

State of Rhode Island and Providence Plantations

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July 8, 2013

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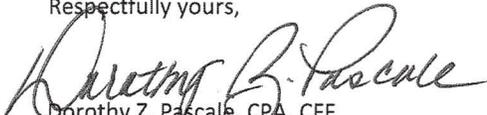
Dear Mr. Pagliarini:

The Bureau of Audits (Bureau) has completed its audit of the Renewable Energy Development Fund (REDF) administered by the Rhode Island Economic Development Corporation (EDC) for the period September 1, 2008, through December 31, 2012. Our audit was conducted in accordance with Rhode Island General Laws (RIGL) §35-7-3. The findings and recommendations included herein have been discussed with the Director of Financial Programs, the REDF Program Manager, and the Chief Financial Officer of EDC, and we have considered all comments in the preparation of our report.

RIGL §35-7-3(b), entitled "Audits performed by the bureau of audits," states that, "Within twenty (20) days following the date of the issuance of the final audit report, the head of the department, agency or private entity audited shall respond in writing to each recommendation made in the final audit report..." Accordingly, management submitted its response to the audit findings and recommendations on June 6, 2013, and such response is included in this report. Pursuant to RIGL §35-7-3(b), the Bureau may follow up on recommendations included in our reports within one year following the date of the issuance of the report.

We would like to express our sincere appreciation to the staff at the Rhode Island Economic Development Corporation for the cooperation and courtesy extended to the members of our team during the course of this audit.

Respectfully yours,


Dorothy Z. Pascalle, CPA, CFF
Chief

c—Richard A. Licht, Director, Department of Administration
Kenneth Kirsch, Deputy Director, Department of Administration
Peter Marino, Director, Office of Management and Budget
Honorable Daniel DaPonte, Chairperson, Senate Committee on Finance
Honorable Helio Melo, Chairperson, House Finance Committee
Dennis Hoyle, CPA, Auditor General



Audit Executive Summary

Why the Bureau Did This Review

The Bureau of Audits conducted an audit of the Renewable Energy Development Fund (REDF) administered by the Rhode Island Economic Development Corporation (EDC) at the request of the Director of Administration. The purpose of this audit was to determine if program operations are in accordance with applicable statutes, regulations, grant covenants, and have adequate controls to ensure safeguarding of assets and accurate reporting.

Background Information

The REDF program was created by legislative statute in 1996 to increase the renewable energy supply in Rhode Island. During the fall of 2008, the EDC acquired the management of the REDF from the Rhode Island Office of Energy Resources (OER) as a result of a legislative change to RIGL §42-64-13.2 and §39-26-7. The REDF Director separated from service prior to our audit. The fund is now managed by the REDF Program Manager who reports to the Director of Financial Programs.

The EDC Board approved new rules and regulations for the REDF consistent with the change in §39-2-1.2 during the 2012 legislative session. The revised statute and regulations outline programs focused on renewable energy technologies, rather than programs focused upon types of recipients.

What the Bureau Recommends

Based upon our audit of the REDF program and operations, the Bureau of Audits (Bureau) found the program was historically managed informally, lacked clear delineation of authority, oversight, and standard operating procedures. To increase controls and improve operational efficiencies, the Bureau recommends the following:

- Incorporate the REDF program activities into the existing EDC portfolio management system to strengthen controls over the fund and centralize the information
- Define Authority to Execute Contracts
- Implement Standard Credit Practices
- Recover Award Overpayments
- Collect Overdue Recoverable Grants and Investments
- Increase Overall Oversight of the Program
- Monitor Awards for Rules and Regulation Compliance
- Improve the Rules and Regulations
- Implement Written Policies and Procedures

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Objectives

The purpose of this audit was to determine if program operations are in accordance with applicable statutes, regulations, grant covenants, and if there are adequate controls for the safeguarding of assets and accurate reporting.

Scope

At the request of the Director of the Department of Administration, the Bureau of Audits (Bureau) conducted an audit of the Renewable Energy Development Fund (REDF) administered by the Economic Development Corporation (EDC) for the period September 1, 2008, through December 31, 2012. There are two renewable energy programs administered by EDC: the Renewable Energy Fund - American Recovery and Reinvestment Act (REDF-ARRA) and the REDF. The projects in the REDF-ARRA program were not included in the scope of this audit as oversight for this activity was provided by the Rhode Island Office of Economic Recovery and Reinvestment.

The Bureau identified 64 projects funded by the REDF; we reviewed and tested all 64 projects for compliance with the rules and regulations. Refer to Appendix A for a detailed listing.

Methodology

As part of our audit work, we gained an understanding of and reviewed the procedures used by the EDC to administer the REDF and make awards and payments from the fund.

To address our audit objective, we performed the following:

- Gained an understanding of all pertinent laws, rules, and regulations.
- Gained an understanding of REDF operations.
- Reviewed hard copy and electronic files for REDF awards.
- Reviewed EDC Board of Directors' meeting minutes, including REDF reports presented to the Board.
- Reviewed REDF financial information from the general ledger, bank records, and supporting documentation.
- Interviewed current EDC management, staff, and the former REDF Director.

The Bureau discussed its findings and recommendations with management. We considered their comments in the preparation of this report. EDC management submitted its responses to the audit findings and recommendations and such responses are included in this report.

Introduction

The REDF program was created by legislative statute in 1996 to increase the renewable energy supply in Rhode Island. During the fall of 2008, the EDC acquired the management of the REDF from the Office of Energy Resources (OER) as a result of a legislative change to RIGL §§42-64-13.2 and 39-26-7.

The REDF is authorized to receive revenue from the following sources:

1. Electric Distribution Company Renewable Energy Charge, also known as the system benefits charge.
2. Alternative Compliance Payments made by large energy consumers or utilities.
3. Investment income from the REDF loan activities.
4. One-time payments into the fund from the Fund's programmatic initiatives.

EDC is responsible for approximately \$11.7 million of awards since it began administering the program.

The EDC Board approved new rules and regulations for the REDF consistent with a 2012 legislative session change to RIGL §39-2-1.2. The revised statute and regulations outline programs focused on renewable energy technologies, rather than programs focused upon types of recipients.

Governing Statutes and Regulations

The REDF is governed by the following statutes:

- §39-2-1.2 Utility base rate – Advertising, demand-side management and renewables.
- § 39-26-2 Definitions.
- § 39-26-7 Renewable energy development fund.
- §42-64-13.2 Renewable energy investment coordination.

The Board approved Rules and Regulation for the REDF, during November 2008, which were effective December 15, 2008. The rules were repealed January 8, 2013, consistent with the change in RIGL §39-2-1.2 as noted above. The Bureau relied upon the 2008 Rules and Regulations for the REDF as the criteria to determine compliance. The 2008 Rules and Regulations outline four programs within the REDF:

- Predevelopment Consultant & Technical Feasibility Program
- Municipal Renewable Energy Investment Program
- Non-Profit Affordable Housing Renewable Energy Investment
- Commercial "Other" Program

The EDC has the authority to issue grants, loans, or any financial mechanism it deems appropriate or necessary for an approved REDF project.

Program Managed Informally and Lacked Clear Delineation of Authority, Oversight, and Standard Operating Procedures

EDC experienced management changes during calendar year 2012. The EDC Executive Director resigned during May, followed by the resignation of the REDF Director during June, and the resignation of the Chief Financial Officer/Director of Accounting during July. This three-month period of management

changes did not allow for transfer of knowledge from management to current staff. Additionally, the former REDF Director did not employ a consistent methodology or system to track award activity during his tenure at the agency. Refer to the *Insufficient and Informal Award Monitoring, Awards Approved without a Complete Application, Award Payments did not Comply with Funding Schedules, and EDC Overpaid Three Award Recipients* sections of this report for further details.

