COMMONWEALTH OF PUERTO RICO

PUERTO RICO ENERGY AFFAIRS ADMINISTRATION

MONITORING GUIDE

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SECTION I: INTRODUCTION

A. Energy Affairs Administration (EAA) Background

On June 29, 1977 the Office of Energy (OE) was created under the Law No. 128 of the Commonwealth of Puerto Rico. In 1993 the Legislature of Puerto Rico created the Department of Environment and Natural Resources through Reorganization Plan No. 1 of December 9, 1993. This plan is the legal basis for the creation of the Energy Affairs Administration, transferring the functions of Law No. 128 above mentioned.

The OE, the Energy Program under Department of Consumer Affairs (or DACO for the Spanish acronyms), and then the Energy Affairs Office developed the proposed State Energy Program (SEP) and other proposals of the Department of Energy of the United States, functioning as an office for state energy effects of this federal agency. The SEP includes measures to promote energy efficiency in different sectors of society and promote renewable energy.

On May 28, 2008 the Puerto Rico Energy Affairs Administration (EAA) was established by the Article 4, Section 1 of the Act No. 73. The EAA is ascribed to the Puerto Rico Department of Economic Development and Commerce. EAA receives and manages States and Federal Grants. Federal Grants are managed using the State plans approved by the award agency or through cooperative agreements.

The EAA provides principally the following services:

1. Energy inspections and/or evaluations.

2. Technical advice to agencies and/or municipalities for the preparation and implementation of conservation and efficient use of energy and use of alternative and renewable sources of energy.

3. Offer seminars, conferences, orientations and other educational activities to industry, commerce, and local agencies, schools and community groups upon request.

4. Analysis and electronic ignition system of motor vehicles to identify any irregularities that might disrupt the proper consumption and fuel efficiency. This service is offered to vehicles fleets of government, industry, municipalities and the general public.

5. Distribution of publications with information on many subjects related to energy.

6. Issue credit certification for hotels.

A. Energy Affairs Administration (EAA) Background (Continued)

7. Issue certification of solar heaters and photovoltaic systems installers.

8. Evaluates energy issues and promote projects related to conservation and energy efficiency and use of alternative and renewable sources of energy.

Other functions of the EAA are those related with the research and studies of energy distribution, production, utilization and conservation.

B. Purpose of the Monitoring Guide

This Monitoring Guide ("the Guide") is created to provide a framework of monitoring activities for the federal funds received and used by the EAA in compliance with its inherent responsibility as a federal funds pass-through entity. Monitoring is an integral management control techinique and a Government Accountability Office (GAO) standard. Monitoring is an ongoing process that has the primary purpose of assures that sub-recipients use and/or administer federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goal are achieved. In addition, the EAA use the monitoring results to ensure that the sub-recipient takes appropriate and timely corrective action when necessary.

C. Scope

This Guide is created to familiarize the monitors and the EAA's personnel with the most significant requirements of the U.S. Department of Energy programs and assist them with the compliance with those requirements.

D. Legal Authority

The Guide is issued under the provision of the General Government Accounting Standards, the Office of Management and Budget (OMB) Common Rule; OMB Circular A-133 – *States, Local Governments, and Non-Profit Organizations* and its Compliance Supplement, OMB Circular A-87 – *State and Local Governments;* American Recovery and Reinvestment Act (ARRA), and the EAA's Policies and Procedures Manual, as revised.

E. Limitation

This Guide is intended solely for the information and use of the Energy Affairs Administration, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.
The procedures and guidelines in this guide do not supersede the rules and regulations governing each specific program. Monitors should use their professional judgment to modify procedures according to the conditions found in the monitoring activities and the most recent regulations.

F. Effective Date

This Guide will be effective immediately after its approval by the management of the EAA.

SECTION II - MONITORING ADMINISTRATION AND PROCESS

A. Monitoring Administration

In all aspects related to the monitoring activities, the staff (EAA's employees or external resources used for the monitoring activities) shall be free from personal or external independence impairment and must maintain independence in attitude and appearance.

Government Auditing Standards issued by the Comptroller General of the United States provides certain guidance that can be used to determine independence, to some extent. Monitors and sub-recipients must maintain independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by objective third parties with knowledge of the relevant information. Monitors should avoid situations that could lead objective third parties with knowledge of the relevant information to conclude that the monitors are not able to maintain independence and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the monitoring activities and reporting on the work.

When during the monitoring activities the work of a specialist is necessary, monitors should assess the specialist's ability to perform the work and report results impartially as it relates to their relationship with the program or entity been monitored. If the specialist's independence is impaired, monitors should not use the work of that specialist.

Anyone cannot participate on the monitoring procedure of an organization in which the monitor or any member of his immediate family is a member of the Board of Directors, official or employee or have other direct or indirect interest in that organization or program

A. Monitoring Administration (Continued)

to be monitored. This rule will be maintained throughout the period of the monitoring activities.

As a standard requirement, monitors should have technical knowledge of the program and the statutes of the authoritative literature, as presented on Section I of this Guide.

B. Performance Monitoring Plan (PMP)

The primary purpose of monitoring sub-recipients is to assure that grants are used for authorized purposes in compliance with applicable Federal requirements and that performance goals are being achieved. The planning process is the identification of risks that should be assessed as to whether they could result in sub-recipient non-compliance with the objectives of the grant award.

In order to document the evaluation of the sub-recipient compliance, the monitors should prepare a Performance Monitoring Plan (PMP). The PMP include the areas and activities on the monitoring process that must be documented to support the monitor's report. The following *Figure 1* presents the activities that the monitoring process should include:

Figure 1: **Monitoring Process**

B. Performance Monitoring Plan (PMP) (Continued)

On *Figure 2* the Monitoring Process is presented on a flowchart that present all the steps that monitors should follow in performing the sub-recipient monitoring. The Monitoring Process should be performed periodically until the project is completed. At the completion of the project, a final on-site monitoring visit should be performed. The monitoring method used and the frequency of the monitoring procedures during the project will be determined during the risk assessment procedures.

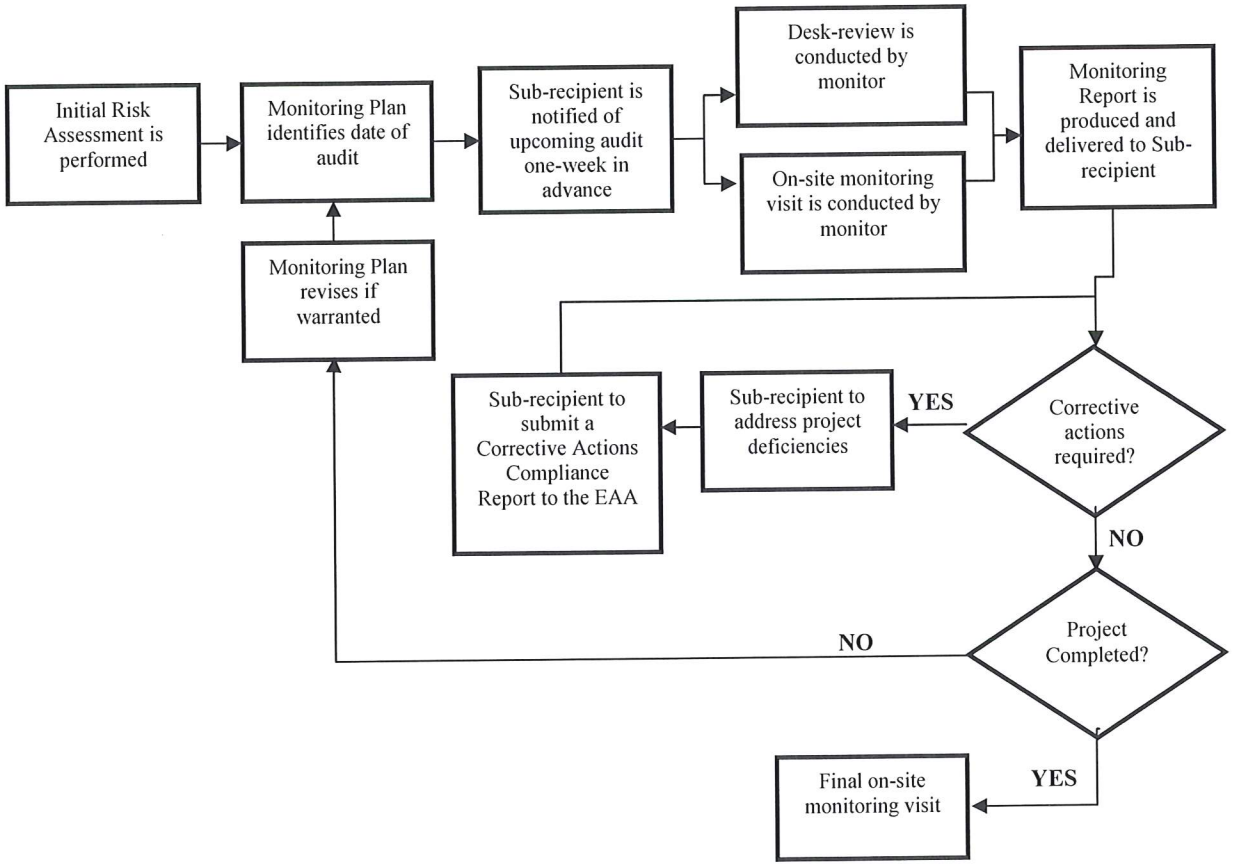

Figure 2: **Monitoring Flowchart**

Monitoring Plan

The planning of the monitoring procedures should be documented on a memorandum. This memorandum should establish the purpose or objective of the monitoring, the sub-recipient name, the project and program, the staff members that will participate on the process and the date on which the monitoring will be performed.

