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Staff Shortages Stymie Effort to Spend Stimulus Funds on Energy

By IAN TALLEY

WASHINGTON--The Department of Energy's inspector general on Wednesday warned that staffing shortages and other internal weaknesses increased the risk of fraud and could delay the agency's efforts to spend about $37 billion in economic-stimulus funds.

Inspector General Gregory Friedman said he didn't find any examples of waste, with only about 5% of the funding spent. But the report comes at a sensitive time, with the Obama administration seeking even more stimulus money for the renewable energy and efficiency sectors.

The report came as the department announced it would offer a $245 million loan guarantee--the fourth so far this year--to help a joint venture between an ADA-ES Inc. unit and private-equity firm Energy Capital Partners build a factory to make mercury-emissions control technology for coal-fired power plants. The announcement sent s hares up more than 21% to $4 in early afternoon trading for ADA-ES Inc., the parent of Red River Environmental Products LLC, which was offered the guarantee.

The company is planning to build the facility near Coushatta, Red River Parish, in Louisiana. The construction of the plant will create 500 jobs and will provide 70 jobs once the factory is operational, the Energy Department said.

In his report examining the Energy Department's ability to manage stimulus dollars, Mr. Friedman said the agency had made "substantial progress" in identifying risks and strengthening oversight o f projects, but it found department offices were still too short-staffed and undertrained to handle such a massive increase in funding authority. He added that the agency faced "daunting" odds in recruiting adequate monitoring and oversight staff.

The department has allocated nearly half of the funding.

In responses to the report, DOE officials concurred with most of the criticisms and s aid they were working to fix the problems. Under Energy Secretary Steven Chu, the department has sought to speed up spending decisions.

The report noted, however, that cost overruns and schedule delays had been "a recurring problem" at the agency and suggested that more trouble might lie ahead if the agency moved too quickly in spending stimulus money. The report said that one office--charged with spending $4.5 billion to modernize the nation's electrical grid--had hired only a third of employees called for under its staffing plan. The Energy Efficiency and Renewable Energy office--responsible for overseeing $17 billion in stimulus funding--had hired half of the

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authorized employees for the program.

Not all of the report was critical. It said some programs, including the office overseeing $3.4 billion in funding for technology to capture coal-fired power-plant emissions, had developed strategies to decrease the risk of spending cash on projects that would likely fail.

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ADA-ES Inc.(ADES)	3.87	+0.57	3:59p.m.