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# **GAO** shows grade inflation at the Department of **Energy**

posted at 12:10 pm on March 15, 2012 by Ed Morrissey



Remember this moment from two weeks ago? Rep. Paul Broun (R-GA) challenged Energy Secretary Steven Chu to assign himself a grade specifically on his stewardship of Department of Energy resources in relation to the 2009 stimulus funds granted for the Loan Guarantee Program. After Broun recites a litany of failures in the LGP, Chu insists that he's done very well — and gives himself an A-minus:

As it turns out, the Government Accountability Office (GAO) has <u>another grade entirely</u> for the LGP, the DoE, and ultimately Energy Secretary Steven Chu. In the report released this week, the GAO's spot check of applications and loans granted and committed under the LGP — \$30 billion in all — shows systemic mismanagement, uncompleted reviews, missing documentation, and a process failure rate of 85% or more, emphases mine:

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.

On 11 of 13 loan applications investigated by the GAO, they found that the DoE hadn't done the required work for reviewing and approving applications. That's an 85% failure rate. And more than three years into this program, even with the deficiencies identified, the DoE *still* hasn't fixed their problems. That kind of failure is more associated with an F-minus, not an A-minus.

Furthermore, as I note in my column for <u>The Fiscal Times</u>, this comes from the same administration that loves to harp on "irresponsible lenders" who fail to adhere to lending and documentation standards when playing with

their own money:

President Obama himself told a <u>Nevada town hall</u> in February 2010 that "tax dollars shouldn't be used to reward the very irresponsible lenders and borrowers who helped bring about the housing crisis." At least that was Obama's position until this month, when he announced a plan that would expand HAMP to include the <u>real-estate speculators</u> that helped inflate the housing bubble.

Almost exactly a year prior to the Nevada town hall, Obama gave a speech in Mesa, Arizona in which he castigated "dishonest lenders who acted irresponsibly, distorting the facts and dismissing the fine print at the expense of buyers who didn't know better."

Just one month ago, Obama spoke about the legal settlement with the banks that finally allowed long-pent-up foreclosures to move forward. In <a href="his speech">his speech</a>, Obama twice mentions irresponsible actions by lenders that hurt others who acted more responsibly. He specifically noted the robo-signing and other violations that drove the process off the rails and cost many people their homes: "In many cases, they didn't even verify that these foreclosures were actually legitimate. Some of the people they hired to process foreclosures used fake signatures on fake documents to speed up the foreclosure process. Some of them didn't read what they were signing at all."

Except for the fake signatures, that sounds like a pretty fair description of what the GAO found in its audit of the Department of Energy and the Loan Guarantee Program. With \$30 billion in taxpayer money at risk, the DOE under Steven Chu didn't bother to conduct the reviews it claimed it would on applications for loan guarantees, didn't keep records of what reviews they did accomplish, and signed off on loans with incomplete documentation and inadequate oversight of the risk. The result — perhaps \$6.5 billion immediately at risk, according to CBS, and possibly most of the \$30 billion.

Be sure to read it all. This GAO report should have heads rolling at the Department of Energy, especially that of Professor Chu, who demonstrated the most extreme case of grade inflation yet seen.

**Update**: The Anchoress asks, "remember when he wanted us all to paint our rooftops white, to save the planet?"

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Tags: Department of Energy, green energy subsidies, loan guarantee program, Steven Chu, stimulus

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Why is Chew Choo still there?

KOOLAID2 on March 15, 2012 at 12:12 PM

Obamamath strikes again!

stukinIL4now on March 15, 2012 at 12:12 PM

Mini-tru is here and alive.

jukin3 on March 15, 2012 at 12:15 PM

Affirmative action?

derecho on March 15, 2012 at 12:15 PM

Except for the fake signatures, that sounds like a pretty fair description of what the GAO found in its audit of the Department of Energy and the Loan Guarantee Program. With \$30 billion in taxpayer money at risk, the DOE under Steven Chu didn't bother to conduct the reviews it claimed it would on applications for loan guarantees, didn't keep records of what reviews they did accomplish, and signed off on loans with incomplete documentation and inadequate oversight of the risk. The result — perhaps \$6.5 billion immediately at risk, according to CBS, and possibly most of the \$30 billion.

