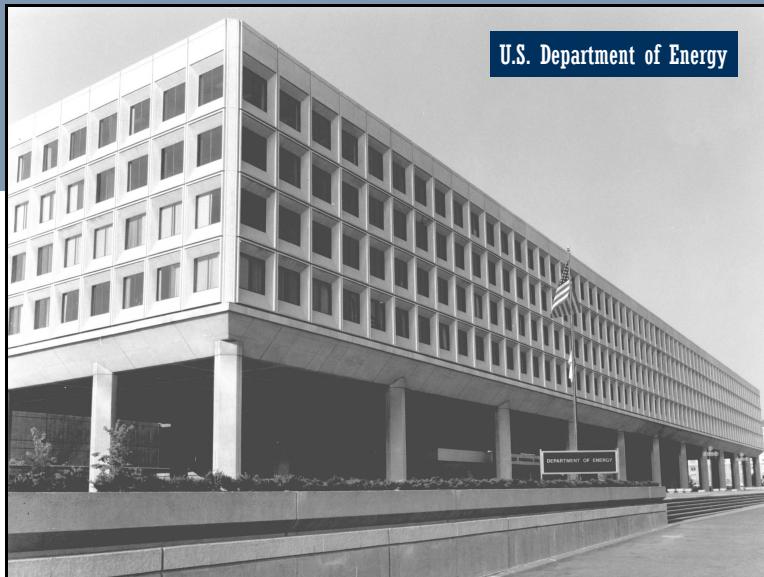


# Semianual Report to Congress

October 1, 1999, to March 31, 2000



U.S. DEPARTMENT OF ENERGY  
OFFICE OF INSPECTOR GENERAL  
WASHINGTON, DC 20585



## Department of Energy

Washington, DC 20585

April 26, 2000

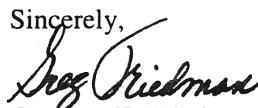
The Honorable Bill Richardson  
Secretary  
U.S. Department of Energy  
Washington, D.C. 20585

Dear Secretary Richardson:

I am pleased to submit the Office of Inspector General's (OIG) Semiannual Report to Congress. The report summarizes significant OIG activities and accomplishments during the 6-month period ending March 31, 2000. The Inspector General Act, as amended, requires you to forward the report to the appropriate congressional oversight committees within 30 days of your receipt of this report.

You will notice that the format and style of this report have changed significantly. We believe these enhancements make the report more reader-friendly, and better convey the importance of the work this Office performs. Included in this new format is a "Message From The Inspector General" at the beginning of the document. That section summarizes our major accomplishments during the reporting period and identifies the major trends and issues critical to the Congress, the Administration, and the Department. Those critical areas are where we focused our efforts during this reporting period.

We look forward to working with you, other Department and Administration officials, and the Congress in pursuing our mutual goals and objectives.

Sincerely,  
  
Gregory H. Friedman  
Inspector General

Enclosure

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**U.S. Department of  
Energy  
Office of  
Inspector General**

**HOTLINE**

**Did You know?**

**25% of investigations  
open as of  
March 31, 2000,  
were a result of an  
OIG Hotline call or  
letter.**

**Source: Energy Inspector General  
Project Tracking System**

Tear along dotted line

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# Message From The Inspector General

The Department of Energy (Department) provides innovative solutions to the scientific, national security, energy and environmental challenges facing the Nation. The Office of Inspector General (OIG) supports the Department in meeting these challenges. Thanks to the dedication of our staff, we have been very successful in performing our statutory oversight roles.

The OIG has made recommendations which improved operations, facilitated positive change, and combated unlawful activity within the Department. Additionally, our activities had a positive dollar impact. Our work during the period resulted in over \$306 million in recoveries and potential savings. Over \$30 million of these funds have been or will be returned to the Federal Government.

## Major Trends and Issues



**Gregory H. Friedman**  
**Inspector General**

Our work has focused on areas critical to the Congress, the Administration, and the Department. During the past six months, the Secretary and Congress have continued to rely on the OIG to perform sensitive, complex tasks in short periods of time. In addition, we have continued to assist the Department in improving those areas of historical concern. Most notably this includes efforts in program management and operations; safeguards and security; intelligence/counterintelligence; environment, safety, and health; contract/grant administration; information technology management; financial management; and Qui Tams. The following are highlights of these efforts.

## Program Management and Operations

The Department continues to face unique challenges in program management and daily operations. On March 13, 2000, Secretary Richardson announced a series of management reforms that are intended to lead to short- and long-term savings and improve the efficiency of operations at the Department. The reforms are aimed at improving administrative management, streamlining operations and better managing Department contractors. The initiatives

include: (1) improving the security, storage, and handling of nuclear materials by consolidating them at fewer locations, (2) implementing electronic requisition systems, (3) integrating procurement, financial, and human resources systems, (4) reducing the number of contractors detailed to Washington, D.C., and consolidating their office space, (5) improving oversight of contract management and ensuring that contractor fees have a stronger relationship to accomplishment of priorities, and (6) improving management of construction and establishing a design fund to provide more accurate cost baselines for new projects.

Many of the Secretary's initiatives are based on findings and recommendations in Inspector General reports. In fact, a number of these initiatives represent longstanding Department problems about which our office has issued multiple reports and repeat findings. The Secretary consulted us on this effort, and members of the OIG staff did a thorough job in detailing the Department's management challenges.

## **Safeguards and Security**

### **Did You Know?**

**On October 5, 1999,  
the President signed  
Public Law 106-65, the  
National Defense  
Authorization Act for  
Fiscal Year 2000. Title  
32 of the Act  
establishes the National  
Nuclear Security  
Administration.**

The National Nuclear Security Administration (NNSA) was established by statute as a semiautonomous agency of the Department, effective March 1, 2000. The NNSA is responsible for managing the nation's nuclear weapons, non-proliferation, and naval nuclear propulsion programs.

Since its inception, the OIG has played a key role in identifying safeguards, security, and related concerns at the Department. During this reporting period, we prepared a strategy for providing audit, investigative, and inspection services to the NNSA. This strategy identifies necessary actions to ensure full integration of the OIG statutory charter with the NNSA mission and includes a supplemental Fiscal Year 2000 performance plan summarizing our work relevant to the NNSA.

We are continuing to pursue reviews that address the special needs, vulnerabilities and programmatic risks of both the

**The Department's  
NNSA Implementation  
Plan may be found at:  
[www.nnsa.doe.gov](http://www.nnsa.doe.gov)**

**and**

**The OIG's NNSA  
strategy may be found  
at: [www.ig.doe.gov/  
pdf/nnsa.pdf](http://www.ig.doe.gov/pdf/nnsa.pdf).**

Department and NNSA, including reviews of crosscutting issues affecting both entities.

## **Intelligence/Counterintelligence**

We continued to concentrate on areas impacting intelligence and counterintelligence. Specific activities included intelligence reporting required by Executive Order 12863, "President's Foreign Intelligence Advisory Board," and work performed pursuant to the National Defense Authorization Act for Fiscal Year 2000. The Act provided that not later than March 30 of each year, beginning in 2000, the President shall submit to Congress an annual report on the U.S. Government's policies and procedures with respect to the export of technologies and technical information with potential military applications to countries and entities of concern. Under the Act's provisions, to assist in this process, annual audits in this area are to be conducted by the Inspectors General of the Departments of Energy, Commerce, Defense, and State. An interagency working group composed of representatives from those agencies selected the export license process for visits and assignments of foreign nationals as the topic for the year 2000 audit. The interagency report and our report were both issued in March 2000.

The Act also required the President to submit a report to Congress that includes an assessment of the adequacy of counterintelligence measures to protect against the acquisition of U.S. technology and technical information with potential military applications by countries and entities of concern. We participated in an interagency working group that also included the Inspectors General of the Departments of Commerce, Defense, State, Treasury and the Central Intelligence Agency that was established to conduct the assessment. Our report, as well as that of the interagency group, were both issued in March 2000.