B. Performance Monitoring Plan (PMP) (Continued)

If the EAA's monitors will perform monitoring procedures for more than one project, program or sub-grantee, the monitoring documentation should be completed in unique to each project, program or sub-grantee. The documentation of the monitoring should be separated by project/programs. Please refer to **Appendix A** for an example of the memorandum to be used to document the planning procedures.

Monitoring planning should begin with the summary of sub-recipient and project information, as seen on **Appendix B** and **Appendix C**, respectively. This process provides to the monitor the understanding of the sub-recipient, the project and its environment, which is an essential aspect in the determination of risks.

To obtain sub-recipient data and assigns a risk score and to obtain additional data for sub-recipient analysis, the U.S. Department of Energy (DOE) have available a tool that matches the sub-recipient's DUNS number with historical data on the Audit database. To obtain this information the monitor should submit the sub-recipient data, including: DUNS number, organization name, mail address, telephone number and email address. The DOE will forward the sub-recipient information to the EAA for incorporation into the full risk analysis. When the monitor uses this tool he/she should keep all the information and add it as additional information for the monitoring plan. Although the EAA have available this tool, the monitor has the responsibility for the final risk analysis of sub-recipients.

Procedures performed to obtain that understanding are referred to as "risk assessment procedures", because the information obtained by performing those procedures is used to support the assessments of the risk.

Risk Assessment

The risk-based approach focuses monitoring on the sub-recipients that are at greatest potential risk of non-compliance. All projects and programs have risks; however since each program and project is different, the level and type of risk will vary. The goal of risk assessment, during the monitoring plan, is to identify the level of risk and manage it to ensure that the monitoring procedures can be competent and sufficient to detect any non-compliance with the grant awards and predict future behavior in a timely manner.

The information that monitors obtains about the sub-recipient by performing risk assessment procedures is used to make several important planning decisions and judgments. The primary planning decisions and judgments based on this information are: (1) the frequency of monitoring during the life of the project, and (2) the monitoring method to be used for each project.

B. Performance Monitoring Plan (PMP) (Continued)

The following risk factors may be considered by the monitors in assessing level of risk:

a) Size of Program – The larger or smaller the award, the greater or lower the risk.
b) Award complexity, sensitivity of the work and/or extensiveness of the governing regulations – The more complex the program (eligibility, calculations, etc.), the greater the risk. The simpler the program, the less the risk.
c) Program Maturity at the Federal Agency – The newer the program, the greater the risk.
d) Significant changes in the law, regulations, or the provisions of contracts or grants agreements may increase risk.
e) Program Maturity at the Sub-recipient – The risk may be higher in the first and last year of a program due to the peculiarities related to start-up or close-out of program activities and staff.
f) Extent of Contracting – The greater the amount of program contracting for goods and services, the greater the risk.
g) Sophistication of the Sub-Recipient's Systems and Administrative Operations – Significant use of computer processing (for transmitting, processing, maintaining, or accessing information related to federal awards) may indicate higher risk. Also, computer systems used to administer federal awards may indicate higher risk if they are complex, new (and not previously tested), or recently modified.
h) Credit evaluation of sub-recipient where applicable.
i) Percentage passed through.
j) Sub-recipient's under the provision of Circular A-133 ,if applicable.
k) Prior or Current Experience with the Sub-recipient – Prior monitoring findings relative to the program may indicate a higher risk, particularly when the situation identified in the audit findings could have a significant impact on the program or have not been corrected.

Understanding and analyzing the impact of risk factors will help in determining how a sub-recipient is ranked in terms of risk. Ways to reduce risk exposure with sub-recipients could include an increase in the frequency and intensity of monitoring, modification to payment plans, or other controls to help manage risks.

In addition, monitors should consider the level of risks associated with the following specific areas associated with the project to determine the overall risk rating:

- **Technical risks** – Technical risk is a measure of the uncertainty of meeting a requirement relating to some technical aspect of a project. It could includes an error in the engineering design, technical issues, unproven technology or other uncertainty that could affect the compliance of the project with the requirements established on the federal award and the cooperative agreement with the EAA.

B. Performance Monitoring Plan (PMP) (Continued)

- **External risks** – The external risk in project are those external factors that the entity cannot control such as changes in government legislation, delay on permits, environmental statements requirements, and other information required for permits.

- **Internal risks** – The internal risk is the uncertainty related with the sub-recipient factors that could affect the performance of a project. For example the inexperience of staff assigned for the project administration, inexperience in managing federal grants, and other similar factors.

- **Scope risks** – The scope risk is the uncertainty that personnel on the project do not understand what is expected of them during the project, the administrative control deficiencies during the project management process, and other factors that could affect the project scope, schedule, objectives, cost and deliverables.

- **Schedule risks** – The schedule risks is the risk that the project will not be completed in the period established on the contract agreement.

- **Budget risks** – The budget risk is the risk that the project does not meet with the budget projections.

- **ARRA Compliance risks** – The uncertainty that the sub-recipient does not comply with the requirements of ARRA.

To perform an initial qualitative risk assessment, the monitor should identify any specific risks that may be part of the sub-recipient project. The risks should be classified on one of the risk types listed above. To document the risk evaluation, the monitor will use the table on **Appendix D**. This form includes all risk types and the specific factors that the monitor should emphasize on the sub-recipient project. To determine an overall risk level of the project, and to determine the frequency and detail of monitoring requirement the monitor should use the Risk Assessment Matrix on the *Figure 3*.

Using the form on **Appendix D** and the information obtained during the planning procedures, the monitor should assign a letter (from A to E) on the likelihood column to indicate the likelihood applicable to the risk factor on the current row. Then, on the consequence columns, the monitor should assign a number (from 1 to 5) that indicate the level of consequence if the risk is materialized. Both columns should be identified using the Risk Assessment Matrix to determine the risk rating for each risk factor on the table (see *Figure 4*). For example: To establish the risk rating of *Technical Risk*, risk factor (1) *Engineering design incomplete or in error*, the monitor establish on that the likelihood of this risk is *C-Possible* and the consequence is *3-Moderate*, the risk factor is 3.

Likelihood	Consequence				
	1 -Insignificant	2 -Minor	3 -Moderate	4 -Major	5 - Catastrophic
A – Almost Certain	2	3	3	4	4
B – Likely	2	2	3	3	4
C – Possible	1	2	3	3	3
D – Unlikely	1	1	2	2	3
E – Rare	1	1	2	2	3

Figure 3: **Risk Assessment Matrix**

Figure 4: **Risk Rating Formula**

Once all risks ratings are established to each risk factor, the monitor must totality the risk rating column to determine the overall risk range of the project, and use the table on *Figure 5* to determine the frequency and level of detail of monitoring procedures. The monitoring procedures provided according with the table below may include desk reviews or on-site monitoring. However, the monitor must be aware that during the extension of the grant award the Program Managers are in constant communication with the sub-recipient to obtain knowledge about progress of the project. This communication is also considered as a monitoring procedure. The specification of each monitoring methods are discussed on the next section of this manual.

		Frequency of Monitoring for the life of the project	
Overall Risk Rating	**Range**	**Desk Reviews**	**On-site Monitoring**
Extreme Risk	115-124	Monthly	4
High Risk	101-114	Monthly	3
Moderate Risk	55-100	Quarterly	2
Low Risk	31-54	Quarterly	2

Figure 5: **Monitoring Method and Frequency**

B. Performance Monitoring Plan (PMP) (Continued)

Frequency

The frequency of desk-reviews and on-site monitoring for the sub-recipient's project included in the monitoring plan, has been determined according to the level of risk for the project by means of a risk assessment, using the form on **Appendix E**. The frequency of desk-reviews or on-site monitoring is subject to change based upon project performance. The monitor should notice that the table on **Appendix E** establishes the frequency and method of monitoring procedures during the life of the project. However, there are a minimum amount of on-site visits and desk reviews required to be performed during a year. These requirements are presented on the Monitoring Method section of this guide.

Also, the frequency and scope of monitoring procedures will depend on the requirements established on the grand award notification and any special terms and conditions. The risk assessment model suggests a process of selection based on risk evaluation of projects; however, this guide does not supersede any specific requirement of the grand award or federal program. If the grant award or federal program requires that the frequency of visits and their scope to be greater than the scope established herein with the risk assessment model, the procedure should be performed according with the award or federal requirement.

Sample Selection

By their nature, some compliance requirements involve large populations that should be sampled while others, because of the small population involved or the type of evidence of compliance available, it is not appropriate to perform a sample. The monitor should use his/her professional judgment to determine the extent of the tests by considering several factors, including the risk assessment procedures described above.

