

**REPORT OF RESULTS OF THE
FINANCIAL AND COMPLIANCE AUDIT
OF THE
DISTRICT OF COLUMBIA SUSTAINABLE ENERGY UTILITY
FOR THE YEAR ENDED SEPTEMBER 30, 2025**



*1420 N Street, N.W., Suite 100
Washington, D.C. 20005
(202) 898-0008*

**REPORT OF RESULTS OF THE FINANCIAL AND COMPLIANCE AUDIT
OF THE DISTRICT OF COLUMBIA SUSTAINABLE ENERGY UTILITY
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

TABLE OF CONTENTS

I.	<u>Comprehensive Report</u>	
	Overview of Results.....	1
	Results of the Financial and Compliance Audit of the District of Columbia Sustainable Energy Utility for the Year Ended September 30, 2025	2
	Schedule of Findings and Questioned Costs.....	10
	Status of Prior Year Findings.....	12
II.	<u>Financial and Compliance Audit</u>	
	Independent Auditor's Report.....	14
	Schedule of Total Actual Spending	17
	Notes to the Schedule of Total Actual Spending.....	18
	Report On Internal Control over Financial Reporting And On Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	21

COMPREHENSIVE REPORT

OVERVIEW OF RESULTS

F.S. Taylor & Associates, P.C. (FSTA) was contracted by the District Department of Energy and Environment (DOEE) to audit the costs reported by the District of Columbia Sustainable Energy Utility (DCSEU) under the Contract between DOEE and Vermont Energy Investment Corporation (VEIC). In addition, FSTA was also required to test the DCSEU's compliance with various requirements outlined in the Contract, including whether established benchmarks were attained. The period under audit was October 1, 2024 through September 30, 2025.

DOEE awarded a total of \$66,642,804 to the DCSEU for the year ended September 30, 2025, which was comprised of the base contract of up to \$20,800,000 in reimbursable costs and up to \$2,400,000 in performance benchmarks, as well as contract modifications for four additional programs (Solar for All, Sustainable Energy Infrastructure Capacity Building and Pipeline Program, Affordable Home Electrification Program, Affordable Housing Retrofit Accelerator, and DC Electrification Rebates) for up to an additional \$43,442,804. Total spending for the Contract for fiscal year (FY) 2025 was \$32,253,540, which included actual reimbursable costs and a 4% non-at-risk operations fee. In FY 2025, a total of \$2,400,000 was reserved for compensation to VEIC for the attainment of certain performance benchmarks. See section D.10 under the FY25 Results section for additional information.

There is a finding related to the Certified Business Enterprises (CBEs) subcontracting requirement specified in the DCSEU contract, which requires the DCSEU to subcontract at least 35% of total contract value each year with CBEs. In FY 2025, the DCSEU spent 12% of the total contract value on CBEs that were retained to perform certain services for the DCSEU. This is included as Finding 2025-001 in the schedule of findings and questioned costs. See section D.5 under the FY25 Results section for additional information.

RESULTS OF THE FINANCIAL AND COMPLIANCE AUDIT OF THE DISTRICT OF COLUMBIA SUSTAINABLE ENERGY UTILITY FOR THE YEAR ENDED SEPTEMBER 30, 2025

A. Background

The Clean and Affordable Energy Act of 2008 through DC Law 17-250 (CAEA, D.C. Code & 8-1773.01 et seq.) (the Act) established authority for the Mayor, through the Department of Energy and Environment (DOEE), to contract with a private entity to be known as the Sustainable Energy Utility (SEU) to administer sustainable energy programs in the District of Columbia. The Act required that the SEU conduct programs in the District to reduce energy consumption, increase renewable energy generating capacity, improve the energy efficiency and increase the renewable energy generating capacity of low-income housing, shelters, clinics, and other buildings serving low-income residents, and increase the number of green-collar jobs in the District. In addition, per the Act, the Contract for the SEU should be performance-based, and the portfolio of energy programs shall meet the societal benefit test on a contract-term basis.

The District of Columbia, through DOEE, contracted with the Vermont Energy Investment Corporation (VEIC), a non-profit organization, to provide these services in a contract dated March 24, 2011, as amended on September 2, 2011. The District of Columbia the Sustainable Energy Utility's (DCSEU's) financial and accounting records for the Contract are maintained by VEIC.