## **Environment, Safety and Health**

The Department is committed to addressing the environmental legacy of over 50 years of nuclear weapons production by the Department and its predecessors. As a

## **Did You Know?**

**Approximately 103,000 contractor employees work for the Department managing/conducting the operations of its major facilities.**

**Source:** Department of Energy "Annual Report on Contractor Work Force Restructuring—FY 1999"

result, the Department is expending over \$6 billion annually for environmental quality programs. To assist with the operational efficiency of this cleanup effort, we continue to focus significant resources on reviews pertaining to waste disposal, groundwater monitoring, and low level and radioactive waste management programs.

## **Contract/Grant Administration**

We also emphasized reviews of Department contract management during the period. For example, consistent with the Secretary's initiative to improve management of information resources, we recommended that the Department emphasize the use of Departmentwide contracts and standardize commercial off-the-shelf software packages as a means to reduce the costs of its operations. We also reviewed and reported on such critical areas as outsourcing opportunities, billing procedures, and competitive procurement mechanisms.

## **Information Technology Management**

During the reporting period, we identified cyber security threats at a number of the Department's sites. We identified weaknesses in password control, configuration management, and outdated or improperly configured software on a number of the systems reviewed. Based on our recommendations, the Department initiated action to correct observed weaknesses and decrease the risk of damage to its networks by malicious or unauthorized users. Focusing on the future and the Department's increased reliance on information technology, we are making every effort to increase our expertise in the information security arena. We are pleased with the progress to date.

## **Financial Management**

The OIG conducts reviews to ensure proper accountability over Department financial resources. During the period, we fulfilled our statutory responsibility to audit the Department's consolidated financial statements for FY 1999 by the established deadline. We issued an unqualified opinion rather

than a qualified opinion as in the previous year, reflecting significant efforts by the Department to improve controls over its environmental liability estimating process.

## **Qui Tam Cases**

Qui Tam cases allow a private citizen to file a suit in the name of the U.S. Government for fraud by Government contractors and other entities. Since 1996, the OIG has been instrumental in assisting the Department of Justice in Qui Tam cases. Currently we are working with the Department of Justice on 24 Qui Tam cases with an estimated potential recovery value of \$101 million. These are highly resource intensive investigative initiatives.

### **Did you know?**

The OIG received 28 requests for information from Congress, briefed Committee staff on 5 occasions, and provided information to Congress in 43 instances.

## **Other OIG Activities**

In addition to the major reporting area accomplishments, we participated in several other noteworthy activities.

### **Congressional Responses**

We continued our strong commitment to support Congress and its need for information. During the reporting period, we provided information, briefings, and reports to Congress in a timely manner. In addition, at the request of the House Committee on Armed Services, Subcommittee on Military Procurement, the Inspector General testified at a hearing on the Los Alamos National Laboratory espionage inquiry.

### **Semiannual Report and Website Redesign**

We enhanced the style and format of both our Semiannual Report and webpage. This Semiannual Report is now more reader-friendly and contains a “Message from the Inspector General” section summarizing our major accomplishments. Our redesigned webpage provides information about the OIG’s mission, organization, strategic plan, reports, directives, IG testimony before Congress, employment opportunities, and other activities.

# effectiveness

## **Recognition of Accomplishments**

Our successes would not have been possible without the hard work of our dedicated staff. We are extremely proud of the accomplishments and dedication of our employees. For example, several OIG special agents received DOJ awards for valuable contributions to criminal and civil investigations. One case involved a high visibility fraud investigation involving a grantee, and another involved a complex environmental investigation. In another case, the Federal Bureau of Investigation (FBI) recognized one of our special agents for outstanding contributions for work on an environmental crimes task force.

In addition to their regular duties, OIG employees continued to demonstrate dedication to their communities through numerous volunteer service activities. For example, OIG employees packaged food for an area food bank, served as officials for the Department's National and Regional Science Bowl Competitions, served as readers for the blind, and adopted needy families during the holiday season.

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As we look toward the future, the OIG will continue to focus on areas most critical to the Department's success. We are, and continue to be, "at your service."

# MAJOR REPORTING AREAS

**D**uring this reporting period, the OIG invested its resources in the following major reporting areas: Program Management and Operations; Safeguards and Security; Intelligence/Counterintelligence; Environment, Safety, and Health; Contract/Grant Administration; Information Technology Management; Financial Management; and Administrative Safeguards.

In report summaries that follow, where it is indicated that management has not concurred with OIG recommendations, appropriate followup action will be pursued. When audit and management inspection reports contain recommendations with which management has agreed, corrective actions are tracked by the Department until completed. When there is disagreement between Department management and the OIG, the Department must prepare a Management Decision describing its position and any alternative actions. Management Decisions are reviewed by the Chief Financial Officer (CFO). If disagreements persist, the CFO may convene a meeting of the Departmental Internal Control and Audit Review Council (DICARC), which consists of the CFO, the Inspector General and other management representatives. The DICARC works to achieve mutually agreeable resolution.

A discussion of notable reviews conducted in each area follows:

## **P ROGRAM MANAGEMENT AND OPERATIONS**

The OIG reviews the development, implementation, administration, and operation of Department programs. These efforts directly support the major Secretarial initiative to streamline Department operations.



Aerial View of Hanford Site's 300 Area

## **Hanford Site Needs Better Management of Waste Remediation**

Considering the estimated \$47 billion life-cycle cost of the tank remediation program at Hanford and the results of a 1993 audit of the management of the Hanford tank waste program, the OIG recently conducted another audit to determine whether the Department has a complete and integrated planning, budgeting, and management approach to achieve its goals. Although the Department has made some progress, important elements of an integrated management approach were not in place. For instance, the project baseline has never been completed or validated. Without an integrated approach to the tank waste remediation project, the Department may be unable to control, predict, explain, or defend future changes to cost and schedule. Changes have already occurred in this complex project, significantly increasing life-cycle cost estimates. For example, the life-cycle cost estimate ranging from \$30 to \$38 billion included in the FY1996 Environmental Impact Statement has increased to \$47 billion. Although \$3.8 billion has already been expended on this project, Hanford remains the only Department site without tank waste treatment capabilities.

The OIG recommended that the Office of River Protection (ORP), Hanford Site, develop and put into place an integrated project baseline to include all activities, a critical path, and provisions for key decision evaluations. In addition, the OIG recommended that the ORP and the Richland Operations Office negotiate realistic milestone dates with the State of Washington Department of Ecology and the Environmental Protection Agency. The Assistant Secretary for Environmental Management concurred with the report finding and recommendations. (IG-0456)

## **Improper Use of On-site Laboratories Results in Unnecessary Costs**

The Department's Richland Operations Office (Richland) had not made the best use of the capabilities of the on-site analytical laboratories in support of the environmental restoration and waste management programs at the Hanford

efficiency

Site (Site) in two instances. In one instance, analytical work was unnecessarily transferred from one on-site laboratory to another. The receiving laboratory, however, had to acquire the capability to do the work. This resulted in an unneeded expansion of laboratory capabilities. In the other instance, Richland allowed the contractors to use an off-site laboratory to analyze groundwater samples rather than directing them to use a less expensive on-site laboratory with the same testing capability. As a result of the transfer, Richland incurred unnecessary costs of approximately \$550,000. The use of the on-site laboratory for groundwater samples would allow Richland to better use \$525,000 annually.

The OIG recommended that Richland and the Office of River Protection Managers ensure that cost analyses are performed using the best available data before making decisions affecting Site programs, and that decisions on proposals involving analytical laboratories are made timely. Department management agreed with both recommendations. (WR-B-00-01)

### **Decisions Regarding the Reuse of Property and Facilities Need More Thorough Analysis**

Management officials at the Albuquerque Operations Office (Albuquerque) were making premature decisions regarding the reuse of property and facilities at the Grand Junction site. For instance, they decided to transfer all the property and facilities to a local community entity except one building that will be transferred to the U.S. Army Reserve by September 30, 2000. Albuquerque made these decisions before completely analyzing its own future needs for space and determining whether other agencies would be interested in reusing unneeded space. Although the Department is committed to assisting the local communities adversely affected by downsizing, one way to accomplish that objective is to identify other Federal uses for the facilities.