The efficiency of the audit sample will usually be improved considerably by dividing the population between individually important items and items to be sampled. To select the sample for monitoring procedures, the monitor should follow the following steps:

Step 1 – *Identify individually important items* – Individually important items may be removed from the remaining population for separate testing. The 100% of these items will be included on the monitoring tests. These items might be large, risky, or unusual or may includes transactions that contain characteristics of prior compliance findings. In addition, individually important items are those projects considered high priority. Individually important items are usually represented by only a few items in a population. If population is homogenous[1], there should be no individually important items for the sample determination.

[1] A population is considered homogenous when all the transactions are for the same purpose, kind and similar amounts.

B. Performance Monitoring Plan (PMP) (Continued)

Step 2 – *Calculate remaining balance after selecting individually important items* – The remaining balance of items to be tested is calculated by subtracting the individually important items from the total population being tested.

Step 3 – *Apply audit sampling to test the remaining balance* – The sample selection method to be used should be random[2]. Other method could be used if random selection is not possible or practical.

Step 4 – *Verify the percentage of coverage of sample size in comparison with the population* – The sample size will include all items considered on Step 1 and the selection performed on Step 3. If the percentage of coverage is less than the minimum required by the program guide, the monitor should increase the sample size until the requirements of such guidance is fulfilled . The EAA must conduct on-site monitoring at least annually for 5% to 10% of their high priority projects for each grant.

Materiality

The concept of materiality does not apply for the monitoring purposes. Therefore, any non-compliance with laws, regulations, grant agreement or contract provision must be reported in accordance with the procedures established on the questioned cost section of this monitoring guide.

C. Monitoring Method

The EAA will use a variety of monitoring mechanisms to determine 's compliance with the requirements of each federal award. These mechanisms include the following, among others:

1. Regular contacts with sub-recipients and appropriate inquiries concerning program activities.

2. Desk reviews, which include the review and analysis of:
    a. progress reports,
    b. financial reports,
    c. external independent auditors' reports and
    d. Other audits (i.e. PR Comptroller audits, OIG, etc.)

[2] Random is a statistics process of selection in which each item of a population has an equal probability of being chosen.

C. Monitoring Method (Continued)

3. On-site visits

Monitoring will take place in the form of on-site visits that will occur no less than once per year throughout the life of the sub-grant, as well as additional desk-reviews that will occur with a frequency to be determined by the monitor based on the level of risk identified after conducting a risk assessment described before.

Performance Indicators

The sub-recipient's project subject to monitoring will be evaluated for progress based on the performance indicators listed on the *Figure 6*. Further detail on each of these performance indicators is included in the sub-grant agreement and terms and conditions documents. The checklists and evaluation forms used on monitoring procedures are divided by performance indicators. The performance indicators are divided on the following areas: budget, schedule, scope, and compliance. The questions used on the monitoring checklists (desk review and onsite visits) are divided by these performance indicators. The answers of the questions of each area should be summarized and included on the Monitoring Report to obtain the level of sub-recipient's compliance with each performance indicator.

Performance Indicators	
Budget	▪ Comparison of actual expenditures to approved budgeted amounts. ▪ ARRA funds tracked separately from other sources of funding. ▪ Comparison of actual expenditures against amount and percentage of work completed. ▪ Limitation on spending to a maximum of 5% of funding on administrative costs. ▪ Actual use of proposed leveraged funds and sub-grantee contributions to the project.
Schedule	▪ Comparison of project progress against the proposed timeline. ▪ Verification that involved measures are actually installed and working.
Scope	▪ Identification of any discrepancies from Scope of Work. ▪ Installation of equipment identified in the Scope of Work. ▪ Work performed on locations identified in the Scope of Work.

C. Monitoring Method (Continued)

Performance Indicators	
Compliance	▪ Compliance with Davis-Bacon Act prevailing wage requirements. ▪ Compliance with Buy American Requirements. ▪ Compliance with restrictions on the use of ARRA funds. ▪ Compliance with state regulations as stipulated by the PR Energy Affairs Administration and U.S. Department of Energy terms and conditions. ▪ Use of Recovery Act Logo on project site. ▪ Compliance with publication and communication requirements. ▪ Monthly and quarterly reports submitted on time and accurately. ▪ Copy of certified payroll records retained on-site and submitted weekly to the EAA. ▪ Retention of financial records, supporting documents, and other records. ▪ Preparation of Waste Management Plan and adequate disposal of waste. ▪ Attendance to a minimum of one (1) Building Energy Standards Workshop.

Figure 6: **Performance Indicators**

Regular Contacts

An inherent part of the monitoring procedures is the continued communication with sub-recipients. The Program Manager should maintain constant communication, preferably by telephone or e-mail, with the sub-recipients to obtain knowledge about the progress, limitations, issues, and other information about the project. This procedure provide to the monitor a knowledge about the risks related to the project. The Program Manager must keep a record (log) with a summary of communications with the sub-recipient and the information obtained on each communication.

Desk Review

Desk monitoring is an essential part of the ongoing monitoring process when performed regularly for all projects. As part of this procedures the monitor reviews sub-recipients' expense reports, and if any error or inconsistency is detected, the monitor should contact the sub-recipient for clarification. The monitor should stress projects with unresolved issues until they are resolved.

The sub-recipient will be notified one week in advance of any desk-reviews to be performed by a project monitor. The monitor may request evidentiary documents including receipts, invoices, time sheets, photographs, monthly reports and other relevant materials for purposes of this review. In addition, the monitor may schedule a conference-call with the sub-recipient to be updated on the progress of the project.

C. Monitoring Method (Continued)

During the desk-review, the monitors will complete a Checklist for Desk-Review, which consist of various questions covering all performance indicators (see *Figure 6*). After the Checklist is completed, the monitor will make notes of any issues identified, recommendations, and required corrective actions. The Checklist will then be included as part of a Monitoring Report that the auditor will submit to the sub-recipient.

Since all programs have specific areas on which the monitor should emphasize, the **Appendix G, I** and **K** includes the **Checklist for Desk-Review** for the State Energy Program (SEP), Weatherization Assistance Program (WAP), and Energy Efficiency and Conservation Block Grant, respectively.

On Site Visits

Monitors should prioritize sub-recipient projects by important characteristics: dollar amount, significance of project to State goals, type of sub-recipient, or other criteria. Monitors should conduct on site monitoring at least annually for 5 -10% of their high priority projects. The timing of on-site monitoring is important – site visits should be conducted early enough so that the project can benefit from any changes implemented and late enough so that there is activity to measure.

The sub-recipient will be notified one week in advance of any on-site monitoring visit to be performed by a project monitor. Visits will occur during regular working hours and the monitor shall be granted access to any pertinent project areas, documents, and records.

During the monitoring visit, the auditor will complete a Checklist for On-Site Monitoring Visit, which consists of various questions covering all performance indicators (see *Figure 6*). After the checklist is completed, the monitor will make notes of any issues identified, recommendations, and required corrective actions. The Checklist will then be included as part of a Monitoring Report that the monitor will submit to the sub-grantee.

As part of the on-site visit the EAA will perform monitoring procedures on the final of each project, this process is known as *final inspection*. This procedure will be applied to all projects as required by the grant award.

Since all programs have specific areas on which the monitor should emphasize, the **Appendix F, H** and **J** includes the **Checklist for On-Site Monitoring Visits** for the State Energy Program (SEP), Weatherization Assistance Program (WAP), and Energy Efficiency And Conservation Block Grant, respectively.

C. Monitoring Method (Continued)

On-Site Visit Protocol

Prior to the on-site visit, the monitor should review the latest programmatic progress and financial report on the project and prepare a list of questions and/or areas of emphasis to be covered during the visit, in addition to the standard monitoring checklists. The monitor may discuss project accomplishments as measured against milestones, personnel responsibilities, any previously identified problem areas, and assess the sub-recipient's need for technical assistance.

The monitor may inspect work products and equipment purchased with project funds to ensure that both are consistent with provisions of the agreement/award or contract documents.

Monitors may interview sub-recipients about their accounting processes, audits, property management procedures, procurement practices and records. The monitor may attempt to determine if there is proper segregation between procurement, purchasing and receiving; also advisable is a review of time sheets for accuracy and for correspondence between reported hour and the reasonable requirements of the tasks at hand.

Once the review is completed, the monitor may discuss any areas of concern as well as any needs for technical assistance, training, or changes in project scope. The monitor may then summarize the follow-up activities and any necessary corrective actions. Those findings that require immediate corrective actions must be communicated by the monitor during the monitoring visit and disclosed on the monitoring worksheets.

Monitoring procedures will result in a monitoring report that will be submitted to the sub-recipient and that will contain a description of risks and issues identified with the project, and a list of recommendations for any corrective actions.

D. Summary and Evaluation of Monitoring Findings

Monitoring Documentation Requirements

The worksheets are the records of the monitors' procedures and findings.

This Guide presents some worksheets to be used by monitors to document the results of their tests. **Appendixes G** to **K** present a worksheet to document the desk review monitoring and on-site visits monitoring, respectively.

D. Summary and Evaluation of Monitoring Findings (Continued)

These worksheets must be supported with the other monitoring documentation previously discussed on this Guide that include the monitoring plan, risk assessment, monitoring checklists, and other supporting documentation used during the monitoring process.

