be identified during monitoring.

Again, thank you for your cooperation. If you have any questions, concerns, or require further assistance, please contact Neil Cohen, Deputy Inspector General at (617) 722-8819.

Sincerely,

Handwritten signature of Gregory W. Sullivan in dark ink.

Gregory W. Sullivan
Inspector General

c: John McMillen, Fiscal Director, Department of Energy Resources
Mark Sylvia, Director, Green Communities Division, Department of Energy Resources
David Mahr, Capital Budget Director, Executive Office of Energy and Environmental Affairs