The original DCSEU Contract contained a base year ending September 30, 2011, renewable annually thereafter for up to six (6) option years. Pursuant to changes in the Act, DOEE competitively rebid the DCSEU Contract during Fiscal Year (FY) 2016, and subsequently entered into a new multi-year Contract with VEIC, who emerged as the winning Offeror during the Contract rebid process. The new DCSEU Contract, which went into effect on April 5, 2017, includes a five-year base period through September 30, 2021 and an option to renew for an additional five-year period through September 30, 2026.

For the year ended September 30, 2025, the Contract had a compensation structure comprised of reimbursement of actual costs incurred and a non-at-risk operations fee of 4% of the reimbursed costs as well as at-risk compensation of \$2,400,000 based on the attainment of performance benchmarks. Funding for the DCSEU Base Contract is provided by the Sustainable Energy Trust Fund (SETF) which is administered through DOEE.

Section 210 (c)(3) of the Act requires DOEE to commission an annual independent review of the expenditures of the DCSEU and report the results to the Sustainable Energy Utility Advisory Board (SEUAB) and the Council of the District of Columbia (the Council) within six months of the end of the fiscal year. On April 15, 2026, the District of Columbia Office of Contracting and Procurement, on behalf of DOEE, contracted with F.S. Taylor & Associates, P.C. (FSTA), an independent certified public accounting firm, to perform a financial and compliance audit of DCSEU expenditures for the period October 1, 2024 through September 30, 2025.

B. Scope and Objectives

The objectives of FSTA engagement were to conduct a financial audit of all SETF reimbursement payments made to VEIC for costs incurred by the DCSEU, as well as an audit of the DCSEU's compliance with stated requirements of the Contract with the District.

The audit was performed in accordance with Generally Accepted Auditing Standards (GAAS) as set forth by the American Institute of Certified Public Accountants and standards set forth by the U.S. General Accounting Office's *Government Auditing Standards*. These standards require that FSTA plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the results and conclusions based on the objectives of the audit. FSTA achieved the objectives, and the results and conclusions are detailed in this report.

C. Methodology

To accomplish the audit objectives related to the DCSEU, FSTA completed the following tasks:

- Obtained an understanding of the Contract between the DOEE and VEIC to identify pertinent terms and requirements to be tested.
- Interviewed staff of VEIC, DCSEU, and DOEE.
- Reviewed policies and procedures related to the operations of the DCSEU.
- Conducted a remote review of original documents provided and maintained by VEIC, which is responsible for the financial management and accounting system for the DCSEU.
- Reviewed and tested monthly billings from VEIC to DOEE for arithmetical accuracy and for adequacy of supporting documentation for reported expenditures.
- Reviewed internal controls related to the accounting system for DCSEU activities to assess whether controls appeared adequate for proper accounting and reporting of expenditures incurred under the Contract.
- Reviewed and tested a sample of subcontracts for award date, signature and description of services to be provided to ensure pertinent terms of the Contracts were followed, and to verify that these subcontracts were executed and disclosed to DOEE prior to VEIC's requesting reimbursement for costs incurred.
- Tested a sample of DCSEU costs billed to DOEE for all major categories by reviewing supporting documentation including appropriate authorizing signatures for disbursements and proper cut-off within the established Contract performance period.
- Reviewed and tested pertinent compliance requirements noted in the Contract.

D. FY 2025 Results

1. General and Administrative Expenses

As outlined in Section C.36 of the Contract, effective April 5, 2017, general and administrative costs including rent, equipment, software, utilities, indirect costs, budgeting

and financial management, contract management, and data collection/reporting, as well as the non-at-risk operations fee shall not exceed 20% of the annual cost reimbursement ceiling. For the Contract effective for the year ended September 30, 2025, the cost reimbursement ceiling was \$20,800,000. As a result, the maximum amount of general and administrative costs allowed to be charged was \$4,160,000. The actual amount of general and administrative costs charged to the Contract was \$3,477,931. Since this amount was below the maximum amount allowed under the Contract, the DCSEU met the related Contract requirement.

