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OFFICE OF THE STATE COMPTROLLER

June 20, 2018

Mr. Richard L. Kauffman
Chairman
New York State Energy Research and Development Authority
17 Columbia Circle
Albany, NY 12203-6399

Re: NY-Sun Incentive Program
Report 2018-F-7

Dear Mr. Kauffman:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Section 2803 of the Public Authorities Law, we have followed up on the actions taken by officials of the New York State Energy Research and Development Authority (Authority) to implement the recommendations contained in our initial audit report, *NY-Sun Incentive Program (2015-S-91)*.

Background, Scope, and Objective

The Authority is charged with oversight of the NY-Sun Incentive Program (NY-Sun), which is now part of New York's Clean Energy Standard (CES). The CES is designed to fight climate change, reduce harmful air pollution, and ensure a diverse and reliable low-carbon energy supply. To help achieve these goals, the CES requires that 50 percent of New York's electricity come from renewable energy sources, such as solar and wind, by 2030. NY-Sun was launched in 2012 by the Public Service Commission (PSC) to help establish a self-sustaining and self-sufficient solar industry in the State.

The Authority has developed several policies and procedures for managing the solar energy projects. These include requirements related to documentation, timeliness, and quality assurance. According to the NY-Sun program manual, installers must submit project plans to the Authority for approval prior to being awarded an incentive.

The Authority has established 365 days as the expected time required for installers to complete most projects. If installers require more time, they must submit an extension request to the Authority. At the same time, the extension request keeps the Authority informed of the project status. By conducting initial design reviews and field inspections upon project completion, the Authority ensures that consumers receive properly installed, reliable solar photovoltaic

systems that produce the expected amount of energy. The field inspection schedule varies, depending on installer experience. The Authority contracts with an independent third party to perform field inspections. According to its established policies and procedures, for residential and non-residential small projects, the Authority attempts to inspect up to 15 percent of projects completed by experienced installers and the initial three projects for new installers.

Our initial audit report, which was issued on September 2, 2016, examined whether the Authority achieved the objectives required by the PSC for NY-Sun, including: confirming geographic equity of investment; ensuring the NY-Sun projects are increasing renewable energy in New York's power system; and properly administering NY-Sun. We found that the Authority's oversight of NY-Sun was adequate; however, we identified two areas where additional controls were necessary to ensure that projects are adequately monitored for timely completion and inspected for quality assurance, including proper documentation of any deviation from policy.

The objective of our follow-up was to assess the extent of implementation, as of May 10, 2018, of the two recommendations included in our initial audit report.

Summary Conclusions and Status of Audit Recommendations

We found the Authority has addressed the problems we identified in the initial audit, having implemented both of the prior audit's recommendations.

Follow-Up Observations

Recommendation 1

Develop and implement a more formal process to follow up on the status of projects that remain open for more than 300 days.

Status - Implemented

Agency Action - The Authority has updated its program guidelines to increase the project deadline to 365 days from 210 days – the deadline that was in effect at the time of our initial audit. Additionally, it has updated the extension rules, which allow for one 90-day extension for residential projects and two 180-day extensions for non-residential projects. In September 2016, the Authority transitioned to a new contractor portal, Salesforce. This undertaking allowed NY-Sun to redesign the program application and review processes to reduce administrative burdens on program staff and contractors while maintaining quality. Projects in Salesforce are identified by one of three statuses: approved, completed, and terminated. Salesforce sends automated emails to contractors with open projects 30 and 60 days prior to their deadline date. The email requests that contractors either submit an invoice if the project is complete or request a cancellation if the project will not be moving forward. If the contractor does not respond, the project is terminated. The Authority runs Salesforce reports every few days to cancel projects that are open more than 365 days.

To verify that both the 30- and 60-day emails were sent to contractors and that the status of each project was updated, we selected a random sample of 15 projects from the Salesforce system that were open more than 335 days. We determined the Authority is monitoring the projects. We found that the required emails were sent and the Authority knew the status of 14 of the 15 projects. In one instance, the contractor did not receive the automated 30-day email due to a system error. We then selected five additional projects for testing, and found all required automated emails were sent and the Authority knew the status of the projects.

Recommendation 2

Re-examine priorities to determine if the new installer inspection requirement needs to be modified due to the increase in program volume. In situations where the Authority is unable to obtain approvals from homeowners to schedule post-installation inspections, document the reasons for the deviation.

Status - Implemented

Agency Action - The Authority has implemented bimonthly meetings, builder status meetings, and monthly meetings with its third-party inspectors to ensure that each builder is inspected and to identify potential risks. Additionally, the Authority implemented a photo inspection process in July 2017. The builders are required to take photos of all their projects, and Authority staff may request the photos to conduct photo inspections. The photos are uploaded into the Authority's Quality Assurance Contractor Scoring System (QACSS). The QACSS is also used to perform and track inspections: The database includes data for completed projects, inspection results, and reasons for deviation (e.g., homeowner cancellation). However, the Authority is still required to inspect the first three completed projects through field inspections.

We selected a judgmental sample of 4 of 16 new installers (from July 1, 2017 to May 10, 2018) to determine if the first three inspections were completed. We determined that the inspections are being completed; and if the first three were not inspected, the reason for the deviation was documented, and the next project was inspected.

Major contributors to this report were Amanda Eveleth, Amanda Dare, and June-Ann Allen. We thank the Authority's management and staff for the courtesies and cooperation extended to our auditors during this process.

Sincerely,

Nadine Morrell, CIA, CISM
Audit Manager