The REDF Rules and Regulations, which were approved by the Board, explain the award selection process. The Rules and Regulations define the role and authority of the Board of Directors and the Executive Director, but are silent to the authority of the Program Director and staff. Adequate control procedures, which were lacking at EDC, include:

- Clear lines of authority and responsibilities for executive and program staff.
- Defined authority to contractually bind the corporation.
- Standard operating procedures for award approval and closure.
- Standard operating procedures for continuous monitoring and oversight.

There was an informal management style and a lack of formal operating procedures that defined authority and responsibility over the entire process. Also, the authority to execute contracts and represent the REDF program was not clear. This lack of formal management, procedures, and controls, allowed awards to be approved, contracts and agreements executed, and payments issued without proper documentation or authority. This finding was consistent throughout the audit and is reflected throughout this report.

Recommendations and Management's response

The following sections of this report will identify weaknesses existing in the REDF program for the period under audit and recommend corrective action. The recommendations include suggested improvements to the REDF Rules and Regulations, and developing formal operating procedures for the award process from initial application to award closeout.

No System to Track Awards Resulted in Inaccurate Reporting to the EDC Board of Directors

There was no process or system to account for awards, nor was there a process to track payment activity by award. Therefore, the Program Manager was unable to compile a complete and accurate listing of projects. As a result, the information reported internally, and to the Board, was incomplete and inaccurate.

RIGL §39-2-1.2 5.01 (a), Annual Reporting, requires EDC to submit a report to the Board about all projects funded. Also, REDF Rules and Regulations §5.01 (b), "Executive Director's Discretionary Authority Quarterly Report," requires the REDF to report to the Board all projects funded each quarter.

The Bureau used the July 23, 2012, Board report as its basis for its audit field work because it was the most current report as of the date of audit field work; the listing was compiled by the Program Manager post the 2012 management changes¹.

At the July 23, 2012, Board of Directors meeting, the REDF program reported 32 open/active projects of which 3 were later determined to be inactive. The Bureau found that these 3 projects did not go forward, the grant period had expired, and funding balances remained obligated. Additionally, there were 5 award balances that were inaccurate.

The Bureau also identified four additional awards approved from the REDF that were not included in the July 23, 2012 Board report: O'Neil Properties; SLA Realty; The Fogarty Center; Ocean State Wind. Two additional projects, Riverbend and Town of Westerly, were included in the listing and reported to the Board as OER Commitments; however, there is no indication that these two awards were recoverable grants that require repayment². Refer to the following chart.

Project	Type	REDF Award	Total Payments	Remaining Award Balance Reported	Actual Remaining Award Balance as of July 11, 2012
O'Neil Properties	Grant	\$ 47,000	No noted payments	Not Reported to Board	\$ 47,000
SLA Realty	Grant	\$ 20,000	No noted payments	Not Reported to Board	\$ 20,000
The Fogarty Center	Grant	\$ 8,200	No noted payments	Not Reported to Board	\$ 8,200
Ocean State Wind	Grant	\$ 50,000	No noted payments	Not Reported to Board	\$ 50,000
Riverbend at Hope Mill	Recoverable Grant	\$ 25,000	\$ 25,000	Not Reported to Board	\$ -
Town of Westerly	Recoverable Grant	\$ 25,000	\$ 25,000	Not Reported to Board	\$ -

As detailed in the above chart, there was no centralized system to account for award activity or to track payments. Therefore, internal and Board reports were inaccurate or incomplete.

Recommendations

1. Current REDF staff should compile a complete list of projects and the related status, verify the accuracy of the information, and report this information to the Board on a regular basis.
2. The EDC should incorporate the REDF program activities into the existing portfolio management system to strengthen controls over the fund and centralize the information.

¹ EDC Executive Director resigned May 2012; REDF Program Director resigned June 2012; EDC Chief Financial Officer/Director resigned July 2012.

² See Appendix A for a listing of projects and related project information.

Management's Response

In February 2013, the Renewable Energy Fund was moved into the Financial Services Department of RIEDC. This move places a clear management reporting structure on the fund and brings additional resources to the management of the fund. Currently, the Renewable Energy portfolio is being incorporated into the RIEDC's Portfolio Management System which will allow for better tracking and reporting of awards and loans throughout the process. The Renewable Energy Fund Staff has undergone training on this system and will utilize it in the management of the fund starting in July, 2013.

Program Staff Lacked Authority to Reprogram Funds Committed to Inactive Projects

The goal of the REDF is to develop an integrated organizational structure to secure cost-effective renewable energy development from diverse sources for Rhode Island residents.

As discussed in the *No System to Track Awards Resulted in Inaccurate Reporting to the EDC Board of Directors* section of this report, the Bureau identified awards that did not go forward but retained obligated funding. Continuing to obligate funds to inactive awards inhibits funding new projects. Currently, there are no grant close-out procedures or processes to reprogram funds.

Recommendations

3. Develop a formal process for the request, justification, approval (including Board approval), and monitoring of reprogramming of REDF funds to new projects.
4. Establish grant close-out procedures and close out any inactive projects; reprogram the funds.

Management's response

It is recognized that historically there has been no policy to reallocate funds from inactive projects. REDF Staff is currently in the process of drafting new policies and procedures to address these issues. The 2013 Rules and Regulations for the program identifies the time period from the date of an award in which the project must be completed to be eligible for funding. These parameters have been included in the documentation of awards for the 2013 programs. On April 10, 2013, the REDF Advisory Board recommended a Policy that would allow for the extension of the project timetable contained within the award documents if it can be substantiated that the project is moving forward. Extensions may be granted by the RIEDC Board only if requested in writing before the expiration date.

The REF Advisory Board and Staff are actively developing a standard policy regarding the reallocation of funds for awards that are expired, withdrawn or cancelled for cause. This policy will allow reallocation of the funds into the program under which the original award was granted. These policies are expected to be presented to the RIEDC Board of Directors for approval in the near future.

Program Staff Presented and Board Subsequently Approved Awards Exceeding the Annual Program Maximum Allowed by the Regulations

Section 4.04 of the Board approved Rules and Regulations for the REDF effective December 15, 2008, states:

...the lessor of 10% or \$200,000 collected annually from the .3 mils per kilowatt hour charge for renewable energy programs shall be used for the Pre-development Consultants and Technical Feasibility Program in accordance with the regulations.

Fund revenue exceeded \$2 million per year, for years 2009 through 2012; therefore, the maximum funding allowed to be disbursed each year was \$200,000. The REDF program awards for Predevelopment Consultants and Technical Feasibility projects exceeded the maximum funding allowed per the regulations during calendar years 2009, 2010, 2011, and 2012. A contributing factor for exceeding the annual maximum was because EDC does not have a process to transfer funds from one REDF program to another³. The tables below summarize this information.

Annual Comparison of Pre-development Consultants and Technical Feasibility Awards to Allowable Annual Program Maximum Amounts

Calendar Year	Total Revenue	Annual Program Maximum per Regulation	Awarded Amount	Amount Awarded Exceeding Maximum
2009	\$ 2,277,945	\$ 200,000	\$ 491,810	\$ 291,810
2010	\$ 2,332,853	\$ 200,000	\$ 402,325	\$ 202,325
2011	\$ 2,333,570	\$ 200,000	\$ 300,075	\$ 100,075
2012	\$ 2,303,592	\$ 200,000	\$ 315,841	\$ 115,841
Total	\$ 9,247,960	\$ 800,000.00	\$ 1,510,051.00	\$ 710,051.00

Included in these annual Pre-development Consultants and Technical Feasibility award totals are three individual awards that each exceed the annual maximum allowed.