2. Non-Incentive Costs

As outlined in Section B.8.1.1.1.4) of the Contract, non-incentive expenditures for the Solar-for-All, Affordable Home Electrification Program (AHEP), Train Green Sustainable Energy Infrastructure Capacity Building and Pipeline Program (SEICBP), Affordable Housing Retrofit Accelerator (AHRA), and Electrification Rebate programs shall not exceed established percentages of the awarded budgets for these programs for the year end September 30, 2025. Below is a summary of the related costs incurred under the Contract for the year ended September 30, 2025:

Solar for All (SFA)

Total reimbursable amount under the Contract	\$ 20,000,000
Maximum non-incentive rate allowed	22%
Maximum non-incentive amount allowed	<u>\$ 4,400,000</u>
Total costs	\$ 3,536,637
Incentive costs	<u>(2,558,540)</u>
Total non-incentive costs	<u>\$ 978,097</u>
Requirement met?	YES

Affordable Housing Electrification Program (AHEP)

Total reimbursable amount under the Contract	\$ 11,000,000
Maximum non-incentive rate allowed	22%
Maximum non-incentive amount allowed	<u>\$ 2,420,000</u>
Total costs	\$ 2,445,514
Incentive costs	<u>(938,881)</u>
Total non-incentive costs	<u>\$ 1,506,633</u>
Requirement met?	YES

**Train Green Sustainable Energy Infrastructure
Capacity Building and Pipeline Program (SEICBP)**

Total reimbursable amount under the Contract	\$ 1,224,245
Maximum non-incentive rate allowed	22%
Maximum non-incentive amount allowed	<u>\$ 269,334</u>
 Total costs	 \$ 799,310
Incentive costs	<u>(640,919)</u>
Total non-incentive costs	<u>\$ 158,391</u>
 Requirement met?	 YES

Affordable Housing Retrofit Accelerator (AHRA)

Total reimbursable amount under the Contract	\$ 9,218,559
Maximum non-incentive rate allowed	22%
Maximum non-incentive amount allowed	<u>\$ 2,028,083</u>
 Total costs	 \$ 3,186,296
Incentive costs	<u>(1,563,763)</u>
Total non-incentive costs	<u>\$ 1,622,533</u>
 Requirement met?	 YES

DC Electrification Rebates

Total reimbursable amount under the Contract	\$ 2,000,000
Maximum non-incentive rate allowed	19%
Maximum non-incentive amount allowed	<u>\$ 380,000</u>
 Total costs	 \$ 1,726,791
Incentive costs	<u>(1,429,516)</u>
Total non-incentive costs	<u>\$ 297,275</u>

Requirement met? YES
As noted above, non-incentive spending was below the maximum amounts outlined in the Contract for the specified programs.

3. Green Jobs Reporting

The Contract included an incentive to increase the number of green-collar jobs within the District. As outlined in Section A.1 of the Contract, a green-collar job is defined as any expenditures that create a job held by a District resident who is paid at least a living wage. Effective through June 30, 2025 and September 30, 2025, the living hourly wage in DC was \$17.50 and \$18.00¹, respectively.

¹ Per the Government of the District of Columbia Department of Employment Services (DOES) Office of Wage-Hour Compliance

For purposes of our testing, the DCSEU provided a listing of eleven (11) companies (including the DCSEU) and the green-collar employees reported for each company. From the listing, we selected a sample of sixty (60) employees and verified that they were paid in accordance with the living wage rate effective at the time of reporting; no exceptions were noted in our testing. For the same sixty (60) employees, we also verified documentation of residency within the District at the time of reporting. Finally, we also verified the number of hours reported on the listing to supporting time sheets. No exceptions were noted as a result of testing.

4. Ownership of Materials, Data, and Products

The Contract states that “Any logos, trademarks, databases, copyrighted material or material eligible for copyright, physical equipment, computer software purchased or developed with SETF monies, surveys, survey results, program designs, and any DCSEU work product determined by DOEE to be necessary to the success of DCSEU programs will be the property of DOEE and used only with the permission of DOEE, with the exception of Customized Software. DOEE shall have access to this data and materials during the DCSEU Contract and the Contractor shall transfer such items to the winning bidder of a future SEU Contract RFP. DOEE ownership rights may not be exclusive in the instance of materials, data or products that are purchased or developed with another entity sharing in the associated costs.”

