

**Statement of Christopher Johns
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U.S. Department of Energy
Before the
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
U.S. House of Representatives**

April 18, 2012

Good morning. Chairman Stearns, Ranking Member DeGette, and Members of the Subcommittee, thank you for the opportunity to speak about monitoring and oversight efforts related to Department of Energy's FY13 budget process and the effective implementation of the American Recovery and Reinvestment Act (Recovery Act). As Budget Director, my role is to oversee the development and execution of the Department's budget for the purposes authorized and appropriated by Congress. Through the application of sound budget and financial management, the Department is committed to making the most productive use of taxpayer dollars.

DOE Budget Process Overview

DOE is steadfast in its commitment to produce annual budgets that reflect the Nation's highest priorities, apply public resources wisely and execute those resources effectively and efficiently. The Department reviews its financial status carefully, conducts senior-level reviews of performance, and reports monthly its balances to select Congressional Committees. We review our balances from prior year appropriations, using them where appropriate to offset requests for new budget authority and to respond to emerging programmatic needs.

Our annual budget formulation efforts reflect our commitment to the wise use of public resources. Our Program Offices start preparing budget requests more than a year before they are submitted to Congress. The Office of Budget coordinates a comprehensive "corporate review" during the summer months, which results in a budget for submittal to the Office of Management and Budget (OMB) in the fall. The annual process involves a structured build and review of each program's submission that includes an in-depth analysis of program priorities on a line-by-

line basis, proposed trade-offs, including a review of the plans for use of unobligated and uncosted financial balances, and an analysis of crosscutting subjects. During this process, the formulation material is analyzed to ensure proper coordination and to eliminate duplication of effort. The Department's senior leadership and OMB are engaged throughout the budget process to determine DOE's funding request levels including the management and oversight of prior year appropriations that were not expended.

Senior leadership remains involved during the execution phase of the budget. Leadership convenes to conduct the Business Quarterly Reviews (BQRs), which are used to evaluate the Department's progress against the set of key goals identified in the Strategic Plan; assess our progress in implementing critical management reforms; highlight the status of executing projects; identify roadblocks to project execution; and examine other core business and operational activities in the Department. Program offices also review their progress individually on goals and projects and provide periodic status reports to senior leadership.

The BQRs evolved from 'best practices' developed and applied in the planning and execution of our American Recovery and Reinvestment Act of 2009 appropriations, and are also a central part of DOE's response to the Government Performance and Results Modernization Act of 2010.

Due to the ongoing, multi-year nature of most of the Department's programs, DOE has generally received appropriations from Congress that enable the Department to carry forward unobligated balances into subsequent fiscal years. These balances are used only for the activities for which they were appropriated unless the Department requests a reprogramming; the funds are rescinded; the funds are used to satisfy a Use of Prior Year Balances reduction included in an annual appropriations bill; or the funds are used in our request to reduce the Department's new budget authority requirements.

The FY 2013 Budget Request

When Secretary Chu testified before the Committee on Energy and Commerce last month, he outlined the Administration's priority of promoting economic growth and strengthening national

security using an all-of-the-above strategy that develops every source of American energy. The President wants to fuel our economy with domestic energy resources while increasing our ability to compete in the global clean energy race.

Guided by the President's vision, the Department's 2011 Strategic Plan and our inaugural Quadrennial Technology Review (QTR), our FY13 budget request of \$27.2 billion invests in the following priorities:

- Accelerating the transformation of America's energy system, and securing U.S. leadership in clean energy technologies;
- Investing in mission-relevant science and innovation to promote our nation's economic prosperity; and
- Keeping Americans safe by enhancing nuclear security through defense, nonproliferation and environmental cleanup.

These priorities will be enabled through a continuing commitment to fiscal responsibility and management excellence.

Meeting existing commitments and planning for future needs cannot be done without careful analysis and evaluation of program priorities. Analyzing our work at the program/project and sub-program/project level of detail has enabled us to make the tough choices required in these challenging fiscal times while staying true to our commitment to fiscal responsibility. In making these reductions we have carefully considered guidance from the Administration and Congress by looking to less effective, potentially duplicative or overlapping, or unneeded programs or activities first for reductions or eliminations.

Recovery Act Oversight

Passed by Congress in February 2009, Recovery Act investments are putting Americans back to work making our homes and businesses more energy efficient, increasing the use of clean and renewable electricity, cutting our dependence on oil, and modernizing the electric grid. As these

clean energy projects continue over the coming months, we'll continue to see jobs added in local communities, further fueling our economic recovery.