In addition, the monitor worksheets must contain:

a. Objectives, scope, methodology, including criteria used in sample selections;

b. Documentation of work achieved that support the conclusions, judgments, including descriptions of transactions and documents reviewed that would allow an experienced auditor to examine or monitor these transactions or documents;

c. Evidence of the review of work performed by a supervisor or manager.

The worksheets are property of the EAA and must be retained for a minimum of six (6) years from the date of the monitor's report or the audit of the Comptroller of Puerto Rico or the newly created Office of Inspector General for Puerto Rico, whichever comes later.

Evaluating Sample Results

To evaluate the test results a projection of misstatement results must be performed. The monitor must be concerned with the dollar amount of noncompliance (questioned costs) and the number of items of noncompliance identify in the population. Although the dollar value of questioned costs could be insignificant, if the number of instances of noncompliance is significant, the monitor should consider the overall effect of the findings projected to the population to determine if the program is or is not in compliance. Therefore, quantitive and qualitative factors should be considered. The following qualitative factors should be considered as well:

1. The type, nature and the frequency of noncompliance identified in the audit and considering the results of prior audits (since repeated findings are more likely to be material findings);

2. Adequacy of internal controls for ensuring compliance in the future. (A noncompliance that relates to, and perhaps was caused by, inadequate internal controls is more likely to be a material finding.)

3. Cumulative effect and impact of smaller items. (A large number of small amounts are more likely to be grouped and reported as a material finding. A noncompliance item of a small questioned cost that is not likely to be an isolated incident is more likely to be a material finding); and

D. Summary and Evaluation of Monitoring Findings (Continued)

4. The needs and expectations of the grantors.

The monitor should evaluate the frequency and, if applicable, the magnitude of noncompliance as well as the nature and cause of the noncompliance to reach an overall conclusion on compliance with a particular type of compliance requirement.

To evaluate the sample results on a nonmonetary compliance test, the monitor will use the exception rate. The exception rate is an estimate of the percentage of exceptions detected in a population. To calculate the exception rate, the monitor should divide the number of exceptions detected by the sample size. For example, if five (5) exceptions are identified on a sample of 20, the exception rate is 25% (5/20). This rate should be evaluated to determine the level of noncompliance in a sample.

To evaluate the monetary exceptions on a sample, the monitor must apply the questioned costs observed in the sample to the population. To calculate the amount of questioned cost, the monitor should sum the total amount of transactions that have an exception in the monitoring test. The total amount (questioned costs of the sample) should be divided in the total amount of the sample; the result will be the questioned cost rate. Finally, the questioned cost rate should be multiply by the total population. The result will be the questioned cost for the population. For example: If the total amount of the sample is $500,000, and the total questioned costs of the sample is $125,000, the questioned cost rate is 25% ($125,000 / $500,000). This approach applies when the population consists of homogeneous transactions. Findings in *individually important items* should no be projected to the population since their selection was not random.

In all cases where the monitor determines that a compliance exception does not meet the criteria for reporting as a finding, the monitor should document the rationale for omitting the exception.

Questioned Costs

When performing compliance testing according to this Guide, the monitor may determine that a particular disbursement did not follow the laws or regulations. These costs will be reported by the monitor as questioned costs.

The criteria for classifying costs as questioned costs will relate to the following:

1. Disallowed Costs – These are costs that are not specifically permitted under the general rules or specific program or grant funds or by the EAA.

D. Summary and Evaluation of Monitoring Findings (Continued)

2. Unsupported Costs - These are costs charged to a contract or program which have not adequately documented or detailed.

3. Costs Not Approved - These are costs that were not approved in the budget of a contract, or require specific authorization by the federal government or certain official of the EAA, but there was no evidence of such approval.

4. Unreasonable Costs - These are costs incurred that are not consistent with the actions of a prudent person in similar circumstances.

Disclosure of Potential Irregularities or Illegal Acts

Monitors should be aware of the possibility that illegal acts have occurred directly or indirectly. If any information came to the attention of the monitors that provide evidence regarding the existence of possible illegal acts, the monitors must apply specific procedures aimed at determining if in fact an illegal act occurred.

If indeed the procedures point to this possibility, the monitor is responsible for informing at the right level of the EAA during the next 24 hours.

Illegal acts and irregularities include conflicts of interest, falsification of records or reports, and the theft of funds or assets.

E. Monitoring Report

Monitoring procedures will be reported using the forms of *Report for Desk Review Monitoring* and *Report for On-Site Monitoring Visits* on **Appendix L** and **M**, respectively. In the report the monitor should summarize the details of the project and program, the list of personnel interviewed to obtain information about the project compliance, the list of documents examined to verify the supporting documents, summary of areas examined, the identified issues and/or findings during the process and the required corrective actions. In addition, the monitor should document the suggested procedures to be considered on the next monitoring to the sub-recipient. A deadline must be established to submit the Corrective Action Compliance Report. The report, also, must include any follow-up work.

Before the final issue, the Monitoring Report will be submitted in draft to the Program Manager and discussed in an exit conference. The final report should be issued within 30 days after each visit or monitoring procedure.

F. Post-Monitoring Procedures

The sub-recipient is responsible for follow-up and prepares a corrective action plan on all monitoring findings. The corrective action plan shall include the reference numbers that the monitor assigns to each finding on the monitoring report. The summary schedule shall describe the planned corrective action as well as any partial corrective action taken. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan, the summary schedule shall provide an explanation.

Corrective Actions Compliance Report (CACR)

Within 30 days of receiving the Monitoring Report, the sub-grantee shall prepare and submit to the project monitor a *Corrective Actions Compliance Report (CACR)* (see format on **Appendix N**). The corrective action plan shall provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. The CACR must include evidence of the implementation of corrective actions. If the sub-grantee fails to address identified project deficiencies, it will not be eligible to receive further funding and may be required to repay any or all disbursements of grant funds awarded by the EAA.

The specific sanctions to the sub-grantee will be based on the evaluation performed by the EAA's management, based on the federal award requirements and in accordance with the OMB Common Rule.

Evaluation of Corrective Actions Compliance Report

The monitor will evaluate the monitoring findings to identify those considered deficiencies that require immediate corrective actions and others deficiencies. For deficiencies that require immediate corrective action, the Program Manager will submit a Special Monitoring Report, using the *Report for On-Site Monitoring Visits* on **Appendix M**[3], on the next working day following the monitoring visit. <u>This report does not replace the final Monitoring Report for the On-Site Monitoring Visit</u>. The CACR for the findings that require immediate action must be submitted at least 48 hours after receiving the Special Monitoring Report.

To evaluate the CACR the monitor will use the Evaluation Form as seen on **Appendix O**. If the CACR is effective in correcting the findings and deficiencies identified.

[3] This monitoring report should be title Special Monitoring Report to Present Issues that Require Immediate Action.

F. Post-Monitoring Procedures (Continued)

The Program Manager will send a letter to the sub-recipient using the format on **Appendix P**. If the CACR does not reflect acceptance of the findings, the Program Manager will request the sub-recipient to justify their disagreement with the findings and to present any evidence or supporting documents by using the model in **Appendix Q** within five (5) working days from receipt of such letter. If necessary, the monitor should request an amended CACR.

Monitoring Findings Follow-Up

Once the EAA accept the CACR submitted by the sub-recipient, the monitor will continue to follow-up the corrective actions implementation. The Monitor should evaluate if it is necessary to request evidence that support the corrective actions suggested by the sub-grantees or to advise that the corrective actions were not implemented on the required period. For this communication, the Program Manager will use the format on **Appendix R.**

Changes to the Next Monitoring Plan

Based upon the findings of the monitoring visit or desk review, the monitor may re-evaluate the risk of the project revisions to the monitoring plan for the next monitoring procedures, if necessary. This re-evaluation will be performed at the end of every monitoring procedure until the final on-site monitoring visit.

APPENDIX A

Monitoring Plan Memo

COMMONWEALTH OF PUERTO RICO

ENERGY AFFAIRS ADMINISTRATION

DATE: _____

PREPARED BY: _____

RE: MONITORING PLAN MEMO

The purposes of this Performance Monitoring Plan are to identify potential risks involved with the understanding of the project _____ funded by _____, identify project-specific monitoring requirements an determine effective risk management processes that should lead to successful project execution.

This memorandum is meant to be supported by the Sub grant Agreement entered into between the Energy Affairs Administration (EAA) and the _____ (hereinafter referred to as the "Sub grantee"), as well as by the Special Terms and Conditions required by the U.S. Department of Energy and the American Recovery and Reinvestment Act (ARRA) of 2009.

This monitoring plan is specific for the Sub grantee and provides a framework for identifying and managing key technical, schedule, compliance and cost risks associated with the project, via a continuous and iterative process. Furthermore, this monitoring plan has been developed to assist in meeting the overall monitoring and reporting requirements as required by U.S. Department of Energy and per the conditions of the ARRA.

The monitoring will be performed on _____ starting on _____. The team members will be: _____
and the person in charge of the monitoring process is _____.
The Sub grantee and project information, risk assessment, sample determinations and monitoring method to be used are included in the enclosed documentation.