During the audit, FSTA requested a listing of such equipment, computer software, etc., as noted above. VEIC provided an Expensed Asset Tracking Log which contains all equipment, software, furniture, and fixtures purchased by the DCSEU since its inception in March 2011, with an acquisition cost over \$100. The log includes a description of the asset, acquisition date, tag number, serial number, location of the item, and information related to replacement items if the asset was disposed or retired. FSTA traced a sample of equipment and other related items acquired during the year ending September 30, 2025 to the log to verify that the descriptions, costs, and other pertinent information agreed to invoices and other supporting documentation. No exceptions were noted as a result of our review. FSTA also reviewed agreements made with a sample of subcontractors to ensure that the DCSEU informed them of the above requirements related to DOEE’s retaining the rights to all program-related data, materials, and equipment. For all subcontractor agreements selected for testing, FSTA noted that the agreements included language informing the subcontractors of the above requirements.

5. Small, Local, and Disadvantaged Business Enterprise Development and Assistance

The Contract included the following provision:

Unless the Director of the Department of Small and Local Business Development (DSLBD) has approved a waiver in writing, for all Contracts in excess of \$250,000, a minimum of 35% of the total dollar volume of the contract, shall be subcontracted to qualified small business enterprises (“SBEs”). If there are insufficient SBEs to completely fulfill the requirement, then the subcontracting may be satisfied by subcontracting 35% of

the dollar volume to any qualified certified business enterprises (CBEs); provided, however, that all reasonable efforts shall be made to ensure that SBEs are significant participants in the overall subcontracting work.

For the year ended September 30, 2025, the target amount of SBE/CBE spending, based on this criterion, was \$23,324,981. The DCSEU provided a schedule of expenditures related to SBE/CBE subcontractors totaling \$8,234,579. FSTA tested the accuracy of the schedule by tracing reported expenditures to supporting accounting details. For those subcontractors indicated as being a SBE or CBE, FSTA also performed testing to verify this status by searching for the subcontractor on DSLBD's website. Based on the testing conducted, FSTA concluded that the requirement regarding SBE participation was not achieved for the period ended September 30, 2025. This will be included as Finding 2025-001 in the schedule of findings and questioned costs.

6. [Project-related Incentive Payments](#)

The DCSEU received reimbursement payments from DOEE for providing incentives to single-family and multi-family households, as well as to small commercial entities, to install certain energy-efficient fixtures and other measures. The energy-efficient equipment and measures to be installed under this program were to be approved by both the subcontractor performing the installation as well as by the respective DCSEU Project Manager prior to the incentive being awarded. The installation had to be documented by an inspection form certifying the project was successfully completed before the payment was processed. For FY 2025, the DCSEU expended \$19,578,563 for project-related incentives. We selected a sample of 89 incentive payments made during FY 2025 and reviewed for signed completion certificates and inspection reports as evidence that the installations were performed within the required time frame, and as evidence that the DCSEU Project Manager verified that the work was properly completed. No exceptions were noted as a result of FSTA testing.

7. [Subcontractor Agreements](#)

The DCSEU works with several subcontractors to perform various services under the Contract including the installation of energy-saving measures, the provision of customer rebates, as well as the monitoring of compliance requirements outlined in the Contract. FSTA sampled a number of these subcontracts for various attributes including the following:

- Verified that the agreement was properly approved by VEIC/DCSEU management.
- Ensured costs were not charged to DOEE prior to the agreement being executed between the DCSEU and the subcontractor.
- Compared the total costs charged against the Contract and billed to DOEE against the maximum costs outlined in the agreement.
- Reviewed details of invoices charged against the Contract to ensure services provided agreed with those outlined in the scope of work in the agreement.

- Reviewed certificates of insurance maintained by the subcontractor to ensure they met the minimum individual and aggregate limits established in section I.3 of the Contract.

No exceptions were noted as a result of our testing.

8. [Eligible Costs and Expenses](#)

Beginning with the execution of Contract DOEE-2016-C-0002, effective April 5, 2017, the Contract outlined additional requirements regarding the types of costs that could be charged, and specifically excluded the following costs unless approved by DOEE:

- Food and beverages except as part of an employee's travel expenses
- Sponsorship of a third-party event
- Valet parking or employee/consultant parking
- Rent and utilities for employees or consultants

In addition, all travel costs had to be within the respective federal per-diem rates based on the location(s) to which employees traveled.