While the OIG recognizes that analytical results represent only one aspect of informed decision making, the OIG believes it is an important one and is concerned, therefore, that without a thorough analysis, the Department will have no

## **Did you know?**

**As part of its performance audit function, the OIG evaluates the Department's implementation of the Government Performance and Results Act (GPRA) of 1993.**

## **Did you know?**

**The Office of Science expends \$3 billion annually for energy-related research at universities, national laboratories, and private research facilities.**

**Source:** DOE Budget Highlights, February 2000

assurance and, in fact, may not be able to justify that its decisions are in the best interest of the Government, the taxpayers, or the local community.

The OIG recommended that the Albuquerque Operations Office (1) conduct the necessary analysis of the site and consider the needs of the Department and other Government agencies before taking any actions to lease or dispose of unneeded, unused, surplus, or excess real property, and (2) stop all decisions or actions until the necessary analysis is done to identify what direction will provide the best reuse of the property excess to its needs. Management did not concur with the finding or recommendations because it contends that it has made only general rather than specific decisions to dispose of the property. (WR-B-00-02)

## **Office of Science Still Not Evaluating Project Progress Based on Formal Metrics in Work Authorizations**

The Office of Energy Research, now known as the Office of Science, instituted some corrective actions in response to the recommendations in an August 1995 report on the *Audit of Program Administration by the Office of Energy Research*. In response to the prior audit, the Department improved its administrative process for funding research projects. In FY1999, work authorizations clearly identified amounts and the particular projects that were funded. The Department, however, did not take appropriate action in response to the OIG's second recommendation, which concerned the need to evaluate project progress based on formal metrics in work authorizations. As was the case in 1995, the Office of Science was not evaluating research projects using milestones or metrics. The Department contended that basic research did not lend itself to the identification of scheduled activities or numerical measures. Without such measures, the Department was not in a position to fully evaluate the performance and progress of certain research projects managed by the Office of Science.

Management did not concur with the finding and recommendations. It stated that (1) research progress should

# economy

not be measured only against performance criteria and metrics at the individual task level, (2) it uses peer reviews to ensure research programs are of high quality and meet Department objectives, and (3) the use of milestones and metrics would be a waste of the taxpayers' money and would be potentially destructive to the quality of the subject research.

The OIG agrees that there are a number of methodologies that should be used to measure research progress. While the OIG acknowledges that the development and execution of metrics to evaluate basic research projects is a challenging task, the results of the OIG's audit support the view that they can play an important role in determining research progress. This is especially true if the metrics are used in conjunction with other evaluative factors such as peer reviews, annual reports, and research presentations. (IG-0457)

## **Contractor Improperly Used \$358,000 From Overhead Accounts to Fund a Chem-bio Work-for-Others Project**

The Department's Chem-Bio Facility at the Oak Ridge National Laboratory includes a laboratory for research with chemical warfare agents and also a Biosafety Level 3 (BSL-3) laboratory for research with biological warfare agents. The facility was installed as part of a work-for-others (WFO) contract with the U.S. Army. The facility's managing contractor improperly used \$358,000 from division overhead accounts to fund the WFO project. Further, the Chem-Bio facility's BSL-3 laboratory was constructed without an environmental assessment required by the National Environmental Policy Act (NEPA) of 1969.

The OIG recommended that the Manager, Oak Ridge Operations Office (ORO), take corrective action to ensure (1) ORO division overhead funds are recouped, (2) other ORO WFO projects have not been funded with overhead funds, (3) documentation for future projects requiring NEPA compliance be completed in planning phases, (4) an environmental assessment or other actions necessary to ensure NEPA compliance be completed, and (5) the Chem-Bio facility and its contents are secure. Depart-

effectiveness

ment management concurred with the findings and recommendations and initiated appropriate corrective actions. (INS-O-00-01)

## **S AFEGUARDS AND SECURITY**

Recent events have focused the attention of the Congress and the Department on national security issues.

### **Inspection Identifies Weaknesses In Excessing and Selling a Supercomputer**

At the request of the Secretary of Energy, the OIG reviewed the sale to a Chinese national and the repurchase of an INTEL Paragon XPS supercomputer (Paragon) by Sandia National Laboratories (Sandia). The Paragon had originally been purchased in 1993, in part, because it was a “cutting edge research instrument essential to the Department’s nuclear weapons program.” If reassembled after disposal, the Paragon could have been one of the 100 fastest computers in the world. Concerns were raised that the sale of the supercomputer could be detrimental to the national security of the United States.

The process used to sell the Paragon was seriously flawed. Notably, Sandia did not treat the Paragon as high risk property, and thus, did not perform an evaluation of the Paragon for any significant risks to national security and nuclear non-proliferation as required by the Property Management Regulations. In addition, Sandia sold the Paragon with approximately 130 “unclassified” data storage disks that were not sanitized prior to sale.

A fundamental weakness in the sale of the Paragon was that senior level management officials were not aware of the sale. Therefore, these officials were not afforded the opportunity to exercise management judgment on how to dispose of this high risk property.

The OIG recommended that the Albuquerque Operations Office address weaknesses in Sandia’s High Risk Property

efficiency

Control Process and Sandia's Property Management Process. The OIG also recommended that the General Counsel issue an opinion on whether Department contractors may inquire into the possible foreign ownership of companies that bid on excess property. Department management concurred with the recommendations. (IG-0455)

## **I NTELLIGENCE/ COUNTERINTELLIGENCE**

Recent events have focused the attention of the Congress and the Department on intelligence and counterintelligence issues.

### **Export License Application Process Needs Additional Improvements**

Consistent with a provision in the National Defense Authorization Act for Fiscal Year 2000, the OIG participated in an interagency review of export controls. Specifically, the OIG reviewed actions taken by the Department in response to selected concerns regarding the export license process for foreign nationals (deemed exports) identified in a May 1999 OIG report.

Although Department management has improved the process for determining whether an export license application may be required for the visit or assignment of a foreign national to a Department site, additional actions are needed. Clarification is needed from the Department of Commerce regarding when a visit or assignment would require an export license. Also, the Department's policy implementation, as reflected in the current Department Notice on foreign visits and assignments, needs clarification regarding roles, responsibilities, and accountability for obtaining an export license for foreign nationals.

Further, because of shortcomings in the Department's formal data gathering system, Department officials are not aware of the precise number of foreign nationals visiting the Department's laboratories. This parallels an issue identified

**Did you know?**

**The Export Licensing and Counterintelligence Implementation Plan reviews were conducted pursuant to the National Defense Authorization Act for FY 2000, which required interagency reviews of the transfer of sensitive technologies to countries of concern.**

**Source:** National Defense Authorization Act for FY 2000

in the May 1999 OIG report and was a matter of concern to the Senate Governmental Affairs Committee during a June 1999 hearing. In addition, export license applications were not submitted for the assignments of several foreign nationals at one National Laboratory that may have required export licenses because of the information being accessed or the citizenship or affiliation of the foreign nationals. There was a similar finding in the OIG's May 1999 report.

Department management has initiated, or is in the process of initiating, appropriate corrective actions. (IG-0465)

## **Counterintelligence Implementation Plan Recommendations Not Completed**

As part of an interagency review conducted pursuant to the National Defense Authorization Act for Fiscal Year 2000, a follow-up review was conducted of the Department's execution of its Counterintelligence Implementation Plan. A July 1999 OIG review had found that 28 of 46 recommended actions to reorganize and improve the Department's counterintelligence program had been implemented. The follow-up review determined that 10 recommendations were still open. The OIG identified weaknesses in the implementation of 2 of the 10 open recommendations and suggested actions to address those weaknesses.

