

United States Government

Department of Energy

Memorandum

DATE: DEC 03 2002

REPLY TO: IG-34 (A00CG029)

Audit Report Number: OAS-L-03-03

SUBJECT: Follow-Up Audit on the Department's Management of Field Contractor Employees Assigned to Headquarters and Other Federal Agencies

TO: Director, Office of Management, Budget and Evaluation/Chief Financial Officer, ME-1

INTRODUCTION AND OBJECTIVE

In December 1997, the Office of Inspector General issued the *Audit of the Department of Energy's Management of Field Contractor Employees Assigned to Headquarters and Other Federal Agencies* (DOE/IG-0414). The audit noted that the Department needed to take corrective actions to improve the controls over and properly account for field contractors assigned to Headquarters.

Based on our audit recommendations, the Department issued DOE Order 350.2 to clarify and modify the policies and procedures for managing facility contractor employees assigned to Headquarters. This Order officially documents the policies and procedures for the use of field contractors at Headquarters. Since the issuance of our prior report, the Department has submitted annual reports to Congress on the use of such employees in the Washington, D.C. area. Further, Congress limited the number of field contractors that the Department can assign to Headquarters at 220 employees for FY 2002.

The objective of this audit was to determine whether the Department has improved the management and use of field contractor employees assigned to Headquarters and other Federal agencies.

CONCLUSIONS AND OBSERVATIONS

Overall, the Department has improved its management and use of field contractors assigned to Headquarters and has taken corrective actions that satisfy the intent of the recommendations outlined in our prior audit report. However, we observed that enhancements could be made to the Department's Facility Contractor Employee Database to make it more valuable to Headquarters Program elements.

Facility Contractor Employee Database

In response to our previous audit findings, the Department developed a Facility Contractor Employee Database that identifies and tracks the contractor employees assigned to Headquarters. While the database is generally effective in accounting for assignments; it lacks data needed to ascertain total program funding requirements. As currently designed, the database does not identify funding levels for employees that are sponsored by multiple programs. Instead, multi-funded employees are recorded under only one sponsor in the database. Because of this weakness, individual program elements cannot readily determine total funding needs.

To illustrate, the Office of Energy Efficiency and Renewable Energy (EERE) recently reorganized and needed to assess their FY 2003 needs for contractor employees. When preparing its FY 2003 contractor staffing plan, EERE sought to identify all contractors stationed at Headquarters that it sponsored, including instances where it funded only a portion of the employees' cost. The information EERE needed was not available from the contractor database and EERE had to resort to manual or ad hoc inquiries to make this determination.

SUGGESTED ACTIONS

Modifying the design of the contractor database should help each Program better control the amount of funds spent on field contractor employees assigned to Headquarters. We suggest that the Department modify the current Facility Contractor Employee Database:

- to identify the level of funding for contractors that are funded by more than one Program; and,
- to accumulate annual costs by Headquarters program element for contractor employees.

Although we are not making formal recommendations, we feel the suggestions, if implemented, will assist the Department in their efforts to better manage field contractors assigned to Headquarters. Since no recommendations are being made in this report, a formal response is not required. We appreciate the cooperation of your staff throughout the audit.



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Office of Inspector General

cc: Director, Policy and Internal Controls Management, NA-66
Principal Director, Office of Science, SC-1
Assistant Secretary for Environmental Management, EM-1
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SCOPE AND METHODOLOGY

The audit was performed from April to November 2002 at Department Headquarters. The audit covered field contractor employees identified in the Department's Facility Contractor Employee Database as of June 21, 2002 as well as field contractors included in the FY 2003 Headquarters and Field Office staffing plans.

To accomplish the audit objective, we:

- reviewed the corrective actions taken by the Department to satisfy our previous audit recommendations and evaluated their effectiveness;
- reviewed FY 2002 Congressional appropriation language regarding the Department's use of field contractors;
- interviewed responsible officials from the Office of the Management, Budget, and Evaluation; Office of Energy Efficiency and Renewable Energy; National Nuclear Security Administration; Chicago Operations Office; Richland Operations Office, as well as field contractors from the Argonne National Laboratory; National Renewable Energy Laboratory; Pacific Northwest National Laboratory; and Bechtel Nevada; and,
- reviewed and evaluated the process used for developing Headquarters and field office staffing plans for FY 2002 and FY 2003.

The audit was performed in accordance with generally accepted Government auditing standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the survey objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of the audit. We did not identify any performance measures specifically related to the management of field contractors assigned to Headquarters. Also, we did not rely on computer-generated data to accomplish the audit objective.

An exit conference was held with Department officials on November 21, 2002.