



MONTANA LEGISLATIVE AUDIT DIVISION

PERFORMANCE AUDIT

State Building Energy Conservation Program

Department of Environmental Quality

NOVEMBER 2009

09P-06

REPORT SUMMARY

The Department of Environmental Quality's authority to collect approximately \$1.2 million in additional energy cost savings should be clarified and management controls should be developed.

Context

In Montana, the State Building Energy Conservation Program (SBECP) was designed to reduce energy costs in state facilities. And while state law directs participating agencies to transfer energy cost savings to the Long Range Building Program (LRBP), the SBECP has and only transferred portions to the LRBP. For example, the SBECP collected \$56,500, however, the SBECP only transferred approximately \$36,000 to the LRBP that year.

Audit work indicated the program has historically operated on an informal basis, with limited program oversight, no policies or procedures, and a lack of a structured filing system, which has resulted in limited information supporting how program decisions are made. These impacted our ability to determine if the program is working as the legislature intended. The program has relied on the activities of the LRBP to implement activities, including the identification, selection, and implementation of projects. Audit work identified coordination issues between the SBECP and LRBP, including the process for transferring funds to the LRBP. The focus of the program has been on the day-to-day activities, rather than on a coordinated set of policies and procedures to ensure the SBECP functions in compliance with applicable laws and in accordance with management directives.

In 2009, the legislature appropriated approximately \$22 million in funds leveraged from the American Recovery and Investment Act. These funds will be

utilized to establish a revolving loan fund to finance future SBECP projects. This move is a significant departure from the bonds that have historically financed projects, mainly in terms of the amount of funding administered by the SBECP. These additional funds further illustrate the value in developing formal management to guide ongoing activities.

Results

Audit recommendations address the need for the department to:

- Seek legislation to clarify the retirement or continuation of the collection of estimated energy cost savings beyond the retirement of bond payments
- Comply with state law regarding the transfer of funds to LRBP
- Develop management controls for the SBECP, including formalizing its interaction with LRBP

Recommendation Concurrence	
Concur	3
Partially Concur	0
Do Not Concur	1
Source: Agency audit response included in final report.	