Individual Awards which Exceeded Annual Maximum Allowed

Project	Year Awarded	Award Amount	Remaining Balance as of December 31, 2012
East Bay Energy Consortium	2010	\$ 335,000.00	\$ 31,048.12
City of East Providence Solar Landfill	2011	\$ 200,310.00	\$ -
City of Providence	2012	\$ 259,460.00	\$ 259,460.00

Recommendation

- Program staff should not present awards requesting Board approval once the maximum allowable amount has been met. Additionally, the Board should monitor the annual cap amount versus approved awards.

³ Refer to *Program Staff Lacked Authority to Reprogram Funds Committed to Inactive Projects*.

The Bureau recognizes that this issue has been addressed with the issuance of the new 2013 Rules and Regulation revisions, which increases the maximum award amounts based upon the project category. Refer to Appendix B for a comparison of the 2008 and 2013 Rules and Regulations.

New Board members may not be aware of the 2013 Rules and Regulations. RIGL §42-64-8 (a) (4) cedes the EDC Executive Director's responsibility to train the Board of Directors regarding the statutes, rules, and regulations governing the EDC.

Recommendation

6. The Executive Director should educate all new and existing Board members about the new 2013 rules and regulations governing the REDF.

Management's Response

The 2013 Rules and Regulations address this problem. Additionally, the EDC Board of Directors will be updated on committed versus available funds for the various programs at each meeting.

Please note: Managing the program caps has become much easier because each of the four programs under the 2013 Rules and Regulations has a specified annual allocation. Previously, not all programs of the REDF had caps. Additionally, for 2013 each program has deadlines and applications unique to each program. There is no way to designate an application to another program without resubmitting a new application for a different program. The program boundaries are very clearly drawn in 2013. The REDF Program Manager presented a 2013 REDF Program Overview in December 2012, April 2013, and May 2013 to assist the new Board Members in understanding the Rules and Regulations.

In addition to the above items, there is additional oversight on the program through both the placing of the program into the RIEDC Financial Services Department, as well as the implementation of a Renewable Energy Fund Advisory Board that reviews and recommends applications to the RIEDC Board of Directors. Because of these new procedures, no one person is relied upon to ensure compliance with the rules and regulations.

Multiple Pre-development Consultant & Technical Feasibility Awards to the Same Recipient Violates Rules and Regulations

Section 4.04D of the Rules and Regulations for the REDF effective December 15, 2008, states:

Recipients that previously received financing from the Pre-Development Consultants and Technical Feasibility fund are ineligible for additional funds for technical feasibility and consulting studies.

The REDF program approved awards that were ineligible to the City of Providence and the East Bay Energy Consortium which had previously received funds for technical feasibility and consulting studies⁴.

⁴ Refer to the *Individual Awards Exceeded Annual Maximum Amounts* chart preceding this section.

The East Bay Energy Consortium was also the indirect recipient of a third award for the same project, which was paid to Applied Science Associates⁵.

Recommendations

7. The Director of Financial Programs should monitor the individual award amounts on a regular basis.
8. The EDC Board of Directors should determine whether payments should be made on the outstanding balance of the awards issued in noncompliance with the regulations. As of April 9, 2013, the following amounts remain outstanding:
 - EBEC: \$31,048.12
 - City of Providence: \$259,460
9. Program staff should present only those requests which fully comply with all Rules and Regulations.

Management's response

The 2013 Rules and Regulations were written in such a way that these problems cannot occur again. The 2013 Rules do not specify that the same recipient cannot receive multiple awards from the same program. As part of the Policy and Procedure currently being developed by RIEDC, this issue will be addressed by limiting the availability of multiple awards to the same project. An award recipient can only receive awards for multiple phases if all phases are approved by the EDC Board at the original award approval. These items may also be included in the 2014 Rules and Regulations that will be proposed later this year. Lastly, all projects are screened by the newly formed REDF Advisory Board before being presented to the EDC Board of directors. This is a highly valuable exercise because the Advisory Board is better versed in the programmatic details of the REDF and energy projects in general. No projects will be recommended to the EDC Board for funding if the REDF Advisory Board deems them to be ineligible.

No Board Resolution Designating an Authorized Agent for the REDF Existed

EDC By-Laws, §4, state:

All contracts, instruments and other documents shall be executed by the Chairman or Vice-Chairman on behalf of the Corporation unless other provision shall be made by special vote of the Board of Directors or shall be required by law.

While the by-laws require the Chairman and Vice Chairman to sign instruments on behalf of the Corporation, it appears implicit that the Board award approval would expect the Program Director to sign the contracts. The Board resolutions approving the awards do not explicitly give authority to the Program Director to sign on their behalf. It is not practical for the Board Chairman or Vice Chairman to execute all contracts; the Board has not adopted any provisions granting authority to execute REDF documents on its behalf. Adequate control procedures, which are absent for the REDF at EDC include clear lines of authority and responsibilities for approval processes and the entering into agreements on behalf of EDC/REDF.

⁵ Additional details regarding Applied Science Associates can be found at *Funding Activity Awarded to Sub-Consultant for Same Classification of Work* section of this report.

Two agreements were not signed. Fifteen agreements were executed by the former REDF Director, for which he did not have authority to sign. Refer to Appendix C for a detailed list of these seventeen agreements. Also, one of the fourteen agreements had no Board approval documentation⁶.

Additionally, the lack of an authorized REDF agent, formal standard operating procedures and controls resulted in awards granted, contracts executed, and payments issued for projects which lacked adequate documentation. EDC has not designated an authorized agent for the REDF as of the date of this report.

Recommendations

10. The Board should adopt a resolution to authorize agents to execute REDF documents on its behalf.
11. REDF award documents, including award letters, commitment letters, contracts, loans, and investment agreements, should be signed by those whom possess the proper authority to represent and contractually bind the EDC. Also refer to the recommendation below.

Management's response

For all the awards given in 2013 and going forward, the Approving Resolution from the RIEDC Board of Directors includes a listing of who is authorized to sign on behalf of the Corporation for those awards. All awards approved in 2013 have already included a designated signatory. Discussions are underway with REDF and RIEDC Legal counsel to determine if it would be appropriate for the board to make a separate resolution to grant the proper signing authority for the program on a more global basis.

Award Request not Presented to Board as Required by Rules and Regulations

The REDF Rules and Regulations, §4.01C, §4.02E, §4.03D and §4.04E, explain the award selection process for the various types of REDF awards and require:

Proposals that require \$50,000 or less in the aggregate of funding may be approved by the Executive Director of the Corporation. Proposals that require more than \$50,000 in the aggregate of may be approved by both the Board of Directors and the Executive Director.

The Bureau found one grant that exceeded \$50,000, and was awarded without evidence of Board presentation or approval as follows:

- Conservation Law Foundation was awarded \$60,000
 - \$30,000 initial grant during 2010
 - \$30,000 as a supplemental grant during 2011
 - \$54,209 paid to Conservation Law Foundation as of April 18, 2013

The grant agreement was signed by the former REDF Director⁷.

⁶ Refer to *Award Request not Presented to Board as Required by Rules and Regulations*.

⁷ Refer to *Award Request not Presented to Board as Required by Rules and Regulations Exist for Recoverable Grants* section of this report.

The absence of formal procedures and controls allowed this award to be executed and paid without proper documentation and Board approval.

Recommendation

12. The operating procedures for the approval of awards and the entering of contracts should be formally documented and enforced.

Management's Response

The 2013 Rules and Regulations no longer delegate any authority for Staff level approvals under the REDF and all approvals now must be made by the RIEDC Board of Directors. Additionally, as discussed previously, new policy and procedure is being developed that will require approval of any subsequent phases of a project along with the original approval; as such, the Board will be aware of any subsequent awards that may increase the cumulative total on any one project.