FSTA selected a separate sample of ten (10) travel and other employee reimbursements charged during the year. For these transactions, we obtained the supporting invoices and other documentation to verify that they were for a) actual costs with adequate documentation, b) costs not excluded under the Contract, and c) costs not in excess of the federal per diem rates. No exceptions were noted as a result of testing.

9. [Low-Income Spending](#)

Sections C.40.8.3.1.1 and C.40.8.3.2.1 of the Contract requires the DCSEU to “spend a minimum of 30% of the SETF funds allocated to this Contract on expenditures that increase the energy efficiency and renewable energy generating capacity of low-income housing, shelters, clinics, or other buildings serving low-income residents in the District...The Contractor shall receive 50% of the annual incentive for this benchmark if the Contractor achieves an annual expenditure level for programs targeted towards low-income residents in the District, that is equivalent to 20% of the Contractor's annual expenditures from the SETF.”

The DCSEU provided a detail of all expenditures designated as low-income spending for the year ended September 30, 2025, totaling \$5,833,293. FSTA also obtained a list of cost centers which the DCSEU identified as being low-income related and verified that only these cost centers were included in the low-income expenditure detail. Based on the adjusted total spending for the year ended September 30, 2025, we recalculated the percentage of low-income spending to be 28% of total SETF expenditures.

In addition, we obtained a list of incentives and other costs included in the low-income costs detailed above. From that list, we selected a sample of 25 items to verify that the costs

were supported by documentation that the related projects benefited eligible low-income individuals; no exceptions were noted as a result of testing.

10. [Financial Results- Summary](#)

DOEE awarded a total of \$66,642,804 to the DCSEU for the year ending on September 30, 2025, which was comprised of the base contract of up to \$20,800,000 in reimbursable costs and up to \$2,400,000 in performance benchmarks, as well as contract modifications for four additional programs (Solar for All, Train Green Sustainable Energy Infrastructure Capacity Building and Pipeline Program, Affordable Home Electrification, Affordable Housing Retrofit Accelerator, and Electrification Rebates) for up to an additional \$43,442,804. Of this amount, a total of \$32,253,540 was invoiced by DCSEU and paid by DOEE.

**DISTRICT OF COLUMBIA SUSTAINABLE ENERGY UTILITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

FINDING 2025-001 (Repeat Finding)

Compliance Requirement: Small, Local, and Disadvantaged Business Enterprise Development and Assistance

Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Condition/Context:

During testing over certified business enterprises (CBEs), we noted that the percentage of spending attributable to contracts with CBEs did not meet the minimum percentage of total contract value for the year ended September 30, 2025.

Criteria:

Section H.1 of the Contract states that “a minimum of 35% of the dollar volume of the Contract must be attributable to contracts with CBEs.”

Cause:

Management was not able to procure CBE-related contracts that were sufficient to meet the minimum spending requirement.

Effect:

As a result of the finding, the amount of spending related to CBEs failed to reach the required minimum percentage as outlined in the Contract.

Questioned Costs:

None noted; the items in question were properly documented by supporting invoices and were properly charged to the Contract. In addition, there is no penalty outlined in the Contract related to noncompliance with the requirement.

Recommendation:

We recommend that management continue to reinforce the internal controls related to tracking the amount of spending related to CBEs throughout the year to ensure compliance with the requirements outlined in the Contract.

Views of Responsible Officials and Planned Corrective Actions:

See Corrective Action Plans section.

**DISTRICT OF COLUMBIA SUSTAINABLE ENERGY UTILITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Corrective Action Plans

Finding Reference: 2025-001

Views of Responsible Officials and Planned Corrective Actions:

The DCSEU is committed to utilizing and fostering the growth of District businesses, especially CBEs. From FY 2012 through FY 2022, the DCSEU has met or exceeded its contractual requirements for spending with CBEs.

In FY 2025, the DCSEU continued to prioritize utilizing CBEs for all offerings and available operations activities as possible. The DCSEU worked with 22 CBEs, helped two contractors obtain CBE, and provided training to 55 CBEs of which 154 registrants were affiliated with a CBE or CBE-eligible DC business through our TRAIN GREEN program. The main driver of our CBE spend is our direct install programs, in which we hire the contractors to complete energy-efficient upgrades to customers and businesses.

