Department of Energy
Office of Inspector General
Washington, DC 20585

April 4, 2025

The Honorable Gary Palmer
Chairman
Committee on Energy and Commerce
Subcommittee on Oversight and Investigations
United States House of Representatives
2125 Rayburn House Office Building
Washington DC, 20515

Dear Chairman Palmer:

Thank you for inviting the Department of Energy Office of Inspector General (OIG) to participate in the hearing before the Subcommittee on Oversight and Investigations on February 26, 2025. As discussed during the hearing, the OIG's witness, Mr. Jonathan Black, took the deferred resignation offered by the Administration and is no longer with the OIG.

My office has responded to the additional questions for the record and our responses are attached. If you have any questions, please contact me or our Acting Chief of Staff, Ryan Cocolin at ryan.cocolin@hq.doe.gov.

Sincerely,

Sarah B. Nelson

Sarah B. Nelson
Assistant Inspector General for
Management, Performing the Duties
of the Inspector General

cc: Yvette Clarke, Ranking Member, Subcommittee on Oversight and Investigations

Attachment

Questions From The Honorable Buddy Carter

Question 1: Mr. Black, in your opening statement you mentioned the fast nature in which funds moved at the Department of Energy. $46 billion dollars in loans completed between December 2024 and January 2025. Do you have any idea what could have caused this change in policy at DOE?

The Department of Energy (Department), Office of Inspector General (OIG) does not have any information regarding the cause for the observed acceleration of loan and loan guarantee processing and approval between December 2024 and January 2025. The OIG views the fast nature in which funds moved as an indicator of risk, and as such, recently initiated an effort to examine the process the Department followed while awarding recent loans.

Question 2: I also want to ask you about the LPO and their vetting of loan applications. You stated that your investigation found that the LPO Credit Review Board had a "willingness to approve loan applications despite risks." This is not free money. Do you feel that this policy has changed, or is this still an issue at DOE?

The OIG recently initiated an effort to examine the process the Department followed while awarding recent loans. Our ongoing work may provide more details surrounding the LPO Credit Review Board decision to approve loan applications despite risks.

Questions From The Honorable Lizzie Fletcher

Question 1: In your testimony, you discuss the risks of potential conflicts of interest within the DOE Loan Program Office (LPO). Specifically, you cite a December 2024 OIG interim report, which found that LPO does not ensure that "contracting officers and their representatives identify and evaluate potential conflicts of the third-party experts." What negative impacts do conflicts of interest generally pose to the grant or loan-making process?

Unidentified and unmitigated conflicts of interest could present several potential risks, such as a biased analysis or skewed information that lessens the risk level of a loan, enabling a loan applicant to subvert the due diligence process, or an improper sharing of intellectual property or proprietary information.

The Federal Acquisition Regulations state that organizational conflicts of interest result when (1) a contractor is unable to render impartial assistance or advice to the Government, or (2) a contractor's objectivity in performing the contract work is or might be otherwise impaired, or (3) a contractor has an unfair competitive advantage. The essence of organizational conflicts of interest is divided loyalty between the best interests of a particular contractor and the best interest of the Government.

The OIG's review of the LPO Third Party conflicts of interest is not complete. These examples are general risks and are not indicative of anything the OIG has found during its review.

<u>Question 2:</u> Elon Musk's businesses have received at least $38 billion in government funding. This funding included a $465 million loan from LPO for Tesla at a critical moment for the business. Nearly two thirds of Elon Musk's federal funding has come within the last five years, including $6.3 billion in 2024 alone. Recently, the AP reported that Musk's company Starlink may be poised to take over a $2 billion Federal Aviation Administration contract to upgrade its information technology networks used to manage U.S. airspace. If third-party experts with conflicts of interest present a significant danger to LPO's stewardship of federal funding, what dangers does any individual with seemingly unilateral authority to cut federal programs and staff at will create?

As noted above, unidentified and unmitigated conflicts of interest could present several potential risks. Conflicts of interest may prohibit the ability for a conflicted individual to provide impartial assistance, impair objectivity, and may provide a particular party with an unfair competitive advantage. In its interim report, the OIG highlighted the potential for, and risks associated with conflicts of interest within the Department's programs. The OIG has ongoing work that may provide more information regarding conflicts.