Grant Agreement Funding Schedule Conflicts with Board Approved Funding Schedule

The funding schedule approved by the EDC Board of Directors for the second award of \$335,000, to the East Bay Energy Consortium (EBEC) conflicts with the funding schedule outlined in the grant agreement signed by EBEC and the former REDF Director.⁸

According to the September 27, 2010, Board minutes, the funding schedule recommended by the REDF staff and approved by the Board stipulates three advancements of funds as follows:

The REDF recommended funding the grant with the following conditions:

1. *The first advancement the REDF will make is only for the MET Tower contract in order to begin the data collection process,*
2. *The second advancement will be made available for:*
 - a). *The solicitation of legal counsel;*
 - b). *The establishment of a formal entity complete with bylaws/governance that is satisfactory to EDC;*
3. *The balance of the funds will be made available to all other contracts needed to execute the above described scope of work ...*

... [T]hat the Rhode Island Economic Development Corporation pursuant to the profile attached [see above] and in accordance with R.I.G.L. § 42-64-13.2 of the General Laws of Rhode Island with respect to the Renewable Energy Development Fund, hereby approves the request of East Bay Energy Consortium for partial funding of its development of a community scale wind project through a grant in the amount of \$335,000 from the Renewal Energy Development Fund.

⁸ Refer to the *Program Managed Informally and Lacked Clear Delineation of Authority, Oversight, and Standard Operating Procedures* section of this report.

The funding schedule outlined at Exhibit A of the second grant agreement, which was prepared subsequent to Board approval noted above, states the full amount of \$335,000 will be paid to the EBEC upon execution of the grant agreement.

The Bureau notes the funding schedule approved by the Board of Directors (three advancements) was not documented in the grant agreement (see *Exhibit A* referred to? above) which was approved and signed solely by the then-REDF Director. The grant agreement funding schedule should be identical to the funding schedule approved by the Board.

Recommendation

13. The Director of Financial Programs should verify that grant agreement funding schedules are identical to Board approved funding commitments, prior to the execution of the grant agreement.

Management's Response

The REDF has been moved into the Financial Services Department of the RIEDC. It is the policy of this department that all legal documents require review and approval by either the Director of Financial Programs or the Financial Services Operations Manager prior to execution. This process involves the direct comparison of the approval documentation to the legal documentation to ensure the terms and conditions are identical between the two.

Insufficient and Informal Award Monitoring

REDF regulations §9.00, Performance, states:

Any person or entity that has been granted funding pursuant to these rules and regulations shall report to the Corporation on the progress the applicant has made with respect to the implementation of the project for which funding was authorized. Such reports shall be in form and substance satisfactory to the Corporation and performed with a frequency as determined by the corporation.

The REDF program, through the use of commitment letters and contracts, required status reports on a monthly or quarterly basis, as well as final site inspection reports. The Bureau found evidence that 50 of the 52 awards that contained a reporting requirement did not comply with this provision.

The former REDF Director informed the Bureau that status updates, award monitoring, and site inspections were often performed via telephone or through email. This informal, indirect, and undocumented award monitoring resulted with the inability to ensure awards were used for the purpose which the funding was authorized, and an inability to determine project status.

Recommendations

14. Require recipients to provide evidence of direct project costs to ensure that funds are being used in accordance with the REDF rules and regulations.
15. Document and report project/award status to Director of Financial Programs on a regular basis.

16. Perform physical site reviews to ascertain project completion status.

Management's Response

All awards will be put into EDC's Portfolio Management Software starting in July 2013. The REDF Program Manager has already been through of training in this software and will receive support from the Financial Services Operations Manager and Financial Portfolio Managers. Additionally, the EDC is actively assessing staffing needs of the REDF program to determine if additional personnel is needed to effectively monitor the awards.

Award Requests were presented to the Executive Director and the Board without all Required Components and Received Approval

The Applications for Funding and Approval Criteria, §§4.01A, 4.02B, 4.03A and 4.04B of the Board approved Rules and Regulations, define proposal approval criteria and utilization of funds. Additionally, the application forms state "An incomplete application will not be processed".

The REDF program did not require complete applications or adequately document that applications were in the proper form or contained the content required by the regulations. Awards were presented to the Executive Director and the Board without all required components of the application, or no application. Awards were made for projects that did not meet the requirements of the REDF Rules and Regulations.

Strong internal controls, including management oversight, were missing; therefore, EDC was unable to ensure that applicants met the proposal approval criteria. This finding was also a precursor to the *Program Managed Informally and Lacked Clear Delineation of Authority, Oversight, and Standard Operating Procedures* section at the beginning of this report.

Recommendation

17. Develop standard operating procedures and controls to ensure that applications are complete and processed in accordance with the REDF rules and regulations prior to presenting to the Board for approval. Additionally, incomplete applications should not be presented to the Board for consideration.

Management's Response

The 2013 Rules and Regulations and policy and procedures currently in development prohibit incomplete applications from moving forward in the approval process. New checks and balances are in place to ensure incomplete applications do not move forward. This includes a review by the REDF Advisory Board of all applications deemed "complete" by REDF Staff. This additional level of review will eliminate the possibility of incomplete application moving forward.

Award Payments did not Comply with Funding Schedules

REDF award payments should be made in accordance with regulations and approved applications, commitment letter, and contract requirements. A number of funding schedules required the recipient to provide supporting documentation prior to the REDF issuing payment of the award.

The Bureau found EDC paid award recipients:

- Without adequate invoice detail to support project expenses.
- After the end date specified in the grant agreement/commitment letter without a written extension.
- Up-front upon execution of the grant agreement/commitment letter. For 8 of the 52 awards reviewed, the grant was made without evidence of the recipient's contribution towards the project or evidence of the recipient's contribution being expended.

Since awards were monitored with informal procedures, and file documentation to support payment was incomplete, there was no certainty that project expenditures were made in accordance with the agreement. Paying the full amount of the award in advance could reduce a recipient's incentive to comply with the terms of the agreement. Controls and compliance would be increased with milestone payments based on project completion, or reimbursement for direct costs incurred.

Recommendations

18. EDC should not pay the recipient the full amount of the award at the execution of the grant agreement.
19. Payment schedules should be based on project completion milestones, and included in the grant agreement. Any payments made after the grant period end date should include documented approval of an extension.
20. Develop operating procedures and controls to ensure award payments are in accordance with the REDF rules, regulations, and contract agreements, including documented approval of extensions.

Management's Response

The REDF is developing official policy and procedure to address these issues. While the approval process for this policy and procedure moves forward, REDF Staff, with the support of the Financial Services Department, has incorporated the proposed procedures into all 2013 award documents. The proposed Policy and Procedure requires the grantee to provide evidence of project completion prior to the payment issuance. This is noted in all grant agreements starting on April 24, 2013, with the first Grant Agreement of 2013. Further, verification of completion by an inspector representing the REDF, and verification of grantee expenditures will be performed prior to the final grant payment. Allowed project durations are included in grant agreement and any extension requires written request and approval.

EDC Overpaid Three Award Recipients

EDC overpaid award recipients in three separate instances, resulting in overpayments to awardees totaling \$11,108.46. In two instances, the EDC paid the award recipient the total amount of the grant rather than paying according to the grant agreement requirements. In the third instance a consultant was paid three times for the same invoice, twice from the award recipient and once directly from EDC⁹.

Recommendations

21. Request reimbursement for the following overpayments:

United Natural Food	\$4,799.20
Trinity Restoration	860.00
Applied Science Associates	<u>5,449.26</u>
Total	\$ 11,108.46

22. In instances where EDC pays the award recipient and the recipient's vendor directly, it should implement procedures to ensure the vendor is not paid twice for the same activity.

Management's Response

The UNFI overpayment was due to the failure of staff to adequately calculate the amount of energy generated and compare to the award requirements. New procedures and monitoring being put in place should alleviate any issues going forward. The funds will be deducted from the next advance requested for this project.