Any amendment to this monitoring plan will be added to this document as an attachment.

Attachments

APPENDIX B

Sub-Recipient Information

SUB-RECIPIENT INFORMATION

Sub-recipient Name : _____

DUNS Number[4] : _____

CCR Registry (Y/N)[5] : _____

Award Amount : _____

Program : _____

Project Manager : _____

Project Manager Contact Information : _____

Obtain sub-award contract and related documents.

[4] DUNS Number is a nine-digit number than organization is required to have in order to apply for a grant or cooperative agreement from the Federal Government.
[5] Code of Certified Register

APPENDIX C

Project Description

PROJECT DESCRIPTION

1. Sub-recipient : _____

2. Project Name : _____

3. Project Scope of Work : _____

4. Approved Timeline

Date	Milestone

5. Approved Budget

	Amount ($)	Percent
Energize Communities Funding Requested		
Applicant Contribution		
Leveraged Funds		
Total Project Cost		100%

APPENDIX D

Risk Assessment Evaluation Form

RISK ASSESSMENT

				Likelihood	Consequence	Risk Rating
1	**Technical Risks**	1	Engineering design incomplete or in error			
		2	Inaccurate assumptions on technical issues			
		3	New or unproven technology			
		4	Technology may be non-compliant with Buy American			
2	**External Risks**	1	Permits or agency actions delayed or take longer than expected			
		2	Additional/new information required for permits			
		3	Historic site present, possible SHPO conflict			
		4	Environmental impact statements (EIS) required			
		5	Formal National Environmental Policy Act (NEPA) consultation required			
3	**Internal Risk**	1	Inexperienced staff assigned for administration of the project			
		2	Inexperience in managing similar state and federal grants			
		3	Project involves contractors/subcontractors			
4	**Scope Risks**	1	Project scope, schedule, objectives, cost, and deliverables are not clearly defined or understood.			
		2	Project involves several project sites/buildings			
		3	Consultant or contractor delays			
		4	Pressure to deliver project on an accelerated schedule			
		5	Complexity of Project Scope			
		6	Complexity of Waste Stream			
5	**Schedule Risks**	1	Late delivery of equipment or material			
		2	Delays in implementation			
		3	Project scheduled to finish during the summer of 2012 or close to end of grant date			
		4	Project schedule over 1 year			
6	**Budget Risks**	1	Cost escalation			
		2	Delays in receiving reimbursements			
		3	Inability to secure other source of funding			
		4	Considerable difference between initial cost-estimations and actual costs			
		5	Project receiving funds in excess of $500,000			
		6	Uncertainty in projections or calculations			
7	**ARRA Compliance Risks**	1	Lack of understanding of ARRA requirements			
		2	Davis-Bacon prevailing wage			
		3	Scope outside of NEPA Exclusions			
		4	Buy American Provision			
		5	Reporting in a timely and accurate manner			
					TOTAL	

APPENDIX E

Monitoring Frequency

Monitoring Frequency

Sub-recipient : _____

Project : _____

Activity	Frequency	Schedule

APPENDIX F

State Energy Program (SEP)'s
Checklist for On-Site Monitoring Visits

COMMONWEALTH OF PUERTO RICO
ENERGY AFFAIRS ADMINISTRATION (PRPREAA)
CHECKLIST FOR ON-SITE MONITORING VISITS
STATE ENERGY PROGRAM (SEP)

Sub-recipient Name: _____

Contact Person: _____

Contract Number: _____

Contract Amount: _____

Monitoring Date: _____

Monitor: _____

		Procedures	Comply			Comments
			Yes	No	N/A	
1	**Previous monitoring findings follow-up**					
	1. 1	Are there any previous desk-reviews or on-site monitoring visits findings still unresolved? (Please identify the condition and comment on the status).				
	1. 2	Have these issues been addressed by the sub-grantee?				
2	**Budget**					
	2. 1	Does the subgrantee have an adequate system for comparing expenditures to budgeted amounts?				
	2. 2	Are expenditures to date reasonable when compared to the percentage of work completed?				
	2. 3	Is the subgrantee tracking and reporting Recovery Act funds separately from other leveraged funds?				
	2. 4	Does the subgrantee keep accounting records which adequately identify the source and application of funds provided for financially assisted activities? (These records must contain information pertaining to subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, capital outlays or expenditures and income.)				
3	**Schedule**					
	3. 1	Based on the work completed to date, is the subgrantee on track to complete project by due date?				
4	**Scope**					
	4. 1	Is work being performed at the locations identified in the Project Description?				
	4. 2	Is the subgrantee installing equipment identified in the Project Description?				
	4. 3	Is the subgrantee conducting any activities not specified in the Project Description?				
	4. 4	Are the measures included in the sub-grantee's invoices installed and working on the project site?				
	4. 4	Does the subgrantee maintain a physical inventory of the equipment that include a description of the equipment, a serial number or other identification number, the source of property, the acquisition date, cost, percentage of federal or state participation in the cost, location, use and condition of the property?				
5	**Compliance**					
	5. 1	Is the subgrantee complying with Davis-Bacon Act on labor and wage requirements?				
	5. 2	Does the subgrantee have a mechanism in place to ensure that laborers are paid in accordance with prevailing wages?				
	5. 3	Are copies of weekly payroll records for all laborers being paid kept on the project site?				
	5. 4	Are purchasing records kept on site demonstrating compliance with Buy American requirements?				
	5. 5	Is the subgrantee following the State procurement standards at a minimum?				
	5. 6	Are efforts made to ensure fairness in bidding and contracting procedures?				
	5. 7	If the sub-grantee is using any contractors/sub-contractors, have all contracts been awarded through competitive procedures as fixed-price contracts?				
	5. 8	Does the subgrantee keep a waste management plan on site?				
	5. 9	Is waste generated being disposed of according to federal and state regulation?				
	5. 10	Has the sub-grantee taken any action using federal funds, that goes beyond the proposed Scope of Work and that might have an adverse effect on the environment and, therefore, trigger National Environmental Policy Act (NEPA) review?				
	5. 11	Is the Recovery Act Logo displayed on the project site in a manner that informs the public that the project is a Recovery Act investment?				

Procedures		Comply			Comments
		Yes	No	N/A	
5. 12	Is the U.S. Department of Energy (DOE) logo is displayed on the project site, is it accompanied with at statement indicating that the sub-grantee recipient received financial assistance from DOE for the project?				
Procurement					
5. 12	Select a random sample of disbursements (other than personal services - payroll). From the sample, perform the following tests:				
5. 12a	Does the subgrantee verified that the supplier was not suspended or debarred or otherwise excluded from dealing with federal grants?				
5. 12b	Is a copy of the purchase order for each invoice available for review?				
5. 12c	Does the purchase order agree with invoice as to quantity, article description and specification and price?				
5. 12d	Does the subgrantee made payments to suppliers after the receive of goods or services, not in advance?				
5. 12e	Were invoices defaced (cancelled) by marking paid date, and check number on each invoice?				
5. 12f	Do accounting files contain cancelled checks or photocopies of checks used for payment of expenditures?				
5. 12g	Are all checks singed by the authorized financial officer?				
5. 12h	Procurement conducted with maximum open and free competition?				
5. 12i	Were costs recorded in the right cost objective account?				
5. 12j	Are purchase reazonable and necessary for the project objectives?				
5. 13	Does the subgrantee has written procurement policies and procedures that request for bids contain clear specifications and do not contain feature that unduly restrict competition?				
5. 14	Records adequate to identify the source and use of funds?				
5. 15	Maintenance of a code for standards of conduct requiring that employees or officers not solicit nor accept gratuities, favors, or anything of monetary value from contractors or potential contractors?				
	Results for on-site visit	0	0	0	

APPENDIX G

State Energy Program (SEP)'s
Checklist for Desk Review

COMMONWEALTH OF PUERTO RICO
ENERGY AFFAIRS ADMINISTRATION (PREAA)
CHECKLIST FOR DESK-REVIEW
STATE ENERGY PROGRAM (SEP)