The Department's central data base for tracking foreign nationals, the Foreign Access Records Management System (FARMS), is unable to provide the precise number of foreign visitors or assignees at Department facilities. Therefore, the OIG suggested that Department officials ensure that, at a minimum, Department sites are required to enter data concerning foreign visits and assignments into FARMS or a designated central Department database. Also, there have been delays in obtaining clearances for Department field counterintelligence analysts to access Sensitive Compartmented Information (SCI), which impacts operational performance. The OIG suggested that the Department expedite processing of SCI clearances for the field counterintelligence program managers and analysts.

The interagency group was concerned about whether information was being shared among U.S. Government agencies. The OIG confirmed that the Department's Office of Counterintelligence and other Government entities mutually share intelligence information. In addition, analyses developed by the Department's Office of Intelligence that might assist the Department and other Government entities to counter the illicit transfer of U.S. technology to foreign governments are being made available to interested U.S. entities.

Department management generally agreed with the OIG report. (IG-0464)

## **E NVIORNMENT, SAFETY, AND HEALTH**

### **Did you know?**

**The Department has budgeted \$6.3 billion for environmental quality in FY 2000.**

Source: DOE Budget Highlights, February 2000

The OIG has conducted significant reviews of environmental issues and problems in support of the Department's commitment to clean up sites that supported nuclear weapons production and to safely dispose of spent nuclear fuel.

### **Waste Incinerator at the Idaho National Engineering and Environmental Laboratory (INEEL) Operates at Below "Permitted or Attainable" Capacity and Generates Excessive Costs**

Lockheed Martin Idaho Technologies Company (LMITCO) did not operate the Waste Experimental Reduction Facility (WERF) at the INEEL incinerator at the "attainable" annual burn rate. Between April 1996 and September 1998 the Department spent \$13.5 million to incinerate 786,000 pounds of waste. Had the Department been more aggressive in incinerating the waste, the 786,000 pounds could have been incinerated in less than 1 year, at a savings of about \$8.4 million. Furthermore, the waste could be treated more economically at commercial facilities, once these treatment options become available in June 2000. The Department could close the WERF Incinerator in June 2000 and use

economy

commercial treatment for the incinerable waste in inventory at that time. Closure would be 39 months earlier than planned, and would reduce operating costs by \$18.1 million. Department management agreed with the OIG finding and two of the three recommendations. Management did not concur with the recommendation to close the WERF Incinerator. (IG-0454)

### **Waste Incinerator at Savannah River Not Operating Efficiently or Cost Effectively**

Westinghouse Savannah River Company (Westinghouse) did not operate the Consolidated Incinerator Facility (CIF) at the Savannah River Site (Site) at its permitted capacity. In FYs 1997 and 1998, Westinghouse operated the CIF at about 8 percent of capacity to minimize the risk of unexpected errors and equipment failures during system start-up and to accommodate special handling and disposal requirements associated with burning chemicals listed in the Resource Conservation and Recovery Act. In FY1999 and beyond, Westinghouse plans to operate the CIF at no more than 32 percent capacity. The Department designed the CIF to incinerate more waste than the Site had available for treatment. Although Westinghouse may never have sufficient waste available to operate the CIF at its permitted capacity, there are several process improvements that could increase the efficiency of the CIF and significantly reduce the total operating costs to incinerate the projected waste streams by \$595 million.

The Department concurred with three of the four recommendations. When management's corrective actions are completed, \$576 million should be saved. (IG-0453)

### **Department Not Obtaining Bioassay Analyses At Lowest Possible Prices**

Department contractors were not obtaining bioassay analyses at the lowest prices available. Although discounts were available under Departmentwide subcontracts, two of the Department's contractors issued their own subcontracts for bioassay analyses with rates that were higher than the

# effectiveness

Departmentwide rates. Also, three contractors paid substantially different rates for similar or identical analyses performed by the same subcontractor. These conditions occurred because the Department did not require contractors to use the Departmentwide subcontracts and consolidate requirements into a single, cost-effective basic ordering agreement. As a result, the Department incurred unnecessary costs of about \$495,000 during FYs 1998 and 1999. Also, the OIG could not determine if the Department obtained bioassay analyses at the lowest prices available for 74 percent of the analyses reviewed because the three in-house laboratories were not required to capture the actual cost of specific analyses performed. As a result, the Department cannot determine whether it is more cost-effective to continue performing bioassay analyses in-house or subcontract the work to commercial laboratories.

The OIG recommended that the Office of Management Systems, Office of Procurement and Assistance Management, in conjunction with the Integrated Contractor Purchasing Team, develop a procurement strategy to award one or more Departmentwide purchasing agreements that will assure the availability and accessibility of the fullest range of high quality, timely, and cost-effective bioassay services.

Management agreed with the audit findings and recommendations and initiated corrective actions. (IG-0458)

## **A More Centralized Approach To Managing Groundwater Activities Could Reduce Operating Costs**

The Department's sites failed to adopt innovative technologies and approaches to groundwater monitoring, specifically relating to well installation, sampling operations, and laboratory analysis. Information on innovative techniques was not effectively disseminated, evaluated for applicability, and implemented when appropriate. Consequently, the Department did not conduct groundwater-monitoring activities as economically as possible, and opportunities to reduce operating costs by about \$3.6 million annually and to improve groundwater monitoring efficiencies were not realized. Furthermore, the Department had not

efficiency

assigned a single Headquarters organization with overall responsibility for ensuring that groundwater activities Departmentwide were as cost effective as possible.

The OIG recommended that the Department designate a Headquarters organization to ensure that field elements are aware of and utilize “best practices” in groundwater monitoring activities. Management agreed with the recommendation and indicated that corrective actions were being taken or had been planned. (IG-0461)

### **Funding of Low-Level Radioactive Waste Forum Should be Discontinued**

Under the Low-Level Waste Policy Act (Act) of 1980, the Department was required to provide technical assistance to support States and compact regions in developing new disposal sites for commercial low-level radioactive waste. In 1990, the Department was also directed by Congress to provide assistance in establishing an independent, self-directed association through which States and compact regions could accomplish low-level waste disposal objectives. Since 1982, the Department has spent over \$80 million to provide technical assistance to States and compact regions. The Department has provided \$5.4 million since 1990 to fund the Low-Level Waste Forum, an independent association for information exchange between State and compact region officials. The Low-Level Waste Program, as envisioned by Congress, has not come to fruition; in particular, no permanent disposal site has been developed by the States and compact regions. The Department has provided assistance to the Radioactive Waste Forum beyond the duration envisioned by Congress.

The OIG recommended that the Assistant Secretary for Environmental Management obtain clarification of the intent of the Congress regarding the expenditure of funds in developing a storage site and discontinue funding the Forum and technical assistance until clarification is obtained. The Assistant Secretary for Environmental Management disagreed with the audit conclusions and recommendations, stating that its interpretation of the Act permitted the

Department to fund a range of technical assistance activities related to the management of low-level radioactive waste. (IG-0462)

## **C ONTRACT/GRA NT ADMINISTRATION**

**Did you know?**  
**The Department contracts 94% of its budget. In FY 1999, Department contracting totaled \$17 billion.**

**Source:** Department of Energy "Annual Procurement and Financial Assistance Report—FY 1999"

The OIG strongly emphasized contract management reviews during the period. The Secretary has announced that improving the management of its contractors is a major Department initiative.

