

Smart-Grid Investment Grants: Managing the Maze of Federal Reporting Requirements

Russ Hissom, CPA, Partner, Baker Tilly Virchow Krause, LLP

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What is a smart grid?

Smart grid is a term that is applied generically to refer to the use of computer technology and communications for efficient delivery of electricity and security for the United States transmission system.

The high-level aspect of the smart grid can be summed up by the **Energy Independence and Security Act (EISA) of 2007**. The EISA directed the National Institute of Standards and Technology of the US Department of Commerce (NIST) to coordinate development of this framework and creation of the smart grid for national policy.

As detailed in the NIST Framework and Roadmap for Smart Grid Interoperability Standards guide, the distinguishing characteristics of the Smart Grid cited in the legislation include:

- > Increased use of digital information and controls technology to improve reliability, security, and efficiency of the electric grid;
- > Dynamic optimization of grid operations and resources, with full cyber security;
- > Deployment and integration of distributed resources and generation, including renewable resources;
- > Development and incorporation of demand response, demand-side resources, and energy-efficiency resources;
- > Deployment of “smart” technologies for metering, communications concerning grid operations and status, and distribution automation;
- > Integration of “smart” appliances and consumer devices;
- > Deployment and integration of advanced electricity storage and peak-shaving technologies, including plug-in electric and hybrid electric vehicles, and thermal-storage air conditioning;
- > Provision to consumers of timely information and control options; and
- > Development of standards for communication and interoperability of appliances and equipment connected to the electric grid, including the infrastructure serving the grid.

To fund this initiative, the Department of Energy through the American Recovery and Reinvestment Act of 2009 (Recovery Act) in October 2009 awarded \$3.4 billion of “Smart Grid Investment Grants” to organizations across the United States in 15 different programs. The grants are for matching programs, meaning that \$6.8 billion of investment in grid infrastructure and projects is slated to be spent in this area over the next three years through this program.

In November 2009, the Department of Energy awarded another \$620 million in grants for projects to demonstrate smart-grid technologies for large-scale energy storage, smart meters, and distribution and transmission monitoring devices. These awards will be matched by private sector funding. **Project implementation for grant awards is 36 months.**

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Grants with no strings attached?

No, of course not. These grants fall under the general federal grant requirements for most other federal grants, which bring with them a host of expenditure monitoring, matching expenditure tracking, wage reporting, jobs data, and single audit and Department of Energy audit requirements.

If your organization is a unit of government (municipal utility, joint action agency, electric cooperative) and your program expenditures exceed \$500,000 in any year, you are subject to an annual single audit by your external auditor under OMB Circular No. A-133 Single Audit Compliance Supplement. Single audit documentation includes additional reporting requirements of such areas as paying prevailing wage rates in compliance with the Davis-Bacon Act and other requirements. The controls and reporting framework of your organization must provide the necessary reports and source documentation to be used by the external audit firm in assessing single audit reporting requirements. Your reporting tools and source documentation must withstand the rigor of the single audit process.

Your organization must also have an approved indirect cost allocation plan to ensure that you meet IMB Circular No. 110 requirements prior to application of overhead costs, to ensure the appropriate amount of overheads under federal requirements are allocated to the grant, and so that later backtracking and restatement of grant expenditure reporting is not necessary.

All organizations are subject to the Section 1512 reporting requirements under the American Recovery and Reinvestment Act and will also be subject to Department of Energy audit requirements.

What are the record keeping requirements?

The Recovery Act requires all grant recipients to “maintain records that identify adequately the source and application of Recovery Act funds...in accordance with OMB Circular A-102”. A copy of OMB Circular A-102 can be found at www.whitehouse.gov/omb/circulars/a102/a102.html.

In addition, if your organization is a division of government or a non-profit organization, you will **also** need to meet the reporting requirements of OMB Circular No. A-133 Single Audit Compliance Supplement.

What are the federal reporting requirements – Section 1512?