Sub-recipient Name: _____

Contact Person: _____

Contract Number: _____

Contract Amount: _____

Monitoring Date: _____

Monitor: _____

		Procedures	Comply			Comments
			Yes	No	N/A	
1	Previous monitoring findings follow-up					
	1. 1	Are there any previous desk-reviews or on-site monitoring visits findings still unresolved? (Please identify the condition and comment on the status).				
	1. 2	Have these issues been addressed by the sub-grantee?				
2	Budget					
	2. 1	Are all costs in the sub-grantee's budget reasonable, allowable and allocable according to the correct cost principle?				
	2. 2	Are expenditures to date reasonable when compared to the percentage of work completed?				
	2. 3	Are actual expenditures to date reasonable when compared to budgeted amounts?				
	2. 4	Is there any budgeted amount that does not have a corresponding expediture?				
	2. 5	Are administrative expenses using ARRA funds kept below the 5% limit?				
	2. 6	Is the sub-grantee following procedures for submitting invoces to PREAA and requesting reimbursement of funds?				
	2. 7	Is the sub-grantee earning any program income as a result of their award? If so, is the program income being added to the funds committed to the award and utilized to further eligible project objectives?				
3	Schedule					
	3. 1	Are there any discrepancies between actual project work and the Schedule identified in the Project Description section of the performance monitoring plan?				
	3. 2	Is the sub-grantee meeting the project's milestones?				
4.	Scope					
	3. 1	Are there any discrepancies between actual project work and the scope of work?				
5.	Compliance					
	5. 1	Has the subgrantee submitted the weekly payrolls?				
	5. 2	Are any weekly payrolls missing?				
	5. 3	Has the sub-grantee submitted to PREAA a document containing the most current Department of Labor (DOL) Wage Determination(s) for the applicable worker classifications?				
	5. 4	Is the subgrantee ensuring that their purchasing procedures are complaint with "Buy American"?				
	5. 5	Have any products received a waiver from "Buy American"? Provide evidence.				
	5. 6	Are there any items used in the project that fall under the nationwide categorical waivers for the Buy American Provision?				
	5. 7	Is the subgrantee following the State procurement standards at a minimum?				
	5. 8	Are efforts made to ensure fairness in bidding and contracting procedures?				
	5. 9	Is there a documented process and timeframe for issuing solicitations and making awards?				
	5. 10	If the subgrantee is using any contractors/subcontractors, have all contracts been rewarded through competitive procedures as fixed-price contract?				
	5. 11	Has the subgrantee ensure that is has not knowingly employed or hired any contractors/subcontractors that employ unathorized aliens?				
	5. 12	Does the subgranteed maintain details and documentation of all payments to the vendor and descriptions of what was obtained for services rendered by the vendor?				
	5. 13	Is the sub-grantee doing business with a vendor/sub-contractor who is receiving more than $25,000 of ARRA funds? Has the sub-grantee properly reported the vendor's identity by reporting a DUNS number or name and zip code for the vendor's headquarters?				

Procedures		Comply			Comments
		Yes	No	N/A	
5. 14	Does the sub-grantee maintain details and documentation of all payments to the vendor, and descriptions of what was obtained for services rendered by the vendor?				
5. 15	Has the subgrantee established procedures to ensure that records will be retained for at least five years after the delivery of the final report to PREAA?				
5. 16	Has the subgrantee submitted to the PREAA a waste management plan that describes the disposal plan for any sanitary or hazardous waste generated as a result of the proposed project?				
5. 17	Does the subgrantee kepp a waste management plan on site?				
5. 18	Is the Recovery Act Logo displayed on the project site in a manner that informs the public that the project is a Recovery Act investment?				
5. 19	Has the subgrantee submitted the Financial Summary reports required on the Cooperative Agreement?				
5. 20	Has the subgrantee submitted the Programmatic Progress Reports required on the Cooperative Agreement?				

Results for on-site visit 0 0 0

APPENDIX H

Weatherization Assistance Program (WAP)'s Checklist for On-Site Monitoring Visits

COMMONWEALTH OF PUERTO RICO
ENERGY AFFAIRS ADMINISTRATION (PREAA)
CHECKLIST FOR ON-SITE MONITORING VISITS
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS (WAP)

Sub-recipient Name: _____
Contact Person: _____
Contract Number: _____
Contract Amount: _____
Monitoring Date: _____
Monitor: _____

		Procedures	Comply			Comments
			Yes	No	N/A	
1	**Previous monitoring findings follow-up**					
	1. 1	Are there any previous desk-reviews or on-site monitoring visits findings still unresolved? (Please identify the condition and comment on the status).				
	1. 2	Have these issues been addressed by the sub-grantee?				
2	**Budget**					
	2. 1	Does the subgrantee have an adequate system for comparing expenditures to budgeted amounts?				
	2. 2	Are expenditures to date reasonable when compared to the percentage of work completed?				
	2. 3	Is the subgrantee tracking and reporting Recovery Act funds separately from other leveraged funds?				
	2. 4	Does the subgrantee keep accounting records which adequately identify the source and application of funds provided for financially assisted activities? (These records must contain information pertaining to subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, capital outlays or expenditures and income.)				
3	**Schedule**					
	3. 1	Based on the work completed to date, is the subgrantee on track to complete project by due date?				
4	**Scope**					
	4. 1	Is work being performed at the locations identified in the Project Description?				
	4. 2	Is the subgrantee installing equipment identified in the Project Description?				
	4. 3	Are the measures included in the subgrantee's invoices installed and working on the project site?				
	4. 4	Is the subgrantee conducting any activities not specified in the Project Description?				
	4. 5	Does the subgrantee maintain a physical inventory of the equipment that include a description of the equipment, a serial number or other identification number, the source of property, the acquisition date, cost, percentage of federal or state participation in the cost, location, use and condition of the property?				
5	**Compliance**					
	Wage Determination and Payroll					
	5. 1	Have contracts been awarded to include the most recent wages determinations?				
	5. 2	Has the subgrantee submitted the weekly payrolls records to the PREAA? Review the records submitted.				
	Equipment					
	5. 3	Are the vehicles/equipment/tools currently being used appropriate and adequate for the job to ensure cost-effective delivery for services?				
	5. 4	Does the subgrantee maintain a physical inventory of the equipment that include a description of the equipment, a serial number or other identification number, the source of property, the acquisition date, cost, percentage of federal or state participation in the cost, location, use and condition of the property?				
	Record keeping					
	5. 5	Does the subgrantee maintain sufficient records to accurately identify homes that are eligible for reweatherization?				
	Eligibility					
	5. 6	Does the subgrantee determined income eligibility correctly?				
	5. 7	Does the subgrantee followed the priority criteria for serving the eligible participants accordingly to the plan?				
	Job Creation					
	5. 8	Does the subgrantee report job creations consistent with the requirements of the OMB Circular A-133 compliance supplement for the Recovery Act?				
	Training and technical assistance (T&TA)					
	5. 9	Does the subgrantee report all training completed, and any certifications received or renewed, by crew members and contractor staff to PREAA?				
	Waste, Fraud and Abuse					
	5. 10	Do the subgrantee have internal compliance and ethics programs that encourage the recognition and reporting of fraud, waste, or abuse?				
	Other Compliance Requirements					
	5. 11	Is the subgrantee complying with Davis-Bacon Act on labor and wage requirements?				
	5. 12	Does the subgrantee have a mechanism in place to ensure that laborers are paid in accordance with prevailing wages?				

Procedures		Comply			Comments
		Yes	No	N/A	
5. 13	Are copies of weekly payroll records for all laborers being paid kept on the project site?				
5. 14	Are purchasing records kept on site demonstrating compliance with Buy American requirements?				
5. 15	Is the subgrantee following the State procurement standards at a minimum?				
5. 16	Are efforts made to ensure fairness in bidding and contracting procedures?				
5. 17	Does the subgrantee keep a waste management plan on site?				
Procurement					
5. 18	Select a random sample of disbursements (other than personal services - payroll). From the sample, perform the following tests:				
5. 19a	Does the subgrantee verified that the supplier was not suspended or debarred or otherwise excluded from dealing with federal grants?				
5. 19b	Is a copy of the purchase order for each invoice available for review?				
5. 19c	Does the purchase order agree with invoice as to quantity, article description and specification and price?				
5. 19d	Does the subgrantee made payments to suppliers after the receive of goods or services, not in advance?				
5. 19e	Were invoices defaced (cancelled) by marking paid date, and check number on each invoice?				
5. 19f	Do accounting files contain cancelled checks or photocopies of checks used for payment of expenditures?				
5. 19g	Are all checks singed by the authorized financial officer?				
5. 19h	Procurement conducted with maximum open and free competition?				
5. 19i	Were costs recorded in the right cost objective account?				
5. 19j	Are purchase reazonable and necessary for the project objectives?				
5. 20	Does the subgrantee has written procurement policies and procedures that request for bids contain clear specifications and do not contain feature that unduly restrict competition?				
5. 21	Records adequate to identify the source and use of funds?				
5. 22	Maintenance of a code for standards of conduct requiring that employees or officers not solicit nor accept gratuities, favors, or anything of monetary value from contractors or potential contractors?				