#### WHERE IS THE MSM? G-DAM THEM!

KOOLAID2 on March 15, 2012 at 12:16 PM

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Is there any doubt similar results would be found at any government agency required to hire people based on race?

"We don't hire the best people but, by golly, we'll never be accused of violating affirmative action policies"

BobMbx on March 15, 2012 at 12:16 PM

Derrick Bell and Barry Hussein show grade inflation at Harvard Law.

viking01 on March 15, 2012 at 12:18 PM

100 question test, you get 15 correct = A-. These folks sure set a high bar for themselves/

VegasRick on March 15, 2012 at 12:18 PM

In his speech, Obama twice mentions irresponsible actions by lenders that hurt others who acted more responsibly. He specifically noted the robo-signing and other violations that drove the process off the rails and cost many people their homes: "In many cases, they didn't even verify that these foreclosures were actually legitimate. Some of the people they hired to process foreclosures used fake signatures on fake documents to speed up the foreclosure process. Some of them didn't read what they were signing at all."

Waiting for this headline:

### Obama signs anti-robosigning legislation into law with auto-pen

BobMbx on March 15, 2012 at 12:19 PM

WHERE IS THE MSM? G-DAM THEM!

KOOLAID2 on March 15, 2012 at 12:16 PM

Yep.

VegasRick on March 15, 2012 at 12:19 PM

Someone should line up Sandra Fluke and this jerk. Their kids will be called Fluke-Chu.

slickwillie2001 on March 15, 2012 at 12:19 PM

I humbly disagree Mr Morrissey. Chu's goal was to fund programs that weren't sustainable any other way, not to get any sort of results. Thus in his twisted world, A- minus does fit since the process was the end he was put in place by his boss to achieve.

Betenoire on March 15, 2012 at 12:20 PM

Failure? Political paybacks to donors is not a failure – its a feature of the Chicago way.

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gwelf on March 15, 2012 at 12:21 PM
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"— \$30 billion in all — shows systemic mismanagement, uncompleted reviews, missing documentation, and a process failure rate of 85% or more,..."

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"So what's your point...?" – Obowma
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Seven Percent Solution on March 15, 2012 at 12:22 PM

Update: The Anchoress asks, "remember when he wanted us all to paint our rooftops white, to save the planet?"

BTW, Chu was stealing an old Von Neumann joke in that idea. Von Neumann proposed (as a joke) painting the arctic ice dark to absorb sunlight and try and stop the Earth from falling into the great coming ice age that some were worried about.

Not only did Chu stupidly take a joke and propose it as policy, but he didn't even have the integrity to credit the inventor he stole from. In Physics, that is about the biggest no-no there is. Further, the idiot didn't even think about the problems of all that intentionally reflected sunlight would have on everyone and everything that needed to see things anywhere in the area of sunlit white houses.

Chu is nasty joke.

The Primordial Ordered Pair on March 15, 2012 at 12:23 PM

... the LGP did not have consolidated data readily available and had to assemble *manufacture* these data over several months from various sources.

Fixed.

TXUS on March 15, 2012 at 12:24 PM

They grade on a curve.

NotCoach on March 15, 2012 at 12:25 PM

gwelf on March 15, 2012 at 12:21 PM

Don't stop at Chicago.

If these guys had enough power, we would have a GNP below Kenya's. Don't see what they are doing? When was the last time a developing or socialist nation innovated anything?

You just make dirty deals.

IlikedAUH2O on March 15, 2012 at 12:26 PM

Could we PLEASE get the dumb people back in charge of the federal government.

jukin3 on March 15, 2012 at 12:27 PM

Feature, not a bug. Typical for our betters.

Throw away money we don't have on stuff we don't need or want.

Rome, fiddle. Some assembly required.

D-fusit on March 15, 2012 at 12:29 PM

They grade on a curve.

NotCoach on March 15, 2012 at 12:25 PM

This crew grades on line.