### **Management and Operating (M&O) Contractors Not Universally Using Make-or-Buy and Cost-Benefit Analyses**

Only one of four audited Department M&O contractors identified those functions for which make-or-buy opportunities existed and performed cost-benefit analyses, as required by the Department. The other three contractors had either not included all functions in their make-or-buy plans or had not scheduled cost-benefit analyses for many outsourcing candidates. This occurred because program offices did not provide M&O contractors with guidance to assist in the identification process, and procurement officials did not monitor contractor implementation of the program adequately. As a result, cost saving opportunities were missed. The OIG estimated that the Department could save up to \$5.3 million if cost-benefit analyses are made. Additional cost savings are likely if the three contractors reviewed the functions that they had excluded from the make-or-buy process, which were valued at \$1.3 billion. Substantial additional savings are possible if the make-or-buy concept is fully adopted at all Department sites.

The OIG recommended that the Contract Reform and Privatization Project Office, in conjunction with Headquarters program managers and the Office of Procurement and Assistance Management, develop program specific guidance

for evaluating contractor functions and monitor field implementation of contractor make-or-buy efforts. The Office of Contract Reform and Privatization Project agreed with and proposed corrective actions for the recommendations.  
(IG-0460)

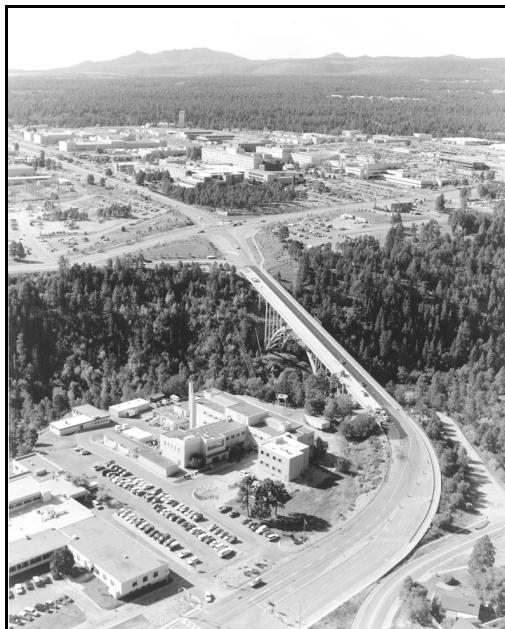
### **Outsourcing Opportunities at Los Alamos National Laboratory Missed**

Los Alamos National Laboratory (Los Alamos) had not identified outsourcing opportunities for its support services. Of the 184 support services Los Alamos reviewed, it determined that only 4 had outsourcing potential. At least 128 of the support services reviewed by the OIG, however, had outsourcing potential. Los Alamos did not identify these services because its screening process was flawed. Because this process was the initial step leading to cost-benefit analyses, Los Alamos did not conduct such analyses on the majority of its support services. Thus, Los Alamos cannot ensure that about \$128 million spent on these services represent the least cost to the Government.

The OIG recommended that the Albuquerque Operations Office direct Los Alamos to revise the screening process to objectively identify all support services having outsourcing potential to (1) conduct a cost-benefit analysis on outsourcing candidates to determine the most economical method for obtaining the services, (2) take appropriate action based on the analyses to obtain the services at the least cost to the Government, and (3) periodically review new or retained services to determine if they have outsourcing potential. Management concurred with the finding and recommendations. (WR-B-00-03)

### **Charitable Giving Requirements**

During a limited review of three solicitations and corresponding contracts awarded by the Department, the OIG discovered clauses requiring charitable giving by the contractors. These provisions were in addition to contractor requirements for local economic development. These requirements may undermine the spirit of Federal and



Aerial view of Los Alamos National Laboratory

economy

Department acquisition policies, which treat contractor costs associated with charitable giving as expressly unallowable. These provisions may also create a perverse incentive to award contracts (or determine fees) based not only on technical merit, but also on the extent to which the contractor provides financial support to local charitable organizations. Further, these provisions may distract the affected contractors from the core tasks they were retained to perform, such as environmental remediation and waste management.

The OIG recommended that the Department identify all contracts with charitable contribution provisions and evaluate whether they are in the best interest of the Government.  
(HQ-L-00-01)

### **False Claims by a Department Contractor Result in a Civil Settlement of \$35 Million**

A task force investigation based on an allegation in a Qui Tam action against a Government architect and engineering contractor determined that the contractor improperly billed the Federal Government for sale/lease back expenses.

A multi-agency task force investigation disclosed that the contractor sold its corporate facility in 1983, but continued to occupy the building on a sale/lease back arrangement. After the sale, the contractor charged its Government customers the full leased costs allocated to the performance of the Government contracts. The leased costs were higher than the costs the contractor incurred when it owned the facility.

According to the Federal Acquisition Regulations, the rental costs under a sale/lease back agreement are allowable up to the amount the contractor paid while retaining title to the facility. Since 1983, the contractor's overbilling has impacted approximately 120 Department contracts and subcontracts, as well as additional contracts with other Federal agencies.

Under the terms of the civil settlement agreement, the contractor will pay the Federal Government \$35 million. Single damages to Federal agencies totaled more than \$18

million, including nearly \$6.6 million to be received by the Department. The remaining \$16.8 million will be divided between the Qui Tam Relator, the Department of Justice, and the U.S. Treasury. (I97LL022)

## **False Claims by a Department Subcontractor Result in a Civil Settlement of Over \$1.2 Million**

The OIG received an internal audit report from the Department's facility management contractor at the Pantex Facility in Amarillo, Texas, finding that a subcontractor had conspired to defraud the Government through fraudulent billings. The subcontractor provided waste disposal services to retrieve, process, and dispose of hazardous and non-hazardous wastes at Pantex. The audit report disclosed potential billing irregularities that resulted in the suspension of payment by the contractor to the subcontractor.

A subsequent OIG investigation revealed that potentially fraudulent invoices were submitted by the subcontractor during the term of the contract. The subcontractor overcharged for services and equipment, double billed, and in some instances, billed the Department's contractor for services it never performed.

The U.S. Attorney's Office for the Northern District of Texas accepted this case for civil prosecution. Under the terms of the Civil Settlement Agreement, the subcontractor was ordered to pay the Government over \$1.2 million which included double damages and penalties. (I94AL006)

## **Misuse of Department Weatherization Funds by a Subgrantee**

A joint investigation between the Federal Bureau of Investigation and the DOE OIG determined that a subgrantee employee, who was the Chief Assistant to the Executive Director, knowingly submitted false invoices to a state weatherization program funded by the Department. As a result of the investigation, the subgrantee employee entered into a PreTrial Diversion Agreement (Agreement) with the U.S. Attorney's Office (USAO) for the Western



Pantex Plant—Main Production Area

District of Arkansas. According to the Agreement, the employee accepted responsibility for a one count violation of Title 18, U.S.C., Section 1001 (False Statements). The employee was ordered to pay \$1,000 in restitution, and to continue in pretrial supervision until September 2000.

As previously reported, the USAO entered into agreements with two other subgrantee employees. These two agreements resulted in a reimbursement of \$2,800 to the Department's grantee. The grantee previously reimbursed the Department a total of \$75,280 for unsupported weatherization claims filed by the subgrantee. (I95AL035)

### **Competition in Contracting Requirements Circumvented**

The OIG received an allegation that the Department improperly awarded a noncompetitive, multimillion-dollar contract. The Office of Nuclear Energy, Science and Technology (NE) received an unsolicited proposal from two contractors that pertained to the Department's Depleted Uranium Hexafluoride (DUF<sub>6</sub>) Management Program and subsequently pursued award of a contract through what was then the Department's Pittsburgh Energy Technology Center (PETC). PETC issued a site contractor a task order that covered the proposed work; that contractor subcontracted to one of the proposers to perform the work; and that proposer subcontracted with the other proposer.

NE did not process the unsolicited proposal in accordance with established Department policies and procedures pertaining to unsolicited proposals. Also, although other companies were known to be interested in participating in the DUF<sub>6</sub> Management Program and were known to have technology similar to that proposed by the two contractors, a competitive procurement was not pursued. By pursuing the award of a contract through PETC, NE effectively circumvented Federal requirements designed to promulgate and ensure the appropriate use of competition in contracting.