The Recovery Act Section 1512 details specific data that must be reported quarterly at its central reporting solution (www.FederalReporting.gov). The Recovery Act allows for separate or combined reporting by both prime and sub-recipients for this process – however, Section 1512 guidance under the Recovery Act encourages combined reporting by the prime grant recipient.

Baker Tilly feels that allowing decentralized reporting separately by sub-recipients could lead to potential double-counting of report expenditures and errors in reporting. To ensure uniform reporting of expenditures and other data points under the Section 1512 reporting requirements, a central data collection point maintained by the prime contractor for subrecipient data could serve as an internal control for accuracy in the reporting process.

Key Section 1512 reporting requirements include, but are not limited to:

- > Amount of Federal Recovery Act funds expended to projects/activities
- > Activity code and description
- > Project narrative by type and status of completion
- > Job creation narrative and number
- > Infrastructure expenditures
- > Recipient area of benefit
- > Vendor expenditure amounts and descriptions

This may require accumulating reporting from differing operating systems and financial reporting platforms of the prime contractor and its sub-recipients into a common database. As this information is required to be reported by the 10th day after each quarter ends, timely information assembled on a uniform reporting model is critical in meeting the reporting deadline. There are various tools available, from the use of SharePoint collection sites where data is then compiled into uniform reporting formats, grant modules in ERP systems, all the way to stand alone third-party grant software solutions.

What is the Section 1512 reporting timeline?

Section 1512 has a structured timeline for reporting and allows for a review and comment period prior to finalization of the quarterly report:

Timeline	Activity
1 – 10 days after end of quarter	Prime contractor enters draft reporting data
11 – 21 days after end of quarter	Review and corrections of data, if needed
22 – 29 days after end of quarter	Agency review of data submitted/corrections of data by prime, if needed
30 days after end of quarter	Recipient reports published on Recovery.gov

Data integrity of the prime and subcontractors is key in this process. Reporting, once final, is the source data that will be subject to any future audit requirements.

Are there additional federal reporting requirements?

Additional federal reporting requirements are detailed in the assistance agreement signed by the grant recipient. These are spelled out in the Federal Reporting Assistance Checklist (DOE F 4600.2) and revolve around these areas:

Management Reporting

- > A comparison of actual accomplishments with the project goals and objectives established for the period
- > Accomplishments for this reporting period, including major activities and significant results
- > Cost and schedule status compared to budget, along with major milestones, anticipated and actual completion dates
- > Any product produced or technology transfer activities accomplished during the period such as articles published, websites, networking, technologies, or patents
- > Special Status Reports on any problems, delays, or adverse conditions which materially impair the

recipient's ability to meet the objectives of the award, or which may require DOE to respond to questions relating to such events from the public

Scientific/Technical Reporting

- > Technical effectiveness and economic feasibility of the project methods and benefits to the public
- > Technology advances and products developed
- > Conference papers or seminars developed as part of the project
- > Source code and software manuals for any software developed as part of the project

Project Financial Reporting

Closeout Reports

- > Final project reports on inventions and patents and other property certifications

Other Reports

- > An annual indirect cost proposal and reconciliation is required to be submitted that is "reconciled to the financial statements, within six months after the close of the fiscal year, unless the award is based on a predetermined or fixed indirect rate(s) or a fixed amount for indirect or facilities and administration (F&A) costs"
- > The grant recipient must also submit an annual indirect cost proposal to directly to DOE for negotiating and approving indirect costs
- > An annual inventory of federally owned property

Summary

The informational reporting requirements of grants received under the Recovery Act adds a layer of external federal reporting that may require grant recipients to modify their business processes to assemble the data, ensure data integrity for reporting and to meet audit requirements. This will involve an evaluation of your organization's internal controls and data accumulation processes to determine any control gaps that will need to be addressed.

We will explore the control framework needed to meet these requirements in Part 2 of this series.

We welcome the opportunity to meet with you to discuss how we can help you meet your business goals. For more information or any questions you might have on this topic, please contact Russ Hissom by e-mail at russ.hissom@bakertilly.com or phone at 608 240 2361.