The Primordial Ordered Pair on March 15, 2012 at 12:30 PM

""When you see that trading is done, not by consent, but by compulsion – when you see that in order to produce, you need to obtain permission from men who produce nothing – when you see that money is flowing to those who deal, not in goods, but in favors – when you see that men get richer by graft and by pull than by work, and your laws don't protect you against them, but protect them against you – when you see corruption being rewarded and honesty becoming a self-sacrifice – you may know that your society is doomed." – Ayn Rand

Seven Percent Solution on March 15, 2012 at 12:32 PM

But, but, Chu is a Nobel Prize winner, dontcha know. Oh yea, so is Mr. B+.

TXUS on March 15, 2012 at 12:33 PM

I notice as usual that all the libs no show up on these threads to try and defend this nonsense. Maybe they had an appointment somewhere.

arnold ziffel on March 15, 2012 at 12:36 PM

But, but, Chu is a Nobel Prize winner, dontcha know. Oh yea, so is Mr. B+.

TXUS on March 15, 2012 at 12:33 PM

Along with Algore and Jimmah Cahter – this isn't grade inflation, this is grading on the Nobel curve. You can't go below a B+ or you will upset the cosmic awesomeness of the winners which in turn causes the extinction of unicorns and elimination of rainbow dust.

Ed – Now that you are aware of this, please don't make this mistake again. The survival of the human race depends on it.

NeoDawg on March 15, 2012 at 12:41 PM

""When you see that trading is done, not by consent, but by compulsion — when you see that in order to produce, you need to obtain permission from men who produce nothing — when you see that money is flowing to those who deal, not in goods, but in favors — when you see that men get richer by graft and by pull than by work, and your laws don't protect you against them, but protect them against you — when you see corruption being rewarded and honesty becoming a self-sacrifice — you may know that your society is doomed." — Ayn Rand

Interesting bit of Ibn Khaldun from the 14th century (Muqaddimah):

Furthermore, it is their nature to plunder whatever other people possess. Their sustenance lies wherever the shadow of their lances falls. They recognize no limit in taking the possessions of other people. Whenever their eyes fall upon some property, furnishings, or utensils, they take it. When

they acquire superiority and royal authority, they have complete power to plunder (as they please). There no longer exists any political (power) to protect property, and civilization is ruined.

Furthermore, since they use force to make craftsmen and professional workers do their work, they do not see any value in it and do not pay them for it. Now, as we shall mention, labor is the real basis of profit. When labor is not appreciated and is done for nothing, the hope for profit vanishes, and no (productive) work is done. The sedentary population disperses, and civilization decays.

Furthermore, (the Arabs) are not concerned with laws. (They are not concerned) to deter people from misdeeds or to protect some against the others. They care only for the property that they might take away from people through looting and imposts. When they have obtained that, they have no interest in anything further, such as taking care of (people), looking after their interests, or forcing them not to commit misdeeds. They often level fines on property, because they want to get some advantage, some tax, or profit out of it. This is their custom. It does not help to prevent misdeeds or to deter those who undertake to commit (misdeeds). On the contrary, it increases (misdeeds), because as compared to getting what one wants, the (possible financial) loss (through fines) is insignificant.

Ibn Khladun was speaking of desert raiders but he could have easily been talking about the modern left.

The Primordial Ordered Pair on March 15, 2012 at 12:42 PM

They grade on a curve.

NotCoach on March 15, 2012 at 12:25 PM

Yeah. Dead Man's Curve.

Lanceman on March 15, 2012 at 12:45 PM

But, but, Chu is a Nobel Prize winner, dontcha know. Oh yea, so is Mr. B+.

TXUS on March 15, 2012 at 12:33 PM

So is Yassir Arafat. Maybe being a stupid Muslim is a requirement?

Archivarix on March 15, 2012 at 12:46 PM

Maybe I'll ask Chu over to my place, then shackle him to my roof, paint him white, and hook electrical leads to his toes and run them to my electrical box.

Bishop on March 15, 2012 at 12:47 PM

but, but, but he has a Nobel Prize.

Over50 on March 15, 2012 at 12:48 PM

I think Hopsing, the cook on Bonanza, had a better grasp of energy policy than Chu.

Obama surrounds himself with these fools, and half the country trusts him with the economy over Santorum or Gingrich?