As a result, the OIG recommended that the Director of NE (1) ensure unsolicited proposals are processed in accordance with applicable Department policies and procedures and



Aerial View of the National Energy Technology Laboratory (Formerly known as Pittsburgh Energy Technology Center)

(2) ensure that, consistent with Federal requirements for competition in contracting, NE solicits proposals for its DUF<sub>6</sub> Management Program that will foster the Department's pursuit of effective disposition of its DUF<sub>6</sub>. Department management agreed that the unsolicited proposal was not handled in accordance with applicable policies and procedures and stated NE intends to use competitive mechanisms in the pursuit of effective disposition of DUF<sub>6</sub>. (INS-O-00-02)

### **Commercial Off-the-Shelf Acquisition Framework Needed by the Department**

The Department has no framework for the acquisition of commercial off-the-shelf (COTS) software, primarily because it had not developed and implemented software standards or effectively used enterprise-wide contracts. Department offices, both Federal and contractor, acquired application and operating system software that varied in type and price and duplicated procurement efforts by awarding and managing multiple contracts for the same product. The Department's inability to establish such a framework was due to its decentralized information technology strategy and a lack of organizational support. Without a framework, the Department has been unable to take advantage of enterprise-wide software contracts that could result in savings of about \$38 million over 5 years for just one of its major desktop software suites. Utilizing such contracts for other required applications could also significantly increase savings. Unless an acquisition framework is developed and implemented, the Department may also be unable to meet its current five-year Strategic Plan performance goals with regard to information technology related savings.

**Did you know?**

**Annual Information Technology expenditures at the Department are \$1.4 billion.**

Source: DOE/CIO Website,  
<http://cio.doe.gov>

Management agreed with the recommendations related to computer software standards and enterprise-wide software licensing to improve interoperability and efficiency. (IG-0463)

**Did You Know?**

**In FY 1999 the Department had over 3,000 computer related "incidents" (a 131% increase over FY 1998) and 130 successful computer system intrusions, which is based on 25% of the Department's sites reporting.**

**Source:** DOE Computer Incident Advisory Capability FY 1999 Annual Report, January 15, 2000

# **I NFORMATION TECHNOLOGY MANAGEMENT**

The OIG continued to improve its internal technology expertise to promote the efficient and effective operation of the Department's computer systems and protect the Department's critical infrastructures. The OIG now has the capability to quickly identify and take corrective actions whenever an attack or other abuse of Department and Department contractor computer systems occurs.

## **Unclassified Computer Networks Are at Risk**

Six Department sites had significant internal or external weaknesses that increased the risk of their unclassified computer networks being damaged by malicious attack. Each site had network vulnerabilities, including poor password management, unnecessary access to certain powerful computer services, weak configuration management, outdated software with known security vulnerabilities, and firewall configuration problems. Even though the Department became aware of a number of network security problems in recent years, it did not issue specific network security requirements until recently. In the absence of specific Department requirements, sites had not implemented a comprehensive network security program designed to test for password or configuration management issues or other internal and external vulnerabilities. The problems observed increased the risk that unauthorized or malicious knowledgeable insiders and external "hackers" could penetrate the Department's unclassified computing and network resources.

The OIG recommended that the Chief Information Officer, in conjunction with Lead Program Secretarial Officers and Managers of various field activities, resolve to fully implement the new Department Notice 205.1, "Unclassified Cyber Security Program." The OIG also recommended that specific goals and performance measures for improving the level of unclassified computer security

effectiveness

relating to network operations be established. Department management agreed, in principle, with the OIG recommendations. (IG-0459)

## **F INANCIAL MANAGEMENT**

The OIG reviews the management controls, accounting systems, and other processes that ensure that the Department and its contractors exercise proper accountability over Government financial resources. A major aspect of this is the annual audit of the Department's consolidated financial statements as required by the Government Management Reform Act of 1994.

### **Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Years 1999 and 1998**

The OIG audited the Department's financial statements as of and for the years ending September 30, 1999 and 1998. As stated in the opinion, the financial statements present fairly, in all material respects, the financial position of the Department as of September 30, 1999, and its consolidated net cost, changes in net position, budgetary resources, financial activities and custodial activities in conformity with generally accepted accounting principles. Also noted in the opinion is the fact that the 1998 financial statements contained an exception regarding the environmental liabilities line item. The *Matters of Emphasis* section of the opinion discusses a number of uncertainties confronting the financial information contained in the statements. The most significant of these relates to the environmental liability estimate.

Since the issuance of last year's audit report, the Offices of Environmental Management and Chief Financial Officer expended significant effort and resources to improve controls over the Department's estimating process for environmental liabilities. Management satisfactorily addressed the internal control weakness reported in the prior year by developing a documented, complete and updated environmental liabilities

# efficiency

estimate. These efforts resulted in a transition from a qualified opinion in the prior year to an unqualified opinion on the FY 1999 statements.

In accordance with *Government Auditing Standards*, the OIG also issued a separate report on the Department's internal controls. This report discusses needed improvements to the financial management system at Western Area Power Administration (Western). Specifically, the new financial management system implemented by Western was not in compliance with Federal Financial Management Improvement Act requirements. This problem was considered a material weakness, but did not have a material effect on the financial statements because of adjustments and corrective actions taken by the Department. In addition, there were three reportable conditions that did not materially affect the Department's financial statements for FYs 1999 and 1998: (1) data used for the active facilities component of the environmental liability estimate was not reliable, (2) significant weaknesses rendered computer networks vulnerable to malicious attacks, and (3) controls over performance measure information presented in the Overview to the financial statements needed to be strengthened.

The OIG also issued a report on the Department's compliance with applicable laws and regulations. With the exception of Western's noncompliance with the Federal Financial Management Improvement Act, the results of OIG tests in this area disclosed no compliance matters reportable under applicable audit standards.

A number of other issues were disclosed during the audit relating to the Department's internal controls that did not materially affect the Department's financial statements. These matters will be communicated to the Chief Financial Officer and the Heads of field elements in separate reports. The recommendations made in these reports are designed to strengthen internal controls or improve operating efficiencies. (IG-FS-00-01)

economy

## **Reprogramming of Department Funds**

The OIG received an allegation that \$4.5 million of \$18 million budgeted by the Department for the Interdepartment Radio Advisory Committee Radio Conversion to 12.5 kHz Project (IRAC Project) was inappropriately going to be used for other purposes.

The Office of Defense Programs' FY 1999 budget request to Congress identified \$18 million for the IRAC Project. In executing its budget, the Office of Defense Programs reallocated \$5 million of the \$18 million to the Jasper Gas Gun Project, an unfunded project with congressional interest, as expressed in Conference Report 105-749. The Department did not consider the reallocation of funds to be a reprogramming and did not report it to Congress. Although there was no evidence of a misuse of the funds budgeted for the IRAC Project, based upon General Accounting Office, Office of Management and Budget, and congressional guidance, the OIG concluded that the Department's redirection of the IRAC Project funds was a reprogramming action and that appropriate notification should have been made to Congress. The OIG recommended to the Chief Financial Officer (CFO) that appropriate notification be made to Congress regarding the reprogramming of IRAC Project funds. The CFO disagreed with the OIG's conclusion, but agreed to notify Congress of the allocation of funds.  
(INS-L-00-02)

## **ADMINISTRATIVE SAFEGUARDS**

Administrative operations are particularly vulnerable to waste and abuse. During the reporting period, OIG work resulted in a conviction for embezzlement and another for theft.

effectiveness

### **Contractor Employee Guilty of Embezzling Funds**

A joint investigation between the OIG and the U.S. Department of Labor determined that a Department contractor employee, who was also a former president of a labor union, submitted duplicate claims to the union and the individual's employer at the INEEL. The claims were submitted for the same hours worked, and resulted in a loss of over \$16,000 to the Government.

