

Minnesota Department of Agriculture: Incentives and Grants for Renewable Energy and Renewable Chemicals Programs

Performance Audit

Released August 14, 2024

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Overview of Programs

Agricultural Growth, Research, and Innovation Program

- Bioincentive Program
 - Incentive payments for production
- Biofuels Infrastructure Grant Program
 - Competitive grants for equipment to dispense biofuels

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Objectives and Scope

Objectives:

- Did MDA comply with significant legal requirements for the Bioincentive Program and Biofuels Infrastructure Grant Program?
- Did MDA have adequate controls over these programs?

Scope:

- July 1, 2021 - January 31, 2024

Bioincentive Program: Eligibility

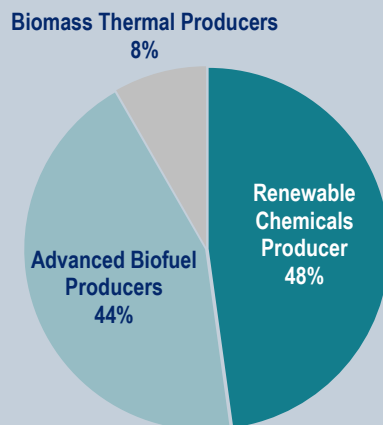
- Production facilities must be located in Minnesota
- Meet the minimum quarterly production volumes of qualified renewable energy or renewable chemicals
- Must use locally sourced biomass

Detailed eligibility requirements (see Exhibit 6, p.16)

Bioincentive Program: Production Types

Production Type	
Advanced Biofuel	<ul style="list-style-type: none"> Ethanol from cellulosic biomass Renewable natural gas from cellulosic feedstock 6 producers
Biomass Thermal Energy	<ul style="list-style-type: none"> Heat from forestry-derived biomass 5 producers
Renewable Chemicals	<ul style="list-style-type: none"> Chemicals produced from forestry-derived biomass 1 producer

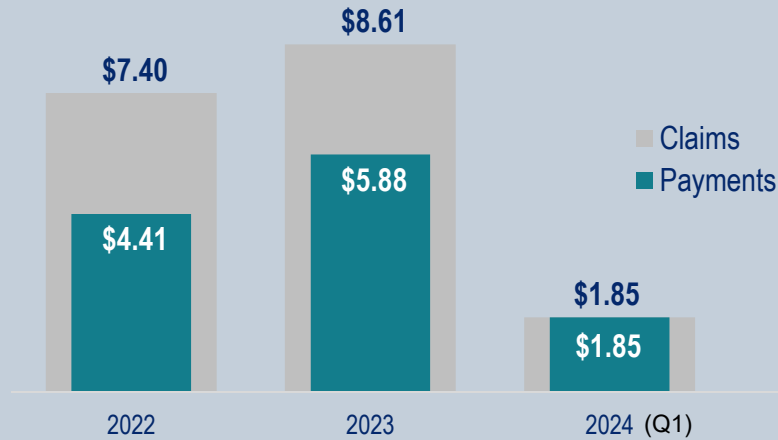
Bioincentive Program: Payments



Total Payments
\$12.14 million

Bioincentive Program: Claims and Payments (p. 20)

(In Millions)



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Bioincentive Program: Audit Results

- MDA complied with program requirements
- MDA had adequate internal controls

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Biofuels Infrastructure Grant Program: Eligibility

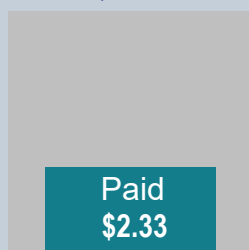
Applicants must:

- Be located in Minnesota
- Have no more than ten retail fueling locations
- Licensed and authorized to conduct business in Minnesota

Biofuels Infrastructure Grant Program: Awards and Expenditures

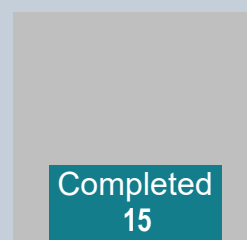
Amounts, in millions

Awarded
\$6.48



Number of projects

Awarded
44



Biofuels Infrastructure Grant Program Audit: Results

- MDA generally complied and generally had adequate controls over these grants
- We identified two areas for improvement

MDA Paid for Unallowable Costs

- \$18,894 for ineligible costs
- \$357,617 for costs not included in the grant budgets
 - Different vendors
 - Different amounts
- \$12,912 for costs incurred prior to the execution of a contract

Recommendations

- MDA should reclaim \$18,894 in costs not associated with installation of qualified equipment
- MDA should require grantees to submit updated budgets
- Managers should review the work of their staff

Noncompliance with Grant Progress Reports

- MDA did not obtain all required progress reports
 - Fall 2022: No reports submitted
 - Fall 2023: 27 out of 44 grantees did not submit reports
- Submitted reports did not have specific details
- Two grantees no longer plan to start projects

Recommendations

- MDA should obtain required reports and these reports should contain sufficient details
- MDA should not make payments to grantees with past-due progress reports

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