



Department of Energy

Golden Field Office
1617 Cole Boulevard
Golden, Colorado 80401-3393

August 29, 2006

MEMORANDUM FOR ALEXANDER A. KARSNER
ASSISTANT SECRETARY
ENERGY EFFICIENCY AND RENEWABLE ENERGY

FROM: CHRISTINE A. PHOEBE *Christine A. Phoebe*
ACTING MANAGER

SUBJECT: Management Control Review

In accordance with the Federal Managers' Financial Integrity Act, I have completed a summary management review of the management controls for the Golden Field Office (Golden) in effect as of the date of this memorandum. The review was performed in conformity with Departmental guidelines and accordingly included a review of whether the management controls comply with underlying management principles which incorporate the Government Accountability Offices' *Standards for Internal Controls in the Federal Government*. The review included consideration of the results of audit reports, internal management reviews, assurance from the site/facility management contractor under my cognizance, and all other known information. In addition, our review considered the areas of environmental management and non-nuclear safety management. The results of the review indicate there is reasonable assurance that the management controls were working effectively and that program and administrative functions were performed in an economical and efficient manner consistent with applicable laws; property, funds, and other resources were safeguarded against waste, loss, unauthorized use or misappropriation; obligations and costs were proper; and accountability for assets was maintained. The concept of reasonable assurance recognizes that management controls must be cost effective, and there is always some potential for errors or irregularities to go undetected.

The above review did not disclose any reportable problems.

In addition to the summary review discussed above, the office continued to evaluate the management controls governing the award for discretionary Financial Assistance as required by EERE policy governing merit-based review practices. Accordingly, reviews included compliance with EERE's May 19, 1998, objective merit review procedures, subsequent requirements emanating from the Office of the Assistant Secretary, and applicable Departmental criteria (i.e., 10 CFR 600 and DOE Financial Assistance Letter 97-05). Merit reviews performed in FY 2006 by Golden were in conjunction with competitive solicitations and were conducted in



compliance with applicable laws and regulations with one exception, Earmarks. This is an issue for which correction is outside the scope of the Golden Field Office's responsibility or operational authority. It is described below:

The Golden Field Office has received guidance to implement, by making Financial Assistance Awards, a significant number of FY 2006 Congressional Earmarks. We continue to work with EERE management in developing more streamlined procedures for FY 2007 earmarks. These earmarks adversely impact project implementation in several ways.

- Budget problems arise when the earmark awards consume funds that DOE requested to fund other higher-priority projects. Anticipated funding diverted to earmark awards and previously selected awards are not fully funded.
- Project management staff and procurement staff expend additional time and effort to obtain necessary information and assurances from potential awardees. The potential awardees often times view awards as entitlements and are reluctant to accept federal requirements.
- Expectations of Congressional sponsors for DOE to promptly make these awards sometimes run counter to mandatory legal requirements and processes for awards.
- Expediting these procurement actions increases the potential for the misapplication of Federal funds.
- Although an orientation meeting was held with the Earmarkees and the Data Tracking System was refined, confusion regarding the affect of earmarks among potential recipients and Congressional staff still exists.

Since future earmarks could cause the Department to change its programmatic priorities, it is recommended that EERE continue to work closely with Congressional members and staff to assure they are aware of these issues and to enlist Member and staff support in EERE Program and Budget planning.

Further, two audits applicable to activities under my cognizance were initiated in FY 2006 by the Department's Office of Inspector General: *Audit of the Department of Energy's Superconductivity Partnerships with Industry Projects and Audit of the Department of Energy's Hydrogen Technology Projects*. We have not received draft reports as of the date of this memorandum so I am unable to address any potential findings or recommendations at this time.

cc: Mark Mickelsen, Team Leader- Denver Audit Group
Sharon Marchant, Chief Financial Officer, National Energy Technology Laboratory