The U.S. Attorney's Office in the District of Idaho accepted this case for criminal prosecution. The contractor employee pleaded guilty to one count of embezzling from a labor union in violation of Title 29, U.S.C. § 501(c). Following the plea, the employee (1) made full restitution of the embezzled funds, (2) was fined \$900, (3) was sentenced to 6 months home detention and 3 years probation, and (4) was prohibited from being a union officer for 13 years. Additionally, the employee was terminated from employment at INEEL. (I98IF001)

### **Contractor Employee Guilty of Stealing Computers**

A former Department contractor employee, who was a Captain with Security Operations, stole computer equipment valued at approximately \$3,600 from the INEEL. The investigation uncovered information that the thefts occurred during patrols and non-working hours. The employee admitted to various thefts at the INEEL and then resigned as a result of the OIG investigation.

The U. S. Attorney's Office in the District of Idaho accepted this case for criminal prosecution. The contractor employee pleaded guilty to one count of Title 18, U.S.C., Section 641 (Theft of Government Property). Sentencing is scheduled for June 2000. (I98IF005)

## **Did you know?**

**The Department's Oak Ridge Reservation, which is home to the Oak Ridge National Laboratory, the Y-12 Plant, and the East Tennessee Technology Park, covers 35,252 acres.**

Source: "Department of Energy's Oak Ridge Operations" fact sheet, June 1, 1999

## **Subcontractor Employee Convicted of Theft**

In a previous Semiannual Report, the OIG reported a substantiated allegation that subcontractor employees had stolen copper from the Y-12 Plant, Oak Ridge, Tennessee. The subcontractor was hired to install an electrical system at a Y-12 Plant construction site.

Subcontractor employees had stolen approximately \$10,900 worth of copper. The District Attorney General, Anderson County, Tennessee, accepted this case for criminal prosecution.

During this reporting period, one of the subcontractor employees entered a plea of Nolo Contendre to Class D Felony Theft. The employee was sentenced to 2 years supervised probation and ordered to pay court and supervision costs. (I95OR022)

## **Contractor Employees Used Travel Funds Inappropriately**

The OIG reviewed an allegation that specified domestic partners working at a National Laboratory were traveling together at Government expense without an appropriate business purpose or were taking vacations or conducting personal business while on official travel. The OIG identified three trips that in whole or part were inappropriately paid for with Department funds and recommended recovery of \$12,333. The OIG also recommended certain actions in connection with possible falsified travel documentation filed by one contractor employee. Management concurred in principle with the report recommendations. (S99IS022)

## **Questionable Conduct by a Senior Executive**

The OIG reviewed a complaint that a Department Senior Executive was engaging in inappropriate conduct from which a close friend derived personal benefit, in violation of 5 CFR 2635, "Standards of Ethical Conduct for Employees of the Executive Branch."

efficiency

The review identified a pattern of questionable conduct by the Senior Executive and by senior contractor staff involved in the matter. The OIG recommended that the responsible Operations Office Manager take appropriate actions to address the Senior Executive's conduct and ensure senior Department managers are aware of their ethical obligations. The OIG also recommended that the Manager, in consultation with the General Counsel, determine whether contractor officials committed any ethical or contractual violations.

The Operations Office Manager concurred with the recommendations and stated that senior managers would receive ethics instruction and a key contractor official would receive a "written expression of disappointment" regarding the individual's failure to report in a timely manner the Senior Executive's behavior. Management decided to reassign the Senior Executive to a nonsupervisory Senior Executive position. (S00IS003)

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# Other Accomplishments

## Did you know?

**The OIG is currently assisting DOJ in 24 Qui Tam lawsuits with an estimated potential recovery value of \$101 million.**

**Source:** Energy Inspector General Project Tracking System

## Qui Tams

The False Claims Act (Act) prohibits any person from “knowingly” presenting “a false or fraudulent claim for payment or approval” to the Federal Government. The Act authorizes individual citizens to bring private suits, referred to as Qui Tam actions, to enforce the Act on behalf of the Government. Since 1996, the OIG has been instrumental in assisting the Department of Justice (DOJ) in Qui Tam cases in which it is alleged that a Department of Energy contractor has submitted false claims.

## OIG Reorganization

Earlier this year, the OIG reorganized its operations. The reorganization is designed to:

- address succession planning needs,
- allow delegation of certain day-to-day administrative responsibilities,
- clarify and integrate the criminal/ non-criminal roles of the OIG Offices of Investigations and Inspections, and
- place the office’s complaint coordination process in a unified management setting. In furtherance of this objective, the OIG is transferring the OIG hotline function from the Office of Investigations to the Office of Inspections.

## Management Referral System

The OIG operates an extensive Management Referral System. Under this system, selected non-criminal matters received through the OIG Hotline or other sources are referred to the appropriate Department manager or other Government agency for review and appropriate action. Complaints referred may include such matters as time and attendance abuse, misuse of Government vehicles and equipment, violations of established policy, and standards of conduct violations.

economy

The OIG referred 164 complaints to Department management and other government agencies during the reporting period. The OIG asked Department management to respond concerning the actions taken on 72 of these complaints.

### **Intelligence Activities**

The OIG issued two quarterly intelligence reports pursuant to Executive Order 12863, “President’s Foreign Intelligence Advisory Board.” The Order requires the Inspectors General of the Intelligence Community to report to the Intelligence Oversight Board concerning intelligence activities that the Inspectors General have reason to believe may be unlawful or contrary to Executive Order or Presidential Directive.

### **Legislative Regulatory Review**

The OIG coordinated and reviewed 17 legislative and regulatory items, as required by the Inspector General Act of 1978. The Act requires the OIG to review existing and proposed legislation and regulations relating to Department programs and operations and to comment on the impact which they may have on economical and efficient operations of the Department.

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# Reports Issued

## ***AUDIT REPORTS ISSUED IN THE FIRST HALF OF FISCAL YEAR 2000***

Report Number	Title	Date	Savings	Questioned Costs
<b>HQ-L-00-01</b>	Charitable Giving Requirements in Department of Energy Contracts	03-14-00		
<b>HQ-L-99-02</b>	Audit of the Department of Energy's Working Capital Fund	11-24-99		
<b>CR-L-00-01</b>	Survey of the Department's Contract Clauses in M&O Contracts	11-05-99		
<b>CR-L-00-02</b>	Survey of the Department of Energy's Travel Manager System	11-12-99		
<b>CR-L-00-03</b>	Federal Managers' Financial Integrity Act Audit Report	02-15-00		
<b>CR-L-00-04</b>	Department Programs in the Former Soviet Union	03-08-00		
<b>CR-FC-00-01</b>	Federal Energy Regulatory Commission's Fiscal Year 1999 Financial Statement Audit	02-14-00		
<b>CR-FS-00-01</b>	Management Report on Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 1999	03-10-00		
<b>ER-C-00-02</b>	Indirect Costs for Fiscal Years 1993 Through 1995 Princeton University, Princeton, New Jersey	03-17-00		
<b>ER-FC-00-01</b>	U.S. Department of Energy Office of Environmental Management Uranium Enrichment Decontamination and Decommissioning Fund Financial Statements, September 30, 1998	11-08-99		

# Reports Issued

## ***AUDIT REPORTS ISSUED IN THE FIRST HALF OF FISCAL YEAR 2000***

Report Number	Title	Date	Savings	Questioned Costs
<b>ER-FS-00-01</b>	Results of Audit Procedures Performed at the Strategic Petroleum Reserve During the Audit of the Department of Energy's Consolidated Fiscal Year 1999 Financial Statements	03-23-00		
<b>ER-FS-00-02</b>	Results of Audit Procedures Performed at Savannah River Operations Office During the Audit of the Department of Energy's Consolidated Fiscal Year 1999 Financial Statements	03-23-00		
<b>ER-FS-00-03</b>	Results of Audit Procedures Performed at Chicago Operations Office During the Audit of the Department of Energy's Consolidated Fiscal Year 1999 Financial Statements	03-23-00		
<b>ER-FS-00-04</b>	Results of Audit Procedures Performed at the Oak Ridge Operations Office During the Audit of Department of Energy's Consolidated Fiscal Year 1999 Financial Statements	03-23-00		
<b>ER-L-00-01</b>	Strategic Petroleum Reserve Royalty-In-Kind Oil Program	11-04-99		
<b>ER-L-00-02</b>	Remediation of the Waste Pits at the Fernald Environmental Management Project	11-09-99		\$335,000
<b>ER-L-00-03</b>	Implementation of the Government Performance and Results Act at the Oak Ridge Operations Office	11-29-99		