BuckeyeSam on March 15, 2012 at 12:48 PM

Speaking of Energy, you stupid Carnival Barkers, er, Flat Earth

Socialists, er, YOU PEOPLE Flat Earth'rs jus dont git it!!!(sarc)

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Submitted 19 mins ago from <a href="http://www.latimes.com">http://www.latimes.com</a> http://www.breakingnews.com/

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Reporting from Washington —

President Obama coined a new campaign line on Thursday when he said Republican presidential candidates' views on energy policy qualifies them as members of the "Flat Earth Society."

Speaking to a crowd in the Maryland suburbs of Washington, Obama charged that the GOP contenders are dismissive of alternative energy and compared them to those who thought Columbus shouldn't set sail.

"We've heard these folks in the past," Obama said. "Television won't last. It's a flash in the pan.' ... 'The horse is here to stay but the automobile is only a fad."

While the president riffed on the idea in a joking tone, his speech at Prince George's Community College revealed a very serious undercurrent running through his White House right now. The president has few tools to check the rising cost of gasoline in the short term, and his advisors are acutely aware of the effect this could have on voters.

Of course, Obama has not always been above embracing the quick-hit solution on gas prices. During the 2008 campaign, as prices jumped, then-candidate Obama proposed a windfall profits tax on energy companies and said he'd use the money to give taxpayers a \$1,000 energy rebate. But the proposal faded and never came to pass, after gas prices fell and the recession hit.(More...)

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(President Obama delivers a speech at Prince George's Community College in Largo, Md.EPA / March 15, 2012)

 $\frac{http://www.latimes.com/news/politics/la-pn-obama-defends-energy-policy-calls-critics-a-flat-earth-society-20120315,0,6256698.story$ 

canopfor on March 15, 2012 at 12:57 PM

If I were a failure at 85% of what I'm charged to do at work, can I still be employed too? People in this administration can fail and fail again, and 120 people can ask for the resignation, yet here they still are. The little girl in the lemonade commercial could do a better job than these clowns and she's make believe!

scalleywag on March 15, 2012 at 1:03 PM

So Chu fits in with all the other incompetents in Obama's administration.

aniptofar on March 15, 2012 at 1:06 PM

This isn't incompentence – it's flat out corruption.

tommyboy on March 15, 2012 at 1:07 PM

O/T a tad,Rush is on this now,drilling and strategic Oil Reserve release WH Denial!!!!!!!!!

http://den-a.plr.liquidcompass.net/player/flash/audio\_player.php?id=KNZZAM&uid=384&mode=live

canopfor on March 15, 2012 at 1:11 PM

Why don'Chu resign?

Steve Z on March 15, 2012 at 1:11 PM

I know that there are some very good people working in government jobs. That being said, the government workforce is run primarily as an affirmative action organization. Don't buy that? Take a look around the next time you are forced to visit a government agency office.

rjh on March 15, 2012 at 1:43 PM

Chu is an icompetent and an idiot. He needs to resign.

dogsoldier on March 15, 2012 at 1:49 PM

Given the grade inflation in academia, and now needing a Doctorate for what used to require a Bachelor's Degree; Chu probably does believe in his A- rating. And that minus is only because he's modest.

GarandFan on March 15, 2012 at 1:54 PM

Someone should line up Sandra Fluke and this jerk. Their kids will be called Fluke-Chu.

slickwillie2001 on March 15, 2012 at 12:19 PM

She's 'busy' right now...

Tsar of Earth on March 15, 2012 at 2:04 PM

If 15% is an A- then there shouldn't be a problem with me just sending in 15% of the taxes owed for 2011?

Ditkaca on March 15, 2012 at 2:07 PM

Chu doesn't want efficient program Management system, he wants to do it by the seat of his pants and supposed brain power. Just another libtard, lotsa book knowledge and zero common sense. Bah!

AH C on March 15, 2012 at 2:56 PM

Can we get back to the War on Women? /s

Grunt on March 15, 2012 at 3:41 PM

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Sebelius to kids: Instead of calling each other "jerks," why don't you call each other "jerks"?



Video: One year later, Zapata family gets no answers on Fast and Furious



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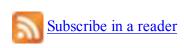
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