Review of the Applied Sciences payments indicates the overpayment resulted from inadequate accounting by the award recipient as they forwarded an invoice for payment that they had already paid. REDF Staff is currently working with this vendor to negotiate the return of the overpayment.

⁹ Refer to the *Funding Awarded to Sub-Consultant for Same Classification or Work* section of this report.

Loans and Recoverable Grants are made without Standard Credit Practices

A recoverable grant is an award from the REDF that requires repayment when specific conditions are met which are specific to the recipient. An investment is a recoverable grant that requires a repayment as a percentage of sales. There are no policies or procedures for determining a REDF loan or recoverable grant applicant's viability, financial position, or their capacity to make repayment. There were no credit analyses performed for any of the loan and recoverable grant recipients. The REDF may award a loan or recoverable grant to an entity that does not have the financial capacity or willingness to repay the loan, resulting in financial loss.

The 2013 Rules and Regulations for the Renewable Energy Development Fund allow the EDC to award:

1. Up to \$1,500,000 in loans annually from the Small Scale Solar Program.
2. Up to \$1,000,000 in loans and recoverable grants annually for the Early Stage Commercialization Program.
3. Up to \$1,000,000 in cash grants annually for Commercial Project Installations.
4. Up to \$750,000 in recoverable grants for Predevelopment Feasibility Studies.

The Bureau reviewed loans and recoverable grants awarded from the REDF for the period September 1, 2008, through December 31, 2012. The Bureau noted loans and recoverable grants to businesses were made from the REDF without standard commercial credit practices such as:

- Require the applicant to provide multi-year financial statements prior to the approval of the loan.
- Perform credit analysis, including the entity's debt service coverage ratio, prior to the approval of the loan.
- Perform periodic review of the borrower's financial condition post-closing.
- Obtain Personal Guaranties from the business owners .
- Include the amount of the required installment payment in the Secured Promissory Note (presently it is EDC's practice to attach a loan amortization schedule after the signature page of the Note).

Recommendation

23. EDC should adopt standard credit practices regarding the award of REDF loans and recoverable grants which include:

- Obtaining multi-year financial statements from applicants
- Analyzing and documenting the applicants financial position, and ability to repay the loan
- Establishing criteria required for a loan to be approved
- Requiring personal guaranty from business owners
- Requiring the amount of the installment payments on the Promissory Note

Management's Response

All forgivable loans (recoverable grants) will be handled by EDC financial services in conjunction with REDF Staff and will be subject to the same credit practices as other finance programs managed by RIEDC. REDF may need to hire additional staff to manage this process and other tracking/oversight.

Collection Procedures for Recoverable Grants or Investments do not Exist

EDC does not have sufficient monitoring over REDF recoverable grants and investments. A recoverable grant is an award from the REDF that requires repayment when specific conditions are met. An investment is a recoverable grant that requires a repayment as a percentage of sales. EDC does not track the repayment of recoverable grants or investments, nor enforce collection.

Each of the eight recoverable grant and investment agreements reviewed stipulated a required payback. The Bureau did not find evidence of collection in the EDC general ledger accounts or bank statements.

The chart below details the eight award recipients, totaling \$1,000,087, for which no collection activity is noted.

Award Recipient	Award Amount	Award Year	Date Repayment Scheduled to Begin
Tomorrow Biofuels	\$125,000	2009	Within 5 years
Cooley Group	\$200,000	2010	1/15/2012
City of East Providence Landfill	\$200,310	2011	Will be negotiated
CBC Wind, LLC	\$ 26,467	2011	5% of all sales generated in connection with the installation of renewable energy systems
Solar Canopy	\$138,850	2011	5% of all sales generated from Solar Canopy
City of Providence	\$259,460	2012	Varies depending on type of project installation
Riverbend at Hope Mill	\$ 25,000	2007 OER/2010 EDC	Upon completion of project- status unknown
Town of Westerly wind feasibility	\$25,000	2008 OER/2009 EDC	Repaid if project successful- status unknown

There were no collection procedures to ensure recoverable grants and investments would be repaid; this condition exists today because the 2013 Rules and Regulations do not address this concern¹⁰. Seven of the eight award agreements do not specify a starting date for repayment. The City of East Providence grant agreement states repayment terms will be negotiated at a later date; however, as of the date of the Bureau's audit, terms had not been negotiated. Additionally, EDC was not aware of the status of the Riverbend and Town of Westerly projects which are scheduled to begin repayment upon project completion.

¹⁰ Refer to the *Control Weaknesses Noted in 2013 Rules and Regulations* section of this report.

Recommendations

24. EDC should determine the status of all recoverable grants and investments, and ensure repayments are made in accordance with the award agreements.
25. Implement policies and procedures to track recoverable grants and investments.
26. Ensure all recoverable grant and investment agreements include clearly defined terms of repayment.
27. EDC should negotiate recoverable grant repayment terms with the City of East Providence.

Management's response

This has been addressed by the movement of the program into the EDC's Financial Services Department. This department will provide the systems and oversight necessary for adequate monitoring and collection of any amounts owed. All forgivable loans (recoverable grants) will be added to EDC's Portfolio Management System. REDF staff has been through training on this system earlier this year.

EDC has begun the process of reviewing files for repayment efforts.

Sub-Consultant Received Direct and Indirect Payments for Same Classification of Work

The REDF Program did not allow multiple grants for Pre-Development/Feasibility Study classification of work. However, Applied Science Associates (ASA¹¹), one of the primary sub-consultants to EBEC for the Tiverton Wind Farm project, was the recipient of \$164,765. This total amount was comprised of second and third Pre-Development/Feasibility grants in violation of the rules and regulations. These second and third grants were both for ASA to construct a MET¹² tower at the Tiverton Industrial Park site to determine the feasibility of construction a permanent wind farm. The Board approved the second award on September 27, 2010, to EBEC (for sub consultant ASA) to construct a MET tower at the Tiverton Industrial site. Then, on February 18, 2011, the former Executive Director and former Program Director approved an award and the direct payment to ASA in the amount of \$49,765 to construct a MET tower at the Tiverton Industrial site.

¹¹ Applied Science Associates is an environmental engineering firm headquartered in South Kingstown, RI.

¹² Meteorological towers (MET towers) are the most common means for measuring the wind speed and direction at a site. A MET tower is a tall, tubular, steel tower intended to be a temporary structure.

The following chart summarizes the REDF funding activity to ASA.

Summary of ASA Funding Activities				
Payment Type	Grant Date	ASA Share of Total Grant Awarded	Description	Bureau Determined Classification
Sub Consultant to EBEC	6/22/2009	\$ 75,000	To identify site for wind turbine	Pre-Development / Feasibility Study
		\$ 65,000	Technical Analysis/ Consulting &	
Sub Consultant to EBEC	9/27/2010 (2nd)	\$ 50,000	Install temporary MET Tower	Pre-Development / Feasibility Study
Vendor of EDC	2/18/2011 (3rd)	\$ 49,765	Install temporary MET Tower	Pre-Development / Feasibility Study
Total Funding to ASA		\$ 239,765		

Recommendation

28. The Director of Financial Programs should enforce the program Rules and Regulations.

Management's Response

With the movement of the program to the RIEDC Financial Services Department, there will be more internal oversight of awards. Additionally, the REDF Advisory Board reviews all applications prior to presentation to the RIEDC Board and ensures the compliance of these applications with program Rules. Policy and Procedure currently under development includes provisions that multiple awards for the same project must be approved as subsequent phases along with the original award. As such, multiple awards for similar expenses cannot be made in the future.

Control Weaknesses Noted in 2013 Rules and Regulations

RIGL §42-64-13.2, *Renewable energy investment coordination*, grants the EDC the authority to promulgate rules and regulations for the REDF. See Appendix B for a comparison of the 2008 and 2013 regulations.