Results for on-site visit 0 0 0

APPENDIX I

Weatherization Assistance Program (WAP)'s
Checklist for Desk Review

COMMONWEALTH OF PUERTO RICO
ENERGY AFFAIRS ADMINISTRATION (PREAA)
CHECKLIST FOR DESK-REVIEW
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS (WAP)

Sub-recipient Name: _____
Contact Person: _____
Contract Number: _____
Contract Amount: _____
Monitoring Date: _____
Monitor: _____

		Procedures	Comply			Comments
			Yes	No	N/A	
1		**Previous monitoring findings follow-up**				
	1. 1	Are there any previous desk-reviews or on-site monitoring visits findings still unresolved? (Please identify the condition and comment on the status).				
	1. 2	Have these issues been addressed by the sub-grantee?				
2		**Administration**				
	2. 1	Have contracts been awarded to include the most recent wages determinations?				
	2. 2	Has the subgrantee submitted the weekly payrolls records to the PREAA?				
	2. 3	Are actual expenditures to date reasonable when compared to budgeted amounts?				
	2. 4	Is there any budgeted amount that does not have a corresponding expenditure?				
	2. 5	Are administrative expenses using ARRA funds kept below the 5% limit?				
	2. 6	Is the subgrantee following procedures for submitting invoices to PREAA and requesting reimbursement of funds?				
3		**Schedule**				
	3. 1	Are there any discrepancies between actual project work and the schedule identified in the Project Description section of the FOA?				
4		**Scope**				
	4. 1	Are there any discrepancies between actual project work and the scope of work identified in the Project Description section of the FOA?				
5		**Compliance**				
	5. 1	Has the subgrantee submitted the weekly payrolls?				
	5. 2	Are any weekly payrolls missing?				
	5. 3	Has the subgrantee submitted to PREAA a document containing the most current DOL Wage Determination for the applicable workers classifications?				
	5. 4	Is the subgrantee ensuring that their purchasing procedures are complaint with "Buy American"?				
	5. 5	Have any products received a waiver from "Buy American"? Provide evidence.				
	5. 6	Is the subgrantee following the State procurement standards at a minimum?				
	5. 7	Are efforts made to ensure fairness in bidding and contracting procedures?				
	5. 8	If the subgrantee is using any contractors/subcontractors, have all contracts been rewarded through competitive procedures as fixed-price contract?				
	5. 9	Has the subgrantee ensure that is has not knowingly employed or hired any contractors/subcontractors that employ unauthorized aliens?				
	5. 10	Does the subgranteed maintain details and documentation of all payments to the vendor and descriptions of what was obtained for services rendered by the vendor?				
	5. 11	Has the subgrantee established procedures to ensure that records will be retained for at least five years after the delivery of the final report to PREAA?				
	5. 12	Has the subgrantee submitted to the PREAA a waste management plan that describes the disposal plan for any sanitary or hazardous waste generated as a result of the proposed project?				
	5. 13	Does the subgrantee have a master inventory list of equipment?				
	5. 14	Are there written procedures covering the inventory, maintenance, and disposition of equipment?				
6		**Fund Request**				
	6. 1	Has the subgrantee submitted the Financial Summary reports required on the Cooperative Agreement?				
	6. 2	Has the subgrantee submitted the Programmatic Progress Reports required on the Cooperative Agreement?				

Results for on-site visit 0 0 0

APPENDIX J

Energy Efficiency and Conservation Block Grant (EECBG)'s Checklist for On-Site Monitoring Visits

COMMONWEALTH OF PUERTO RICO
ENERGY AFFAIRS ADMINISTRATION (PRPREAA)
CHECKLIST FOR ON-SITE MONITORING VISITS
ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT PROGRAM (EECBG)

Sub-recipient Name: _____
Contact Person: _____
Contract Number: _____
Contract Amount: _____
Monitoring Date: _____
Monitor: _____

		Procedures	Comply			Comments
			Yes	No	N/A	
1	Previous monitoring findings follow-up					
	1. 1	Are there any previous desk-reviews or on-site monitoring visits findings still unresolved? (Please identify the condition and comment on the status).				
	1. 2	Have these issues been addressed by the sub-grantee?				
2	Budget					
	2. 1	Does the subgrantee have an adequate system for comparing expenditures to budgeted amounts?				
	2. 2	Are expenditures to date reasonable when compared to the percentage of work completed?				
	2. 3	Is the subgrantee tracking and reporting Recovery Act funds separately from other leveraged funds?				
	2. 4	Does the subgrantee keep accounting records which adequately identify the source and application of funds provided for financially assisted activities? (These records must contain information pertaining to subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, capital outlays or expenditures and income.)				
3	Schedule					
	3. 1	Based on the work completed to date, is the subgrantee on track to complete project by due date (August 31, 2012)?				
4	Scope					
	4. 1	Is work being performed at the locations identified in the Project Description?				
	4. 2	Is the subgrantee installing equipment identified in the Project Description?				
	4. 3	Are the measures included in the subgrantee's invoices installed and working on the project site?				
	4. 4	Is the subgrantee conducting any activities not specified in the Project Description?				
	4. 5	Does the subgrantee maintain a physical inventory of the equipment that include a description of the equipment, a serial number or other identification number, the source of property, the acquisition date, cost, percentage of federal or state participation in the cost, location, use and condition of the property?				
5	Compliance					
	5. 1	Is the subgrantee complying with Davis-Bacon Act on labor and wage requirements?				
	5. 2	Does the subgrantee have a mechanism in place to ensure that laborers are paid in accordance with prevailing wages?				
	5. 3	Are copies of weekly payroll records for all laborers being paid kept on the project site?				
	5. 4	Are purchasing records kept on site demonstrating compliance with Buy American requirements?				
	5. 5	Is the subgrantee following the State procurement standards at a minimum?				
	5. 6	Are efforts made to ensure fairness in bidding and contracting procedures?				
	5. 7	If the subgrantee is using any contractors/sucontractors, have all contracts been awarded through competitive procedure as fixed-price contract?				
	5. 8	Does the subgrantee keep a waste management plan on site?				
	5. 9	Is a waste generated being disposed of according to federal and state regulations?				
	5. 10	Has the subgrantee taken any action using federal funds, that goes beyond the proposed scope of work and that might have and adverse effect on the enviroment and, therefore, trigger NEPA review?				
	5. 11	Has the subgrantee taken any action that results in adverse effect to historic properties pending compliance with section 106?				
	5. 12	Has the subgrantee used any funds for any casino, or other gambling establishment, aquarium, zoo, golf course, or swimming pool?				
	5. 13	Is the Recovery Act Logo displayed on the project site in a manner that informs the public that the project is a Recovery Act investment?				
	5. 14	If the U.S. DOE Logo displayed on the project site, is it accompanied with a statement indicating that the subgrantee recipient received financial assistance from DOE for the project?				
	Procurement					
	5. 15	Select a random sample of disbursements (other than personal services - payroll). From the sample, perform the following tests:				
	5. 16a	Does the subgrantee verified that the supplier was not suspended or debarred or otherwise excluded from dealing with federal grants?				
	5. 16b	Is a copy of the purchase order for each invoice available for review?				

Procedures		Comply			Comments
		Yes	No	N/A	
5. 16c	Does the purchase order agree with invoice as to quantity, article description and specification and price?				
5. 16d	Does the subgrantee made payments to suppliers after the receive of goods or services, not in advance?				
5. 16e	Were invoices defaced (cancelled) by marking paid date, and check number on each invoice?				
5. 16f	Do accounting files contain cancelled checks or photocopies of checks used for payment of expenditures?				
5. 16g	Are all checks singed by the authorized financial officer?				
5. 16h	Procurement conducted with maximum open and free competition?				
5. 16i	Were costs recorded in the right cost objective account?				
5. 16j	Are purchase reazonable and necessary for the project objectives?				
5. 17	Does the subgrantee has written procurement policies and procedures that request for bids contain clear specifications and do not contain feature that unduly restrict competition?				
5. 18	Records adequate to identify the source and use of funds?				
5. 19	Maintenance of a code for standards of conduct requiring that employees or officers not solicit nor accept gratuities, favors, or anything of monetary value from contractors or potential contractors?				

Results for on-site visit 0 0 0

APPENDIX K

Energy Efficiency and Conservation Block Grant (EECBG)'s Checklist for Desk Review

COMMONWEALTH OF PUERTO RICO
ENERGY AFFAIRS ADMINISTRATION (PRPREAA)
CHECKLIST FOR DESK-REVIEW
ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT PROGRAM (EECBG)

Sub-recipient Name: _____
Contact Person: _____
Contract Number: _____
Contract Amount: _____
Monitoring Date: _____
Monitor: _____

		Procedures	Comply			Comments
			Yes	No	N/A	
1	Previous monitoring findings follow-up					
	1. 1	Are there any previous desk-reviews or on-site monitoring visits findings still unresolved? (Please identify the condition and comment on the status).				
	1. 2	Have these issues been addressed by the sub-grantee?				
2	Budget					
	2. 1	Are all cost in the subgrantee's budget reasonable, allowable and allocable according to the correct cost principles?				
	2. 2	Are expenditures to date reasonable when compared to the percentage of work completed?				
	2. 3	Are actual expenditures to date reasonable when compared to budgeted amounts?				
	2. 4	Is there any budgeted amount tha does not have a corresponding expediture?				
	2. 5	Are administrative expenses using ARRA funds kept below the 5% limit?				
	2. 6	Is the subgrantee following procedures for submitting invoices to PREAA and requesting reimbursement of funds?				
	2. 7	Is the subgrantee earning any program income as a result of their award? If so, is the program income being added to the funds committed to the award and utilized to futrther eligible project objectives?				
3	Schedule					
	3. 1	Are there any discrepancies between actual project work and the schedule identified in the Project Description section of the FOA?				
	3. 2	Is the subgrantee meeting the project's milestones?				
4	Scope					
	4. 1	Are there any discrepancies between actual project work and the scope of work identified in the Project Description section of the FOA?				
5	Compliance					
	5. 1	Has the subgrantee submitted the weekly payrolls?				
	5. 2	Are any weekly payrolls missing?				
	5. 3	Has the subgrantee submitted to PREAA a document containing the most current DOL Wage Determination for the applicable workers classifications?				
	5. 4	Is the subgrantee ensuring that their purchasing procedures are complaint with "Buy American"?				
	5. 5	Have any products received a waiver from "Buy American"? Provide evidence.				
	5. 6	Are there any items used in the project that fall under the nationwide categorical waivers for the Buy American Provision?				
	5. 7	Is the subgrantee following the State procurement standards, at the minimum?				
	5. 8	Are efforts made to ensure fairness in bidding and contracting procedures with small business, women's business enterprises, and minority-owned firms, pursuant to Federal law?				
	5. 9	Is there a document process and timeframe for issuing solicitations and making awards?				
	5. 10	If the subgrantee is using any contractors/subcontractors, have all contracts been rewarded through competitive procedures as fixed-price contract?				
	5. 11	Has the subgrantee ensure that is has not knowingly employed or hired any contractors/subcontractors that employ unathorized aliens?				
	5. 12	Is the subgrantee doing business with a vendor/subcontractor who is receiving more than $25,000 of Recovery Act funds?				
	5. 13	For any vendor receiving more than $25,000 in Recovery Act funds, has the subgrantee properly reported the vendor's identity by reporting a DUNS Number or name and zip code for the vendor's headquarters?				
	5. 14	Does the subgranteed maintain details and documentation of all payments to the vendor and descriptions of what was obtained for services rendered by the vendor?				
	5. 15	Has the subgrantee established procedures to ensure that records will be retained for at least five years afther the delivery of the final report to PREAA?				