DOE received \$35.7 billion—including \$33.2 billion in contracts, grants, reimbursable work, and borrowing authority; \$2.5 billion in 1705 credit subsidy—in Recovery Act funding to support clean energy projects that are developing infrastructure and technology to address the nation's energy issues and position the U.S. for leadership in long-term, clean energy industries.

DOE has consistently been supporting between 35,000-50,000 direct jobs each quarter since Summer 2010. In the first quarter of 2012 alone, DOE supported nearly 38,000 direct jobs.

As of March 31, 2012, Department of Energy has outlaid \$24.7 billion—69 percent of total funds—supporting over 15,000 clean energy projects across the country. Over the last 12 months, DOE has averaged 92 percent of its payment plan for the past 12 months.

Oversight of the Recovery Act has been a top priority for the Department. Aggressive monitoring systems that have been put in place are ensuring that taxpayers' dollars are used efficiently and effectively for the purposes intended. The Recovery Act has improved Departmental capacity to make sound decisions efficiently, keeping program and functional leaders aligned towards meeting common priorities and resolving issues in real time. Most importantly, the increased emphasis on processes to increase transparency and accountability will improve the oversight of programmatic funding into the future.

Improving Oversight and Monitoring of DOE Program and Recovery Act Funds

Audits and inspections conducted by the DOE Office of Inspector General (IG) and the Government Accountability Office (GAO) are an integral part of the Department's monitoring and oversight efforts for both Program and Recovery Act funds. At DOE, we take the work of the Inspector General and GAO seriously and welcome input on how to promote the effective, efficient, and economical operation of all programs. We are committed to facilitating their work and addressing the substantive issues they identify. IG and GAO recommendations help the

Department to improve our programs, identify opportunities for cost savings and operational efficiencies, and ensure that DOE is a strong steward of taxpayer dollars.

Recovery Act

Even before the Recovery Act was passed, the Department had taken steps to anticipate agency demands for the management and oversight of this funding. We created an Agency-wide plan specifying the anticipated goals of Recovery Act funding. From there, we developed Program level plans, which specified in greater detail the projected results and when those results would be achieved. Internally, DOE uses these plans to measure our own performance, and if a project was off-plan, the Department took actions to get the project back on track.

Additionally, iPortal, an online financial interface and database that provides users with a standard set of financials for departmental and public review, serves as a centralized repository of ARRA financial reports, impact metrics, and reporting guidance and consolidates data from multiple sources, including the Department's accounting system, its procurement system, and FederalReporting.gov. iPortal provides the Department with continuous real time access to key information on obligations, payments, jobs, impact metrics, and milestones, enabling the Department's management to identify and address problem areas early. Most of this information is also made available to the public through DOE's website and Recovery.gov.

In establishing the Recovery Act procedures, the Department, with the help of the Inspector General, anticipated the need for heightened oversight. The Inspector General conducted a number of preventative audits up front, documenting issues they identified over the last decade in any program receiving funds under the Recovery Act. This review supported our development of comprehensive risk management plans for each program. Before any Recovery Act awards were issued, the Department required the submission of detailed risk plans for every designated Recovery Project—over 150 in total. We also analyzed all relevant IG and GAO reports, including those focusing on similar programs at other agencies and incorporated the lessons learned from the IGs of other agencies (including the Departments of Housing and Urban Development and Health and Human Services) into these risk plans. The risk plans are

living documents, and Departmental officials update the plans as necessary for key projects to ensure that execution risks are identified and mitigated.

As part of our comprehensive risk management efforts for Recovery Act programs, we worked with the Recovery Accountability and Transparency Board—which is made up of Agency IGs—to develop ways of identifying recipients that may require closer monitoring and oversight. As part of this effort, we are also receiving real-time alerts on potentially problematic developments related to our recipients, which we share with the Inspector General, as appropriate.

The Department has undertaken major initiatives to ensure complete post-award audit coverage of all major recipients of DOE grants and cooperative agreements. We've put new processes in place to better leverage the government-wide audit requirement for non-profit recipients and state and local governments, as defined by the Office of Management and Budget Circular A-133. For the for-profit recipients, we provided detailed guidance for the recipients' audit firms outlining the issues they should review when conducting required annual audits; this guidance implements a pre-existing DOE audit requirement. The Department has also established centralized processes to track and ensure the resolution of these audit findings.

Conclusion

Mr. Chairman, I would like to thank you again for inviting me to testify on behalf of the Department of Energy about its budget process and effective implementation of the American Recovery and Reinvestment Act. I look forward to answering your questions.