The 2013 Rules and Regulations have the following control weaknesses:

Lack of Adequate Reporting Structure

The rules and regulations lack provisions requiring award recipients to report project financial and performance status. Further, there is no requirement for the REDF staff to inform the Board of Directors and EDC senior management regarding the awarded projects' percent of completion status, and the

overall financial position of the fund. Additionally, there are no guidelines to address potential conflicts of interest between REDF and award recipients and their consultants.

Regulations do not clearly define processes to manage the fund

The 2013 regulations lack provisions which would allow program staff to efficiently manage the fund. The regulations do not clearly define a process to:

- Realign funds from cancelled projects.
- Rescind an award.
- Cancel an award.
- Collect overdue payments for recoverable grants and investments.

Need to define disallowed costs and expenses

The REDF grant agreements prohibit award spending on soft, administrative, and indirect costs. These terms are not defined in the statute, regulations, or grant agreements. Program staff has presented and the Board has approved payments for soft, administrative, and indirect costs, including lobbying expenses. The rules and regulations from 2008 and 2013 do not define disallowed award activities, costs, and expenses.

The issues with the 2013 Rules and Regulations discussed above were overlooked or not considered during the regulation revision process. Including requirements in the regulations for reporting to the Board of Directors and having the award recipient report to the REDF will strengthen monitoring and oversight of the REDF and prevent any one individual from having too much authority over the fund. Including provisions for realigning funds in the regulations will ensure the REDF operates efficiently and produces the maximum economic and renewable energy benefits to Rhode Island. A provision for allowing the REDF to issue awards for activities allowable under statute ensures the full legislative intent of the fund is realized.

Recommendations

29. EDC should update the 2013 Rules and Regulations to include language which:

- a. Requires periodic reporting to the EDC Board of Directors about the performance of projects, project percent of completion status, and financial performance of the fund
- b. Includes provisions to realign funds from canceled projects
- c. Requires award recipients to periodically report to REDF staff about the status of their award and percentage of completion of the project
- d. Grants the REDF the right to rescind funding
- e. Defines collection procedures for overdue recoverable grant and investment payments
- f. Defines soft, administrative, and indirect costs
- g. Requires award recipients and consultants, paid with REDF funds, to disclose any potential conflicts of interests

Management's response

Given that the Rules and Regulations for this program were only approved for one year, there is an opportunity to make adjustments as we plan for new rules and regulations for 2014. In the meantime, actions have been taken to improve the performance on the highlighted items to address any concerns

that may exist. Some of these have been discussed in previous sections of this document, such as policy regarding the reallocation of funds back into the program from cancelled awards.

The reporting structure within RIEDC has been vastly improved as the REDF now reports into the financial services group and the Director of Financial Programs. This gives a sharper focus to bring the program in line with the requirements of the other RIEDC managed financial programs. This includes more internal management awareness of the status of the program and awards. Additionally, the inclusion of these transactions into the financial services department's Portfolio Management System will allow management instant access to any award file as well as automated reporting capability for better management of the program. Conversations are underway with RIEDC leadership to determine the level of reporting desired and appropriate at the board level.

While not required by the regulations, all current and new grant and loan agreements include language for rescission of the award for non-performance or if they are not completed within a specified time period (which is defined in the 2013 rules and regulations).

For project monitoring, the new system will assist with the management and recordkeeping; however reporting from the borrower/awardee is still required for this to be effective. To effectuate this, the RIEDC policy is to only fund at the end of a project once all work is complete. This funding will be contingent upon an inspection by an independent party working on behalf of the REDF. This requirement will be incorporated into future rules and regulations as well as in policy and procedure currently being developed.

The payments coming at the end of an award and the use of the new portfolio management system should eliminate any possibility of overpayments going forward. In the event one is made, however, the policy and procedure would be essentially the same as for the other RIEDC finance programs to collect balances due.

Past practices on "soft costs" have been ill defined and inconsistently applied. REDF Staff is working with the REDF Advisory Board to develop a standardized list of "soft costs" which will not be allowed out of REDF funding. These are likely to vary by program however as a feasibility study may be defined as a soft cost on an installation funding; but be perfectly admissible for funding under the feasibility program. These definitions and clarifications will be presented to the RIEDC Board of Directors at a future meeting as part of the Policy and Procedure update for the program. This list will also be included in the future revisions to the REDF Rules and Regulations.

The applications for the program will be updated for the 2014 programs to require a disclosure and certification on conflicts of interest.

REDF Lacks Appropriate Policies and Procedures to Achieve Program Objectives

An important part of internal control is formal policies and procedures to assist in meeting the goals and objectives of a program. As noted previously in this report, there was an informal management style and there were no written policies or procedures, resulting in weak internal controls. The following operating areas did not have policies and procedures as of the date of the Bureau's review:

Failure to Sufficiently Document REDF Awards and Activities

The REDF does not have policies or procedures dictating the required documents to be maintained in an award file. Additionally, there are no documentation format policies or procedures (e.g., hard copy or electronic). Also refer to the *Former Program Director Presented Award Requests to the Executive Director and the Board without all Required Components and Received Approval* section of this report.

This lack of policy regarding required documentation required by regulations and grant agreements resulted in incomplete award files. EDC was not able to provide complete documentation required by the regulations for all 52 awards reviewed.

Inadequate Monitoring and Close- Out of Awards

EDC does not have policies or procedures for REDF award close-out or monitoring. The lack of policies and procedures for award close-out has resulted in awards remaining open indefinitely and inaccurate project status reporting to the Board. This effect is discussed in further detail in the *Inactive Projects/Committed Funds* section of this report. The Bureau also noted inconsistencies in REDF award monitoring practices which are discussed in the *Lack of Award Monitoring* section of this report.

Lack of Authority and Policy to Reprogram Funds

The REDF does not have policies or procedures to allow for the reprogramming of funds between REDF programs and projects. Additionally, it does not allow for reprogramming funds committed to inactive projects. The lack of policies and procedures for reprogramming of funds has resulted in an inefficient use of funds and approval of awards exceeding regulation caps. This effect is discussed in further detail in the *Program Staff Lacked Authority to Reprogram Funds Committed to Inactive Projects* section of this report.

Capital Asset Policy does not Exist

Four award recipient grant agreements state EDC had the option to assume or assign ownership of the MET Tower. Additionally, the application and award summary for one of the four recipients states the MET Tower will be returned to EDC after collecting data. EDC management was not aware of ownership of these assets or the fair market value. Therefore, it has not been recorded in the financial statements.

EDC does not have a capital asset policy. Per the EDC Chief Financial Officer, the process of developing accounting policies and procedures, including policies and procedures for capital assets, has begun but is not yet completed.

The lack of a capital asset policy results in questionable custody of assets, and financial statements that do not comply with GASB 34.

Recommendations

30. EDC should establish written policies and procedures for:

- a. Documenting REDF awards and activities
- b. Grant close-out and monitoring
- c. Reprogramming of funds
- d. Capital Assets

The Chief Financial Officer should coordinate with REDF program staff to determine the ownership and location of any MET Towers EDC has the rights to and properly record this information in the financial statements in accordance with GASB 34.

Management's response

The Policy and Procedure for the REDF is currently in the process of being revised and updated. The REDF Advisory Board which was created in 2013 now reviews all transactions and makes recommendations to the RIEDC Board. This practice has greatly standardized the presentation of transactions and the application of all rules and regulations. The integration of the REDF into the Financial Services Department at RIEDC now centralizes the systems and file maintenance in accordance with the other RIEDC managed finance programs. This includes better documentation through the Portfolio Management System but also integration into the filing systems currently in use for those programs. The Financial Services transaction files are kept to a commercial banking standard.

