

PERFORMANCE AUDIT

The Alternative Energy Revolving Loan Program

Department of Environmental Quality

NOVEMBER 2012

12P-08

REPORT SUMMARY

The Department of Environmental Quality (department) should comply with existing administrative rules and program policy to ensure that the over \$5 million of state and federal funds loaned out by the program results in the continued development of alternative energy in Montana.

Context

The Alternative Energy Revolving Loan Program (AERLP) was established by the Montana Legislature in 2001 to provide a financing option to Montana homeowners, small businesses, nonprofits and government entities to install alternative energy systems. Alternative energy systems can take many different forms, including energy derived from other sources such as solar, wind, geothermal, and biomass. The program has historically been funded by air quality violation penalties collected by the department for environmental enforcement activities. However, the department also directed approximately \$1.2 million in federal funds to supplement the program from the department's stimulus funding under the 2009 American Recovery and Reinvestment Act. These state and federal funds jointly comprise a revolving loan fund for the program. Since inception of the program, in 2001, the department has loaned out over \$5 million, approving 259 loans through the program.

During our review, we determined that the department should improve program compliance for the program. Audit work identified the need for the department to complete environmental reviews prior to executing a service agreement and releasing

program funds. In addition, we noted that the department does not follow administrative rules or program policy regarding project verification to ensure projects are built and funds used for their intended purposes. We also determined the department does not collect information on system performance as required by administrative rules and program policy. During our review, we determined that department staff recognized these instances of noncompliance and were taking steps to actively address our findings.

Results

Audit recommendations address the need for the department to strengthen compliance for the program. Recommendations include:

- ◆ Completing an environmental review prior to executing a service agreement;
- ◆ Verifying project completion, including a final accounting of loan expenditures, photo verification, and site visits; and
- ◆ Collecting information from loan recipients on an annual basis regarding system performance and reliability.

Recommendation Concurrence	
Concur	3
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

For a complete copy of the report (12P-08) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to lad@mt.gov; or check the web site at <http://leg.mt.gov/audit>
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