

Why GAO Did This Study

The Department of Energy's (DOE) Loan Guarantee Program (LGP) was created by section 1703 of the Energy Policy Act of 2005 to guarantee loans for innovative energy projects. Currently, DOE is authorized to make up to \$34 billion in section 1703 loan guarantees. In February 2009, the American Recovery and Reinvestment Act added section 1705, making certain commercial technologies that could start construction by September 30, 2011, eligible for loan guarantees. It provided \$6 billion in appropriations that were later reduced by transfer and rescission to \$2.5 billion. The funds could cover DOE's costs for an estimated \$18 billion in additional loan guarantees. GAO has an ongoing mandate to review the program's implementation. Because of concerns raised in prior work, GAO assessed (1) the status of the applications to the LGP and (2) for loans that the LGP has committed to, or made, the extent to which the program has adhered to its process for reviewing applications. GAO analyzed relevant legislation, regulations, and guidance; prior audits; and LGP data, documents, and applications. GAO also interviewed DOE officials and private lenders with experience in energy project lending.

What GAO Recommends

GAO recommends that the Secretary of Energy establish a timetable for, and fully implement, a consolidated system to provide information on LGP applications and reviews and regularly update program policies and procedures. DOE disagreed with the first of GAO's three recommendations; GAO continues to believe that a consolidated system would enhance program management.

View [GAO-12-157](#). For more information, contact Frank Rusco at (202) 512-3841 or ruscof@gao.gov.

DOE LOAN GUARANTEES

Further Actions Are Needed to Improve Tracking and Review of Applications

What GAO Found

The Department of Energy (DOE) has made \$15 billion in loan guarantees and conditionally committed to an additional \$15 billion, but the program does not have the consolidated data on application status needed to facilitate efficient management and program oversight. For the 460 applications to the Loan Guarantee Program (LGP), DOE has made loan guarantees for 7 percent and committed to an additional 2 percent. The time the LGP took to review loan applications decreased over the course of the program, according to GAO's analysis of LGP data. However, when GAO requested data from the LGP on the status of these applications, the LGP did not have consolidated data readily available and had to assemble these data over several months from various sources. Without consolidated data on applicants, LGP managers do not have readily accessible information that would facilitate more efficient program management, and LGP staff may not be able to identify weaknesses, if any, in the program's application review process and approval procedures. Furthermore, because it took months to assemble the data required for GAO's review, it is also clear that the data were not readily available to conduct timely oversight of the program. LGP officials have acknowledged the need for a consolidated system and said that the program has begun developing a comprehensive business management system that could also be used to track the status of LGP applications. However, the LGP has not committed to a timetable to fully implement this system.

The LGP adhered to most of its established process for reviewing applications, but its actual process differed from its established process at least once on 11 of the 13 applications GAO reviewed. Private lenders who finance energy projects that GAO interviewed found that the LGP's established review process was generally as stringent as or more stringent than their own. However, GAO found that the reviews that the LGP conducted sometimes differed from its established process in that, for example, actual reviews skipped applicable review steps. In other cases, GAO could not determine whether the LGP had performed some established review steps because of poor documentation. Omitting or poorly documenting reviews reduces the LGP's assurance that it has treated applicants consistently and equitably and, in some cases, may affect the LGP's ability to fully assess and mitigate project risks. Furthermore, the absence of adequate documentation may make it difficult for DOE to defend its decisions on loan guarantees as sound and fair if it is questioned about the justification for and equity of those decisions. One cause of the differences between established and actual processes was that, according to LGP staff, they were following procedures that had been revised but were not yet updated in the credit policies and procedures manual, which governs much of the LGP's established review process. In particular, the version of the manual in use at the time of GAO's review was dated March 5, 2009, even though the manual states it was meant to be updated at least annually, and more frequently as needed. The updated manual dated October 6, 2011, addresses many of the differences GAO identified. Officials also demonstrated that LGP had taken steps to address the documentation issues by beginning to implement its new document management system. However, by the close of GAO's review, LGP could not provide sufficient documentation to resolve the issues identified in the review.