In order to better manage the REDF program, RIEDC management is looking into the staffing needs of the program and the overall Financial Services Department so as to more effectively and efficiently monitor and close out transactions. The creation of policy and procedure regarding these functions is ongoing and will be presented to the RIEDC Board of Directors for approval in the coming months.

REDF program management is working actively with the RIEDC accounting department regarding any capital assets that may exist in the program and determining the proper accounting treatment. Final determination on this will be made during the upcoming annual financial audit for the fiscal year ending June 30, 2013.

Appendix A – REDF Project Listing

PROJECT	TYPE	REDF AWARD	TOTAL COSTS	TOTAL PAYMENTS	OUTSTANDING Reported BALANCE	Bureau Calculated BALANCE as of July 11, 2012
OER Commitments	Grant	\$ 900,000	\$3,600,000	\$(892,723)	\$ 7,277	\$ 7,277
Ocean SAMP	Grant	\$ 3,200,000	\$ 6,634,080	\$(3,200,000)	\$ -	\$ -
REF 1-093: United Natural Foods	Grant	\$ 700,000	\$ 1,500,000	\$ (70,000)	\$ 630,000	\$ 630,000
REF 1-094: Wolcott	Grant	\$ 7,683	\$ 30,693	\$ (7,683)	\$ -	\$ -
REF 1-098: Tomorrow Biofuels	Grant	\$ 250,000	\$ 550,000	\$ (249,979)	\$ 21	\$ 21
REF 1-099: Slatersville Hydro	Grant	\$ 200,000	\$ 2,335,600	\$ -	\$ 200,000	\$ 200,000
REF 1-100: SGE Engineers	Grant	\$ 150,000	\$ 880,000	\$ (150,000)	\$ -	\$ -
REF 1- 100: Hodges Badge Company	Grant	\$ 225,000	\$ 906,500	\$ (167,000)	\$ 58,000	\$ 58,000
REF 1-100: DEM	Grant	\$ 32,175	\$ 86,980	\$ (32,175)	\$ -	\$ -
REF 1-115: GEM Plumbing	Grant	\$ 115,709	\$ 385,696	\$ (115,709)	\$ -	\$ -
REF 1-131: Millhaus	Grant	\$ 75,000	\$ 23,744	\$ (75,000)	\$ -	\$ -
REF 1-121: Toray Solar	Grant	\$ 750,000	\$ 2,014,939	\$ -	\$ 750,000	\$ 750,000
REF 1-135: Arpin Van Lines	Grant	\$ 249,955	\$ 705,135	\$ (249,955)	\$ -	\$ -
REF 1-137: Safeway Auto	Grant	\$ 62,500	\$ 117,867	\$ (62,500)	\$ -	\$ -
REF 2-100: New Shoreham - Town Hall	Grant	\$ 70,065	\$ 120,065	\$ (70,065)	\$ -	\$ -
REF 2-104: East Greenwich School	Grant	\$ 59,000	\$ 303,000	\$ -	\$ 59,000	\$ 59,000
REF 2-117: East Providence Solar (Landfill)	Grant	\$ 200,310	\$ 400,620	\$ (166,462)	\$ 33,848	\$ 33,848
REF 3-103 DEM	Grant	\$ 17,325	\$ 49,431	\$ (17,325)	\$ -	\$ -
REF 3-105 St. Antoine's	Grant	\$ 33,000	\$ 60,500	\$ -	\$ 33,000	\$ 18,000

PROJECT	TYPE	REDF AWARD	TOTAL COSTS	TOTAL PAYMENTS	OUTSTANDING Reported BALANCE	Bureau Calculated BALANCE as of July 11, 2012
REF 3-106 Trinity Restoration	Grant	\$ 23,760	\$ 178,160	\$ (23,760)	\$ -	\$ -
REF 3-107 Arkwright	Grant	\$ 6,250	\$ 12,500	\$ (6,250)	\$ -	\$ -
REF 3-109 City of Providence	Grant	\$ 7,500	\$ 10,900	\$ (7,500)	\$ -	\$ -
REF 3-110 North Kingstown Public School	Grant	\$ 25,000	\$ 52,000	\$ (25,000)	\$ -	\$ -
REF 3-112 City of Warwick	Grant	\$ 20,000	\$ 25,000	\$ (20,000)	\$ -	\$ -
REF 3-113 Coastal Housing Corporation	Grant	\$ 34,500	\$ 77,900	\$ (15,000)	\$ 19,500	\$ -
REF 3-114 East Bay Energy Consortium/ Town of Bristol	Grant	\$ 100,000	\$ 200,000	\$ (62,433)	\$ 37,567	\$ -
REF 3-122 Town of Burrillville	Grant	\$ 40,000	\$ 44,400	\$ (37,000)	\$ 3,000	\$ 3,000
REF 3-123 Town of Narragansett	Grant	\$ 20,000	\$ 40,000	\$ -	\$ 20,000	\$ 20,000
REF 3-125 Town of North Smithfield	Grant	\$ 9,800	\$ 11,200	\$ -	\$ 9,800	\$ 9,800
REF 3-126 Valley Affordable Housing	Grant	\$ 25,000	\$ 40,000	\$ (18,750)	\$ 6,250	\$ 6,250
REF 3-129 DEM - Fishermen's Memorial	Grant	\$ 137,500	\$ 600,000	\$ -	\$ 137,500	\$ 137,500
REF 3-141: Essex Partnership	Grant	\$ 50,000	\$ 125,000	\$ (42,420)	\$ 7,580	\$ 7,580
REF 3-143 City of East Providence	Grant	\$ 50,000	\$ 100,000	\$ (35,763)	\$ 14,237	\$ 14,237
REF 3-144: Conservation Law Foundation	Grant	\$ 60,000	\$ 100,000	\$ (42,107)	\$ 17,893	\$ 17,893
REF 3-114-2: East Bay Energy Consortium	Grant	\$ 335,000	\$ 350,000	\$ (335,000)	\$ -	\$ -
REF 3-162: WBNA/ West Broadway	Grant	\$ 20,000	\$ 40,000	\$ (10,000)	\$ 10,000	\$ 10,000

REF 3-160: ASA MET Tower	Grant	\$ 49,765	\$ 49,765	\$ (49,765)	\$ -	\$ -
REF 3-166: RIRRC	Grant	\$ 37,500	\$ 112,500		\$ 37,500	\$ 37,500