The DCSEU also had several programs, such as the Affordable Housing Retrofit Accelerator (AHRA), with competitive bidding requirements. While these programs prioritize CBEs by providing preference points for CBE contractors, there is no guarantee that CBEs will bid on the work, be hired by building owners, or that they will be scored as the winning bidder. For many of the procurements in FY 25, there were numerous instances where no CBE responded, or the proposal submitted by the CBE failed the reasonable cost review because of significantly higher costs and was denied by the DOEE. In addition, in partnership with DOEE and other partners, the DCSEU anticipated \$14 million of funding for Solar for All through the federal Greenhouse Gas Reduction Fund (GGRF) Solar for All program, which was paused by EPA and funding was not deployed. Solar for All has historically awarded greater than 75% of program incentive dollars to CBE solar installers and developers.

DCSEU will continue in its commitment to utilizing CBE's in achieving the goals of the Programs by working with DSLBD and DOEE to help promote and educate the CBE contractor base of the DCSEU program offerings, building CBE capacity, assisting small businesses in getting CBE status, reviewing and adjusting CBE preference points in solicitations, and promoting and encouraging the utilization of CBEs to DCSEU customers.

Name of the contact person responsible for corrective action:

Tamara Christopher, Director of Financial Operations
Ben Burdick, Managing Director

Planned completion date for corrective action plan:

Ongoing and throughout the entire contract period.

**DISTRICT OF COLUMBIA SUSTAINABLE ENERGY UTILITY
STATUS OF PRIOR-YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FINDING 2024-001

Compliance Requirement: Green Jobs Reporting

Type of Finding: Significant Deficiency in Internal Control

Condition/Context:

During testing over green jobs reporting, we noted the number of hours included in the green jobs listing provided by DCSEU was overstated compared to the actual number of hours worked as supported by the related time sheets for 12 of the 60 employees selected for testing.

Status: Fully corrected; no such exceptions were noted during current-year testing.

FINDING 2024-002

Compliance Requirement: Small, Local, and Disadvantaged Business Enterprise Development and Assistance

Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Condition/Context:

During testing over certified business enterprises (CBEs), we noted that the percentage of spending attributable to contracts with CBEs did not meet the minimum percentage of total spending for the year ended September 30, 2024.

Status: Not corrected; included as a repeat Finding 2025-001.

FINANCIAL AND COMPLIANCE AUDIT

F.S. TAYLOR & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

1420 N Street, N.W., Suite 100 / Washington, D.C. 20005 / 202/898-0008 Fax 202/898-0208

INDEPENDENT AUDITOR'S REPORT

To the Sustainable Energy Utility Advisory Board

Opinion

We have audited the accompanying Schedule of Total Actual Spending Summary (financial statement) of the District of Columbia Sustainable Energy Utility (the DCSEU) for the year ended September 30, 2025, and the related notes to the financial statement, which collectively comprise the DCSEU's basic financial statement.

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the expenditures of the District of Columbia Sustainable Energy Utility for the year ended September 30, 2025 on the basis of accounting described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the DCSEU and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

The accompanying financial statement was prepared for the purpose of complying with the requirements of the DCSEU Contract as discussed in Note 2 and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the DCSEU's ability to

continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the DCSEU's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, which raise substantial doubt about the DCSEU's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2026 on our consideration of the DCSEU's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and Contract and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DCSEU's internal control over financial reporting and compliance.

