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"[T]he 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," the report says.

In addition to its concern about tracking the loans, the report also says that in at least one case identified by the GAO, the Energy Department did not follow its own procedures for reviewing applications.

"DOE did not always follow its own process for reviewing applications and documenting its analysis and decisions, potentially increasing the taxpayer's exposure to financial risk from an applicant's default," the report says, while noting that the department's existing review process is "generally as stringent as or more stringent" as the one used by private lenders.

The report calls on the Energy Department to implement a "consolidated system for overseeing the application review process." It also urged the department to "adhere to its review process and document decisions made under updated policies and procedures."

The Energy Department is implementing a new system for managing loan application records, the report notes. But GAO says the department "has neither fully populated the system with data or records on all applications it has received nor its decisions on them. Nor has DOE committed to a timetable to complete the implementation of the new records management system."

"Until the system has been fully implemented," the report says, "it is unclear whether the system will enable the LGP to both track applications and adequately document its review decisions."

The Energy Department, in written comments to the GAO, said it agreed with recommendations to update credit policies and procedures, and to ensure that its management system includes current and past records.

But the department disagreed with GAO's recommendations to establish a timetable for its "consolidated" system to track the status of the applications.

DOE said it "believes that it is important that our report distinguish between application tracking and records management," the report says. "We believe we have adequately distinguished the need for application tracking and management of documentation."

"DOE also states that LGP has placed a high priority on records management and is currently implementing a consolidated state-of-the-art records management system," according to the GAO report.

Energy Department spokesman Damien LaVera defended the loan program Monday.

"The Department's loan program has a robust records management platform and is in the process of deploying a consolidated state-of-the-art business management system. While we appreciate the GAO's report, it is important to note that the GAO did not evaluate the quality of the LGP's analyses or the merits and creditworthiness of any DOE loan guarantee," he said in a statement.

"Nor did the GAO include any of the 23 projects that received conditional commitments in 2011 as part of their review. The GAO does make clear, however, that commercial lenders consider the Loan Program Office's underwriting and due diligence standards to be at least as rigorous as those in the private sector. This is completely consistent with the findings of the Allison report, which concluded that the Department's loan portfolio holds significantly less risk than anticipated by Congress when Congress established this program and provided funds for the loan loss reserve."

*This story was updated at 5:02 p.m.*

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