

Why GAO Did This Study

DOE's Loan Programs Office administers the Loan Guarantee Program (LGP) for certain renewable or innovative energy projects and the Advanced Technology Vehicles Manufacturing (ATVM) loan program for projects to produce more fuel-efficient vehicles and components. As of March 2014, the programs had made more than \$30 billion in loans and guarantees: approximately \$21.9 billion for 33 loan guarantees under the LGP and \$8.4 billion for 5 loans under the ATVM loan program. Both programs can expose the government and taxpayers to substantial financial risks should borrowers default.

GAO assessed the extent to which DOE has developed and adhered to loan monitoring policies for its loan programs for 2009 to 2013. GAO analyzed relevant regulations and guidance; prior audits; DOE policies; and DOE data, documents, and monitoring reports for a nonprobability sample of 10 loans and guarantees. Findings from the sample are not generalizable, but the sample covered a range of technologies and loan statuses. GAO also interviewed DOE officials.

What GAO Recommends

GAO recommends that DOE (1) staff key positions, (2) update management and reporting software, (3) complete policies for loan monitoring, and (4) evaluate the effectiveness of its loan monitoring. DOE generally agreed with the recommendations.

DOE LOAN PROGRAMS

DOE Should Fully Develop Its Loan Monitoring Function and Evaluate Its Effectiveness

What GAO Found

The Department of Energy (DOE) has not fully developed or consistently adhered to loan monitoring policies for its loan programs. In particular, DOE has established policies for most loan monitoring activities, but policies for evaluating and mitigating program-wide risk remain incomplete and outdated. These activities are generally the responsibility of the Risk Management Division in DOE's Loan Programs Office. This division, established in February 2012, has been operating since its inception under incomplete or outdated policies. DOE has missed several internal deadlines for updating its loan monitoring policies. DOE officials told GAO that updated policies were delayed in part because the Loan Programs Office did not have a Director of Risk Management until November 2012. Additionally, the Risk Management Division had not staffed 11 of its 16 planned positions until late 2013, when it staffed 6 of the 11 vacancies. Under federal guidance, credit programs should have robust management and oversight frameworks for monitoring the programs' progress toward achieving policy goals within acceptable risk thresholds, and taking action where appropriate to increase efficiency and effectiveness. It is difficult to determine whether DOE is adequately managing risk if policies are outdated or incomplete and key monitoring positions are not fully staffed.

In some cases GAO examined, DOE generally adhered to the loan monitoring policies that it had in place. For example, DOE generally adhered to its policies for authorizing disbursement of funds to borrowers. But, in other cases, DOE adhered to the policies inconsistently or not at all because the Loan Programs Office had staff vacancies and was still developing management and reporting software and procedures for implementing policies. For example:

- DOE inconsistently adhered to its policies for monitoring and reporting on credit risk, particularly for preparing credit reports—periodic reviews of project progress and factors that may affect the borrower's ability to meet the terms of the loan. DOE did not prepare dozens of credit reports, mostly in 2011, because according to officials it had not filled positions or fully developed the software needed for producing these reports.
- DOE inconsistently adhered to its policies for managing troubled loans requiring that it prepare and approve plans for handling loans to borrowers in danger of defaulting on their loan repayments. For two troubled loans, officials said DOE did not prepare a formal plan, as called for in its policy, in part because implementing procedures were incomplete.
- DOE did not adhere to its policy requiring it to evaluate the effectiveness of its loan monitoring because of continuing staff vacancies. Without conducting these evaluations, DOE management cannot assess the adequacy of its monitoring efforts and thus be reasonably assured that it is effectively managing risks associated with its loan programs.

As a result, DOE was making loans and disbursing funds from 2009 through 2013 without a fully developed loan monitoring function. During this time, inconsistent adherence to policies limited assurance that DOE was completing activities important to monitoring the loans and protecting the government's interest.