	Procedures		Comply			Comments
			Yes	No	N/A	
	5. 16	Has the subgrantee attended at least one (1) Building Energy Standards Wokshop hosted by the Department throught the Energize Homes, Agriculture and Industry programs?				
	5. 17	Has the subgrantee submitted to the PREAA a waste management plan that describes the disposal plan for any sanitary or hazardous waste generated as a result of the proposed project?				
	5. 18	Has the subgrantee submitted quarterly reports to PREAA no later than _____ working days after the end of each calendar quarter?				
	5. 19	Are quarterly reports complete and accurate?				
	5. 20	Does the subgranteed maintain active registration in the Central Contractor Registration (CCR) database?				
	5. 21	Is the subgrantee estimating and reporting jobs created and retained according to the guidance provided by consistent with OMB requirements?				
	5. 22	Is the subgrantee estimating and reporting energy saved and GHG emissions reductions?				
	5. 23	If the subgrantee has issued any publications intended for distribution on the project, is the appropriate verbiage included? Are the approriate logos included in the publication?				
	5. 24	Has the subgrantee submitted to PREAA two drafted copies of each publication and other printed materials which are intended for distribution and are financed, wholly or in part, by subgrant funds?				
	5. 25	Has PREAA has been notified five business days in advance of any public relations event related to ARRA-funded activities?				
	5. 26	Does the subgrantee have a master inventory list of equipment?				
	5. 27	Are there written procedures covering the inventory, maintenance, and disposition of equipment?				
6	**Fund Request**					
	6. 1	Has the subgrantee submitted the Financial Summary reports required on the Cooperative Agreement?				
	6. 2	Has the subgrantee submitted the Programmatic Progress Reports required on the Cooperative Agreement?				
		Results for on-site visit	0	0	0	

APPENDIX L

Report for Desk Review Monitoring

COMMONWEALTH OF PUERTO RICO

ENERGY AFFAIRS ADMINISTRATION

REPORT FOR DESK REVIEW

Program :

Date of Monitoring :

Name of Monitor :

Project Contact Person :

Contac Phone No. :

List of Personnel Interviewed			
Name	*Position*	*Interview Date*	*Comments*
1.			
2.			
3.			
4.			
5.			

List of Documents Reviewed			
Document	*Date Received*	*Provided by*	*Comments*
1.			
2.			
3.			
4.			
5.			
6.			

Issues Identified				
Control No.	*Findings - Description*	*Date*	*Specific Area on the Checklist (Schedule, Scope or Compliance)*	*Required Corrective Actions*
1				
2				
3				
4				

Suggested Modifications to the Next Monitoring	
1	
2	
3	

Deadline to submit *Corrective Actions Compliance Report* to the EAA	_____/_____/_____

APPENDIX M

Report for On-Site Monitoring Visits

COMMONWEALTH OF PUERTO RICO

ENERGY AFFAIRS ADMINISTRATION

REPORT FOR ON-SITE MONITORING VISIT

Program : _____

Date of Monitoring : _____

Name of Monitor : _____

Project Contact Person : _____

Contac Phone No. : _____

List of Personnel Interviewed			
Name	*Position*	*Interview Date*	*Comments*
1.			
2.			
3.			
4.			
5.			

Summary of Areas Audited	
Area	*Comments*
1.	
2.	
3.	
4.	
5.	

List of Documents Reviewed			
Document	*Date Received*	*Provided by*	*Comments*
1.			
2.			
3.			
4.			
5.			
6.			

Issues Identified				
Control No.	*Findings - Description*	*Date*	*Specific Area on the Checklist (Schedule, Scope or Compliance)*	*Required Corrective Actions*
1				
2				
3				
4				

Suggested Modifications to the Next Monitoring	
1	
2	
3	

Deadline to submit *Corrective Actions Compliance Report* to the EAA	_____/_____/_____

APPENDIX N

Corrective Actions Compliance Report

Spec the (Sche Co	on of Corrective Action Undertaken	Expected Implementation Date

COMMONWEALTH OF PUERTO RICO

ENERGY AFFAIRS ADMINISTRATION

CORRECTIVE ACTIONS COMPLIANCE REPORT (CACR)

Date of Monitoring : _____

Date Of CACR Submitted : _____

Prepared by (Name) : _____

Prepared by (Signature) : _____

Received by (Name) : _____

Received by (Signature) : _____

APPENDIX O

Corrective Action Compliance Report (CACR)'s Evaluation Form

COMMONWEALTH OF PUERTO RICO

ENERGY AFFAIRS ADMINISTRATION

Corrective Action Compliance Report (CACR)'s Evaluation Form

Program : _____

Project : _____

Project coordinator : _____

Monitoring date : _____

Monitoring performed by : _____

CACR : New ( ) or Amended ( )

CACR Date : _____

Last review of CACR : _____

Evaluation performed by : _____

Evaluation date : _____

Finding No.	Description	Answer Yes or No			
		Finding was accepted?	Rejected the findings prevail?	For the findings accepted, the CAP is adequate?	Implementation Date is Adequate?

COMMONWEALTH OF PUERTO RICO

ENERGY AFFAIRS ADMINISTRATION

Corrective Actions Compliance Report: **( ) Approved** **( ) Rejected**

Reasons: _____

_____

_____

Completed by (signature): _____

APPENDIX P

Corrective Actions Compliance Report (CACR)'s Approval Letter

COMMONWEALTH OF PUERTO RICO
ENERGY AFFAIRS ADMINISTRATION

(DATE)

Ms. or Mr.
(Sub-recipient's address)

RE: PROJECT_____

Gentlemen:

We received the Corrective Action Completion Report (CACR) related to the monitoring procedures performed on _____ for the Project _____ of the _____Program.

Please note that this plan has been accepted as a mechanism to fix the monitoring findings, as stated on the Monitoring Report dated _____. Remember that you must comply with agreed implementation dates. Any change in the CACR must be consulted and approved by the undersigner.

We appreciate your cooperation on this regard.

Cordially,

Program Manager

APPENDIX Q

Letter to Decline the
Corrective Action Compliance Report (CACR)
Provided by Sub-recipient

COMMONWEALTH OF PUERTO RICO

ENERGY AFFAIRS ADMINISTRATION

(DATE)

Ms. or Mr.
(Sub-recipient's address)

RE: PROJECT_____

Gentlemen:

After reviewing the Corrective Action Completion Report (CACR) submitted by your Office, regarding with the Monitoring procedures performed on _____ for the Project _____ of the _____Program, we determined that this plan does not constitute a complete corrective action plan acceptable for the reasons set out in the enclosure to this letter.

Please submit to our office, in the next five (5) days of receipt this letter, the evidence that support and/or justify your position as established on the CACR submitted.

Cordially,

Program Manager

Enclosure: Report Follow up

COMMONWEALTH OF PUERTO RICO
ENERGY AFFAIRS ADMINISTRATION

REPORT FOLLOW-UP

I. General Information

Program : _____
Project : _____
Monitoring date : _____

II. Areas with Inadequate Corrective Actions

Findings	Proposed Corrective Action	Deficiency

APPENDIX R

Letter for the CACR Not Implemented

COMMONWEALTH OF PUERTO RICO

ENERGY AFFAIRS ADMINISTRATION

(DATE)

Ms. or Mr.
(Sub-recipient's address)

RE: PROJECT_____

Gentlemen:

According with the Corrective Action Compliance Report submitted by your office and approved by us, you agreed implementing corrective measures in the period of _____ to _____. After reviewing the corrective actions implemented recently we noticed that the corrective measures have not been made or implemented as previously agreed.

Please submit to our office an explanationindicating the reasons for the delay on the implementation of corrective actions. Your communication must be received within the next five (5) working days of the receipt of this letter.

If you have any question or you need any additional information do not hesitate of contact us.

Cordially,

Program Manager