

# The Washington Times

## Treasury oversight of Solyndra loan was cut short

*Inspector General: Approval review 'rushed' and ill-defined*

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The [Treasury Department\(/topics/department-of-the-treasury/\)](#)'s oversight role of a half-billion-dollar federal loan guarantee to [Solyndra LLC\(/topics/solyndra-llc/\)](#) was not sufficiently defined, the consultation that did occur was "rushed" and no records were kept as to how Treasury's serious concerns with the loan were addressed, a report says.

The [department\(/topics/united-states-department-of-the-treasury/\)](#)'s [Office of Inspector General\(/topics/office-of-inspector-general/\)](#), in a report this week, said inspectors who examined the \$535 million [Solyndra\(/topics/solyndra-llc/\)](#) loan were given only one day to look at the company's books before a press release was issued announcing the loan.

The 20-page report said investigators were not sure if the loan "met the intent of the applicable law and regulation" because Treasury's "consultative role was not sufficiently defined." It also noted that Treasury audited itself after "heightened media attention and congressional inquiries" surrounding the loan.

The [Solyndra\(/topics/solyndra-llc/\)](#) loan, which has come under considerable criticism on Capitol Hill and had been touted by the [Obama administration\(/topics/barack-obama/\)](#) as a top example of how green technology could deliver increased jobs, was guaranteed by the [Energy Department\(/topics/united-states-department-of-energy/\)](#) under the authority of the American Recovery and Reinvestment Act.

President Obama had hailed [Solyndra\(/topics/solyndra-llc/\)](#) during a tour of the company, saying the firm expected to hire 1,000 workers and make enough panels over the lifetime of its planned expanded facility that it would be like replacing eight coal-fired power plants.

"It's here that companies like [Solyndra\(/topics/solyndra-llc/\)](#) are leading the way toward a brighter and more prosperous future," Mr. Obama said.

Vice President [Joseph R. Biden\(/topics/joseph-r-biden/\)](#) and Energy Secretary [Steven Chu\(/topics/steven-chu/\)](#)

announced approval of the [Solyndra\(/topics/solyndra-llc/\)](#) loan guarantees. [Mr. Biden\(/topics/joseph-r-biden/\)](#) said at the time the announcement was “part of the unprecedented investment this administration is making in renewable energy and exactly what the Recovery Act is all about.”

The loan was funded and the cash disbursed by the [Treasury Department\(/topics/department-of-the-treasury/\)](#)’s Federal Financing Bank.

[Solyndra\(/topics/solyndra-llc/\)](#), a California-based manufacturer of solar panels, received its \$535 million loan guarantee in September 2009. The loan was restructured in February 2011, but [Solyndra\(/topics/solyndra-llc/\)](#) filed for Chapter 11 bankruptcy in September 2011. Prior to filing for bankruptcy, about \$528 million of the \$535 million in guaranteed loan funds had been disbursed.

According to the report, the secretary of energy is authorized to make loan guarantees on terms and conditions determined by the department, after consultation with Treasury. In the case of [Solyndra\(/topics/solyndra-llc/\)](#), the report said, Treasury was not consulted “prior to or concurrent with” Energy’s review process and that the consultation that did occur was rushed.

The report said officials on Energy’s Credit Committee and [Credit Review Board\(/topics/credit-review-board/\)](#) approved [Solyndra\(/topics/solyndra-llc/\)](#)’s creditworthiness and technical merits, and the terms and conditions of the loan guarantee. But it said Treasury was not consulted during the Credit Committee’s review.

According to the report, it was not until after Treasury was notified by the Office of Management and Budget (OMB) that Energy was ready to sign off on the loan - making a conditional commitment to [Solyndra\(/topics/solyndra-llc/\)](#) - that consultation on the part of Treasury occurred.

The report said that on March 17, 2009, OMB informed Treasury’s Office of Government Financial Policy that Energy would be issuing a press release on [Solyndra\(/topics/solyndra-llc/\)](#), and it was OMB’s understanding that the [Credit Review Board\(/topics/credit-review-board/\)](#) had approved the project and that the energy secretary could sign off on the deal “at any moment.”

On March 18, 2009, the report said Treasury received a draft press release from Energy announcing [Solyndra\(/topics/solyndra-llc/\)](#)’s conditional commitment planned for issuance later that afternoon. The report said the draft press release said [Mr. Chu\(/topics/steven-chu/\)](#) had offered the loan guarantee by signing a “conditional commitment” following approval by the [Credit Review Board\(/topics/credit-review-board/\)](#).

In response, the report said, a Treasury official contacted Energy to request additional time to review and delay the secretary’s signing and the press release. But it noted that while Energy originally agreed to extend Treasury’s review time, it later agreed to “expedite the review ... so that the press release could be issued on the morning of March 20, 2009.”

The report said Treasury was rushed in its consultative review of the [Solyndra\(/topics/solyndra-llc/\)](#) loan guarantee because:

- There was no common understanding or definition of what constituted Treasury’s consultative role within Treasury or between Treasury and Energy.
- There were no policies and procedures governing Treasury’s consultative process with respect to loan reviews to include guidance on the composition, role and responsibilities of consultative review teams and the production and retention of key consultative review documents evidencing the deliberation, resolution of concerns, and key decisions.

The report recommended that Treasury work with Energy to establish a definition of what its consultative

role is and what it should include. It also said Treasury needed to better understand what constitutes substantial changes in the financial terms and conditions of a loan guarantee.

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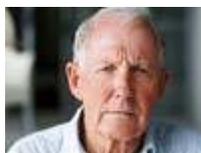
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