F. S. Taylor & Associates, P.C.

F.S. Taylor & Associates, P.C.
Washington, DC
June 18, 2026

DISTRICT OF COLUMBIA SUSTAINABLE ENERGY UTILITY (DCSEU)
SCHEDULE OF TOTAL ACTUAL SPENDING
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	SETF	Solar for All	AHEP	Affordable Housing Retrofit	DC Electrification	SEICBP	2025 Total
Labor	\$ 3,282,375	\$ 408,672	\$ 811,263	\$ 815,353	\$ 78,177	\$ 50,178	\$ 5,446,018
Fringe	797,617	99,308	197,137	198,131	18,997	12,193	1,323,383
Incentives	7,965,426			3,125	1,417,891		9,386,442
Subcontractors	4,481,518	2,558,540	938,881	1,560,638	11,625	640,919	10,192,121
Materials	207,745	647		13		67	208,473
Telephone	14,079	1,001	1,177				16,257
Internet	9,675						9,675
Travel	4,290	70	3,206	115	52		7,733
Copying/printing	35,872	508	29				36,408
Postage/shipping	1,178	30	36				1,244
Memberships	38,369	642		1,595			40,606
Education/meetings	50,175	426				12,200	62,801
Equipment/software	24,132	18,025	358	23			42,537
Rent/occupancy	738,759						738,759
ODC	12,657						12,657
Employee support overhead	331,520	41,276	81,938	82,351	7,896	5,068	550,049
General organizational overhead	1,183,479	206,887	130,790	172,792	102,292	47,942	1,844,182
Core program support	237,732	60,522	172,680	184,709	23,446		679,089
Shared services	351,664	4,062	13,962	44,901			414,589
Total reimbursable expenses	19,768,262	3,400,614	2,351,456	3,063,747	1,660,376	768,567	31,013,021
Operations fee (4%)	790,731	136,023	94,058	122,550	66,415	30,743	1,240,519
Total costs billed	20,558,992	3,536,637	2,445,514	3,186,296	1,726,791	799,310	32,253,540
Adjustments							
Total actual spending	<u>\$ 20,558,992</u>	<u>\$ 3,536,637</u>	<u>\$ 2,445,514</u>	<u>\$ 3,186,296</u>	<u>\$ 1,726,791</u>	<u>\$ 799,310</u>	<u>\$ 32,253,540</u>

SEE NOTES TO SCHEDULE OF TOTAL ACTUAL SPENDING

**DISTRICT OF COLUMBIA SUSTAINABLE ENERGY UTILITY
NOTES TO SCHEDULE OF TOTAL ACTUAL SPENDING
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 1 – ORGANIZATION AND BACKGROUND

The Clean and Affordable Energy Act of 2008 through D.C. Law 17-250 (CECA, D.C. Code & 8-1773.01 et seq.) (the Act) established authority to Contract with a private entity to be known as a Sustainable Energy Utility (SEU) to administer sustainable energy programs in the District of Columbia. The Act required that a Sustainable Energy Utility conduct programs in the District of Columbia to reduce per-capita energy consumption, increase renewable capacity, reduce the growth of peak energy demand, improve the energy efficiency of low-income housing, reduce the growth of energy demand of the largest energy users, and increase the number of green-collar jobs in the District.

Pursuant to changes in the Act, DOEE competitively rebid the DCSEU Contract during Fiscal Year (FY) 2016, and subsequently entered into a new Multi-year Contract with VEIC, who emerged as the winning Offeror during the Contract rebid process. The new DCSEU Contract, which went into effect on April 5, 2017, includes a five-year base period through September 30, 2021 and an option to renew for an additional five-year period through September 30, 2026, which was exercised. For the year ended September 30, 2025, the Contract had a compensation structure comprised of reimbursement of actual costs incurred and a non-at-risk operations fee of 4% of the reimbursed costs as well at-risk compensation of \$2,400,000 based on the attainment of performance benchmarks. Funding for the DCSEU Contract is provided by the Sustainable Energy Trust Fund (SETF) which is administered through DOEE.

The DCSEU's financial and accounting records are maintained by VEIC. DCSEU costs are reported as program costs in VEIC's audited financial statements.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – Expenditures are expenses and costs related to certain assets. Expenses have been reported on an accrual basis such that expenses are recorded based on when the obligation is incurred. The costs related to certain assets such as furniture and equipment, security deposits, and inventory have been included in expenditures and were not capitalized; such accounting for these assets is not in accordance with generally accepted accounting principles.

Basis of presentation – The financial statement is presented for the purpose of reporting expenditures for the DCSEU, which is a program of VEIC. The financial statement presentation is not intended to be in accordance with generally accepted accounting principles.

**DISTRICT OF COLUMBIA SUSTAINABLE ENERGY UTILITY
NOTES TO SCHEDULE OF TOTAL ACTUAL SPENDING
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Concentration of funding – The DCSEU received 59% of its funding from the Sustainable Energy Trust Fund and 41% from federal sources, all of which are administered through DOEE.

Subsequent events – In preparing this financial statement, management of the DCSEU evaluated events and transactions that occurred after September 30, 2025, for potential recognition or disclosure in the financial statements. These events and transactions were evaluated through June 18, 2026, the date that the financial statements were available to be issued.

