



CALIFORNIA STATE AUDITOR

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FACT SHEET

Date: December 1, 2009

Letter Report 2009-119.1

The California State Auditor released the following report today:

California Energy Resources Conservation and Development Commission

*It Is Not Fully Prepared to Award and Monitor Millions in Recovery Act Funds
and Lacks Controls to Prevent Their Misuse*

BACKGROUND

On February 17, 2009, the federal government enacted the American Recovery and Reinvestment Act of 2009 (Recovery Act) for purposes that include preserving and creating jobs, promoting economic recovery, and assisting those most affected by the recession. One general principle of the Recovery Act is that the funds be used to achieve its purposes as quickly as possible consistent with prudent management.

The Recovery Act designated a total of \$3.1 billion for the State Energy Program (Energy Program), of which California was awarded \$226 million. This amount was awarded to the California Energy Resources Conservation and Development Commission (Energy Commission). State law authorizes the Energy Commission to use Energy Program funds for energy efficiency, energy conservation, renewable energy, and other energy-related projects and activities authorized by the Recovery Act.

KEY FINDINGS

During our review of the Energy Commission's readiness to administer the Recovery Act funds, we noted the following:

- The Energy Commission has made little progress in implementing its subprograms, and none of the Recovery Act funds are currently being used to provide benefits to Californians.
- The Energy Commission has approved the use of \$51 million for Energy Program services, and of this amount has entered into contracts totaling about \$40 million; however, none of the \$40 million has been spent.
- Although it began applying for Recovery Act funds in March 2009, the Energy Commission has not yet implemented a system of internal controls adequate to ensure that those funds are used appropriately.
- The State is at risk of either having the funds redirected by the U.S. Department of Energy or awarding them in a compressed period of time without first establishing an adequate system of internal controls, which increase the risk that Recovery Act funds will be misused.

KEY RECOMMENDATIONS

The Energy Commission should do the following:

- Take the steps necessary to quickly implement a system of internal controls adequate to provide assurance that Recovery Act funds will be used to meet the purposes of the Recovery Act.
- Promptly solicit proposals from entities that could provide the services allowable under the Recovery Act and execute contracts, grants, or loan agreements with these entities so that California can realize the benefit of the funds.