PROJECT	TYPE	REDF AWARD	TOTAL COSTS	TOTAL PAYMENTS	OUTSTANDING Reported BALANCE	Bureau Calculated BALANCE as of July 11, 2012
REF 3-167: Town of Gloucester	Grant	\$ 18,881	\$ 18,881		\$ 18,881	\$ 18,881
REF 4-101: Church Housing – 2	Grant	\$ 100,000	\$ 550,000	\$ (100,000)	\$ -	\$ -
REF 4-104: West Elmwood Housing	Grant	\$ 100,000	\$ 359,118	\$ (100,000)	\$ -	\$ -
REF 4-106: 176 Willow, LLC	Grant	\$ 33,600	\$ 56,000	\$ (33,600)	\$ -	\$ -
REF 4-108: Church Housing – 4	Grant	\$ 50,000	\$ 59,750	\$ (50,000)	\$ -	\$ -
REF 5-101: Alteris/Real Goods Solar	Grant	\$ 125,750	\$ 7,334,461	\$ (31,438)	\$ 94,312	\$ 94,312
REF 5-102: WBNA	Grant	\$ 500,000	\$ 288,860	\$ (300,000)	\$ 200,000	\$ 200,000
REF 5-128: ALCO/Peregrine	Grant	\$ 20,000	\$ 40,000	\$ -	\$ 20,000	\$ 20,000
REF 5-127: Island Solar	Grant	\$ 49,931	\$ 149,730	\$ (12,483)	\$ 37,448	\$ 37,448
REF 1-096: Cooley Group	Investment	\$ 200,000	\$ 700,000	\$ (200,000)	\$ -	\$ -
REF 1-139: Solar Canopy	Investment	\$ 138,850	\$ 250,000	\$ (39,053)	\$ 99,797	\$ 69,180
REF 1-141: CBC Wind	Investment	\$ 26,467	\$ 65,700	\$ (26,467)	\$ -	\$ -
REF 1-145: PCS Utilidata	Investment	\$ 500,000	\$ 4,500,000	\$ (500,000)	\$ -	\$ -
Town of Portsmouth	Loan	\$ 400,000		\$ (400,000)	\$ -	\$ -
REF 1-129: Environmental Packaging	Loan	\$ 20,350	\$ 7,000	\$	\$ 20,350	\$ 20,350
REF 1-131: Millhaus	Loan	\$ 85,049	\$ 261,179	\$ (85,049)	\$ -	\$ -
REF 1-135: Arpin Van Lines	Loan	\$ 237,985	\$ 649,380	\$ (237,985)	\$ -	\$ -
REF 1-137: Safeway Auto	Loan	\$ 62,500	\$ 51,999	\$ (62,500)	\$ -	\$ -
REF 3-165: City of Providence	Recoverable Grant	\$ 259,460	\$ 293,060	\$ -	\$ 259,460	\$ 259,460
Ocean Energy Conference 2012	Sponsorship	\$ 25,000		\$ (12,500)	\$ 12,500	\$ 12,500
Slatersville Hydro	Loan	\$ 200,000	\$ -	\$ -	\$ -	\$ 200,000

PROJECT	TYPE	REDF AWARD	TOTAL COSTS	TOTAL PAYMENTS	OUTSTANDING Reported BALANCE	Bureau Calculated BALANCE as of July 11, 2012
O'Neil Properties	Grant	\$ 47,000		No noted payments	Not Reported to Board	
SLA Realty	Grant	\$ 20,000		No noted payments	Not Reported to Board	
The Fogarty Center	Grant	\$ 8,200		No noted payments	Not Reported to Board	
Ocean State Wind	Grant	\$ 50,000		No noted payments	Not Reported to Board	
Riverbend at Hope Mill	Grant	\$ 25,000		\$ 25,000	Not Reported to Board	\$ -
Town of Westerly	Grant	\$ 25,000		\$ 25,000	Not Reported to Board	\$ -
TOTAL COMMITTED EXPENSES		\$11,678,320	\$38,539,293	\$(8,398,399)	\$ 2,854,721	\$ 2,952,037

Bureau's Modifications to July 2012

Listing presented to the Board

Star projects are inactive/closed projects where funds should be reprogrammed

Projects identified with a red circle had incorrect outstanding balance amounts reported to the Board in the July 23, 2012 report. The correct amount is stated in the "Outstanding Actual Balance as of July 11, 2012" column.

The six projects identified as "Not reported to the Board" were excluded from the July 2012 report. Of these, the four with "No payments noted" are inactive.

Awards not reviewed by the Bureau

The Bureau did not review the awards issued by the Office of Energy Resources ("OER Commitments"), the Ocean Conference Sponsorship,
 REF 5-102: WBNA
 REF 5-128: ALCO/Peregrine
 REF 5-127: Island Solar

Appendix B - 2008 and 2013 Rules and Regulation Comparison

The 2013 Rules and Regulations created an REDF Advisory Board to evaluate and approve applications to the REDF, and require the EDC Board of Directors to approve all applications to the REDF. Previously, only awards greater than \$50,000 in the aggregate were required to be approved by the EDC Board of Directors.

The program areas outlined in the Rules and Regulations also differ as follows:

2008 Regulations

Programs Outlined in 2008 Regulations	Annual Dollar Amount Allocated to Each Program	Type of Awards	Maximum Award Amount	Repeat Awards Allowed from the Same Program (Y/N)
Other (Commercial)	Remainder of revenue collected annually	Any financial mechanism determined by RIEDC	\$750,000	No
Municipal	the lesser of 50% of \$1,000,000 collected annually	Grants or recoverable grants	\$500,000	Yes
Non Profit Housing	the lesser of 10% or \$200,000 collected annually	Grant	\$100,000 per project	Yes
Predevelopment Consultant & Technical Feasibility	the lesser of 10% or \$200,000 collected annually	Grants to municipalities and nonprofit affordable housing developers; loans and recoverable grants to others	the lesser 10% of system benefit charges for that year, or \$200,000	No

2013 Regulations

Programs Outlined in 2013 Regulations	Dollar Amount Allocated to Each	Type of Awards	Maximum Individual Award Amount	Repeat Funding	Additional Requirements
Small scale solar	\$1,500,000	25% cash grant OR 50% low-interest loan	\$10,000.00 per individual project for grants; \$20,000.00 per individual project for loans	Not addressed	Projects must be completed within 12 months of RIEDC contract signing.
Commercial Development-Innovations and Market Development	\$1,000,000	Recoverable Grant, low-interest loan, or matching funds	\$300,000.00	Not addressed	Projects must be completed within 18 months of contract signing, however EDC may grant exceptions to this. Repayment required when product becomes commercially available. Project owner must contribute at least 25%.
Commercial Development-Project Installation	\$1,000,000	Up to 20% cash grant for 10-50 kW projects	\$75,000.00	Not addressed	Projects must be completed within 18 months of contract signing. Repayment required when project becomes commercially available.
Pre-development and Feasibility Studies	\$750,000	Recoverable grant	\$200,000.00	Not addressed	Studies must be completed within 18 months of contract signing. Repayment required when the project is operational. Project owner must contribute at least 25%.

Appendix C Agreements Unsigned or Signed by the Program Director

Agreements Signed by the Program Director

Recipient	Approved by Board (Yes/No)	Award Type	Amount	Signed by	Agreement Date
Conservation Law Foundation	No	Grant	\$ 60,000	Program Director	2010/2011
128 Wolcott Street/JTJ Investments	Not Required	Grant	\$ 7,683	Program Director	2009
West Broadway Neighborhood Association	Not required	Grant	\$ 20,000	Program Director	2011
176 Willow	Not required	Grant	\$ 33,600	Program Director	2011
Applied Science Associates	Not required	Grant	\$ 49,764	Unsigned	2011
Hodges Badge	Yes	Grant	\$ 225,000	Program Director	2009
Tomorrow Biofuels	Yes	Recoverable Grant	\$ 125,000	Program Director	2009
		Grant	\$ 125,000	Program Director	2009
SGE	Yes	Loan	\$ 100,000	Program Director	2009
		Grant	\$ 150,000	Program Director	2009
Slatersville Hydro	Yes	Loan	\$ 200,000	Program Director	2010
		Grant	\$ 200,000	Program Director	2010
East Bay Energy Consortium	Yes	Grant	\$ 335,000	Program Director	2011
Arpin Van Lines	Yes	Loan	\$ 237,589	Program Director	2011
		Grant	\$ 249,955	Program Director	2011
Milhaus	Yes	Loan	\$ 85,049	Program Director	2011
		Grant	\$ 75,000	Program Director	2011
Safeway Auto	Yes	Loan	\$ 62,500	Program Director	2011
		Grant	\$ 62,500	Program Director	2011
City of East Providence Landfill	Yes	Recoverable Grant	\$ 200,310	Program Director	2011
Toray Plastics	Yes	Grant	\$ 750,000	Program Director	2012
PCS Utilidata	Yes	Loan	\$ 500,000	Unsigned	2012
Cooley Group (*)	Yes	Recoverable Grant/Investment	\$ 200,000	Program Director	10/30/2009; 4/29/2011
Total			\$ 4,053,950		

*The initial 2009 \$50,000 grant to Cooley Group was amended in 2011 to a \$200,000 recoverable grant.