NOTE 3 – RELATED-PARTY TRANSACTIONS

VEIC is the prime Contractor in a partnership known as the Sustainable Energy Partnership formed to manage the SEU branded as the District of Columbia Sustainable Energy Utility (DCSEU). Teaming partners provide various services to the DCSEU, and are paid, accordingly, as subcontractors for these services. Amounts paid to the various teaming partners and charged to the Contract for the year ended September 30, 2025 were as follows:

<u>Teaming Partner</u>	<u>FY25 Expenditures</u>
Institute for Market Transformation, Inc.	\$ 341,139
PEER Consultants, P.C.	1,303,335
Total paid to teaming partners	<u>\$ 1,644,474</u>

NOTE 4 – SHARED SERVICES

The shared services center, which was set up by VEIC with the goals of efficiency and centralization in pursuit of cost containment is a cluster of departments comprised of the following that benefit the Contract:

- Consulting
- Evaluation, measurement and verification
- Information and technology
- Customer service and development
- Marketing
- Policy and public affairs
- Business solutions group
- Public relations and internal communications
- Strategic technology services
- Reporting and analytics
- Engineering

**DISTRICT OF COLUMBIA SUSTAINABLE ENERGY UTILITY
NOTES TO SCHEDULE OF TOTAL ACTUAL SPENDING
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

NOTE 5 – ALLOCATED GENERAL AND ADMINISTRATIVE EXPENSES

There are organization-wide costs that are related to the Contract but cannot be directly traced to it in an economically feasible way. These costs have been allocated to the Contract on the basis of a provisionally established two-tier rate structure that distinguishes fringe benefits from other general and administrative costs. The DCSEU applied the following provisional rates during the year:

Description	Rate	Allocation Base
Fringe benefits rate	24.30%	Direct labor costs
Employee support overhead	10.10%	Total direct costs
General organizational overhead	6.70%	Total direct costs

During the course of the year, the DCSEU recovers fringe benefits and overhead costs associated with the Contract pursuant to the provisional rates, which it negotiates annually with VEIC's cognizant agency, the U.S. Department of Energy. The rates outlined above were based on budgeted data for the year. At year end, the DCSEU secures approval of a final rate that is not subject to adjustment, whereby unrecovered costs based on the differential between final and provisional rates are absorbed by the DCSEU, while costs recovered in excess of historical costs are not subject to reimbursement. The DCSEU employs these costs as a baseline for computing fringe benefits and overhead rates for the immediately succeeding year.

NOTE 6 – OPERATIONS FEE

The Contract provides for a non-at-risk operations fee of 4 percent of all reimbursed costs.

NOTE 7 – CONTINGENCIES

Contract funds require the fulfillment of certain conditions set forth in the underlying agreement. Failure to fulfill or comply with the conditions could result in the return of funds to DOEE and the termination of the Contract. Although this is a possibility, the DCSEU's board of directors considers the possibility remote since, by accepting the funds, they have accomplished the objectives of the DCSEU set out in the provisions of the Contract. Amounts received under the Contract are subject to audit and adjustments by DOEE. Any disallowed costs, including amounts already collected, may constitute a liability for the DCSEU. The amounts, if any, of expenditures, which may be disallowed by DOEE, are recorded at the time that such amounts can be reasonably determined, normally upon notification by DOEE.

In the ordinary course of business, the DCSEU may be subject to litigation for which it carries professional and general liability coverage. The insurance program is designed to provide protection to the DCSEU from such liabilities on a claims-made basis. Professional liability claims may be asserted arising from services provided to clients in the past. Management is unaware of any claims made against the DCSEU.

F.S. TAYLOR & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

1420 N Street, N.W., Suite 100 / Washington, D.C. 20005 / 202/898-0008 Fax 202/898-0208

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To Sustainable Energy Utility Advisory Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the District of Columbia Sustainable Energy Utility (the DCSEU) for the year ended September 30, 2024, and the related notes to the financial statement, which collectively comprise the DCSEU's basic financial statements, and have issued our report thereon dated June 18, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the DCSEU's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the DCSEU's internal control. Accordingly, we do not express an opinion on the effectiveness of the DCSEU's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the DCSEU's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed a certain instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2025-001.

DCSEU's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the DCSEU's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The DCSEU's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

F. S. Taylor & Associates, P.C.

F.S. Taylor & Associates, P.C.
Washington, DC
June 18, 2026