# Reports Issued

## ***AUDIT REPORTS ISSUED IN THE FIRST HALF OF FISCAL YEAR 2000***

Report Number	Title	Date	Savings	Questioned Costs
<b>ER-V-00-01</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed and Reimbursed to West Valley Nuclear Services, Inc., Under Department of Energy Contract No. DE-AC07-81NE44139	10-12-99		
<b>ER-V-00-02</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Dyn McDermott Petroleum Operations Company Under Department of Energy Contract No. DE-AC97-93PO1800	03-09-00		
<b>ER-V-00-03</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Argonne National Laboratory Under Department of Energy Contract No. W-31-109-ENG-38	03-09-00		
<b>ER-V-00-04</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Lockheed Martin Energy Systems, Inc. and Lockheed Martin Energy Research Corporation Under Department of Energy Contracts No. DE-AC05-84OR21400 and No. DE-AC05-96OR22464	03-23-00		\$1,538,183

# Reports Issued

## ***AUDIT REPORTS ISSUED IN THE FIRST HALF OF FISCAL YEAR 2000***

Report Number	Title	Date	Savings	Questioned Costs
<b>WR-B-00-01</b>	Analytical Laboratory Capabilities at the Hanford Site	11-23-99	\$2,625,000	\$550,000
<b>WR-B-00-02</b>	Property and Facilities at Grand Junction	12-10-99	\$360,000	
<b>WR-B-00-03</b>	Outsourcing Opportunities at the Los Alamos National Laboratory	01-18-00		
<b>WR-B-00-04</b>	Staff Augmentation Workers at Sandia National Laboratories	03-23-00	\$4,680,000	
<b>WR-L-00-01</b>	Nevada Operations Office's Grant and Cooperative Agreement Administration	01-13-00		
<b>WR-L-00-02</b>	Yucca Mountain Project Viability Assessment Goals	01-25-00		
<b>WR-L-00-03</b>	Work for Others at Sandia National Laboratories	02-17-00		
<b>WR-L-00-04</b>	Results of Audit Procedures Performed at the Oakland Operations Office During the Audit of the Department's Consolidated Fiscal Year 1999 Financial Statements	03-15-00		
<b>WR-FS-00-01</b>	Matters Identified at the Hanford Site During the Audit of the Department of Energy's Consolidated Fiscal Year 1999 Financial Statements	03-15-00		
<b>WR-FS-00-02</b>	Matters Identified at the Idaho Operations Office During the Audit of the Department of Energy's Consolidated Fiscal Year 1999 Financial Statements	03-20-00		

# Reports Issued

## ***AUDIT REPORTS ISSUED IN THE FIRST HALF OF FISCAL YEAR 2000***

Report Number	Title	Date	Savings	Questioned Costs
<b>WR-V-00-01</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Lockheed Martin Idaho Technologies Company Under Department of Energy Contract Nos. DE-AC07-94ID13223 and DE-AC07-94ID13299	10-21-99		\$76,720
<b>WR-V-00-02</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Westinghouse Electric Corporation, Waste Isolation Division Under Department of Energy Contract No. DE-AC04-86AL3195	03-21-00		
<b>IG-FS-00-01</b>	Audit of the U.S. Department of Energy's Consolidated Financial Statements for Fiscal Years 1999 and 1998	02-17-00		
<b>IG-0453</b>	Waste Incineration at the Savannah River Site	10-13-99	\$175,002,120	
<b>IG-0454</b>	Waste Incineration at the Idaho National Engineering and Environmental Laboratory	12-15-99	\$18,100,000	
<b>IG-0456</b>	The Management of Tank Waste Remediation at the Hanford Site	01-21-00		

# Reports Issued

## ***AUDIT REPORTS ISSUED IN THE FIRST HALF OF FISCAL YEAR 2000***

Report Number	Title	Date	Savings	Questioned Costs
<b>IG-0457</b>	Follow-up Audit of Program Administration by the Office of Science	01-24-00		
<b>IG-0458</b>	In-Vitro Bioassay Services at Department of Energy Facilities	02-15-00	\$1,620,000	
<b>IG-0459</b>	Unclassified Computer Network Security at Selected Field Sites	02-15-00		
<b>IG-0460</b>	The Department's Management and Operating Contractor Make-or-Buy Program	02-17-00	\$5,300,000	
<b>IG-0461</b>	Groundwater Monitoring Activities at Department of Energy Facilities	02-22-00	\$17,876,745	
<b>IG-0462</b>	National Low-Level Waste Management Program	02-24-00	\$ 3,283,900	
<b>IG-0463</b>	Commercial Off-the-Shelf Software Acquisition Framework	03-20-00	\$38,200,000	

# Reports Issued

## ***INSPECTION REPORTS ISSUED IN THE FIRST HALF OF FISCAL YEAR 2000 \****

Report Number	Title	Date	Savings	Questioned Costs
<b>INS-L-00-01</b>	Inspection of Selected Issues Regarding the Groundwater Monitoring Program at the Los Alamos National Laboratory	11-22-99		
<b>INS-L-00-02</b>	Alleged Misuse of IRAC Conversion Project Funds	12-17-99		
<b>INS-L-00-03</b>	Inspection of Lawrence Livermore National Laboratory Travel Issues	02-24-00		
<b>INS-L-00-04</b>	Inspection of Review of Applied Biophysical Lab at SNL	03-13-00		
<b>INS-O-00-01</b>	Inspection of Selected Issues of the Chem-Bio Facility at the Oak Ridge National Laboratory	11-30-99		
<b>INS-O-00-02</b>	Inspection of Alleged Improprieties Regarding Issuance of a Contract	12-16-99		
<b>IG-0455</b>	Inspection of the Sale of a Paragon Supercomputer by Sandia National Laboratories	12-22-99		
<b>IG-0464</b>	Follow-on Review of the Status of the U.S. Department of Energy's Counterintelligence Implementation Plan	03-22-00		
<b>IG-0465</b>	Inspection of the Department of Energy's Export License Process for Foreign National Visits and Assignments	03-23-00		

# Statistics

## At Your Service

### AUDIT REPORT STATISTICS October 1, 1999, to March 31, 2000

The following table shows the total number of operational and financial audit reports, and the total dollar value of the recommendations.

	Total Number	One-Time Savings	Recurring Savings	Total Savings
Those issued before the reporting period for which no management decision has been made:*	12	\$288,894,160	\$117,200,000	\$406,094,160
Those issued during the reporting period:	43	\$92,212,522	\$177,335,146	\$269,547,668
Those for which a management decision was made during the reporting period:*	20	\$229,249,184	\$147,500,630	\$376,749,814
<i>Agreed to by management:</i>		\$70,174,792	\$122,472,630	\$192,647,422
<i>Not agreed to by management:</i>		\$89,673,672	\$23,732,000	\$113,405,672
Those for which a management decision is not required:	23	\$1,873,183	\$0	\$1,873,183
Those for which no management decision had been made at the end of the reporting period:*	12	\$221,258,218	\$148,330,516	\$369,588,734

\*The figures for dollar items include sums for which management decisions on the savings were deferred.

### AUDIT REPORT STATISTICS October 1, 1999, to March 31, 2000

The following table shows the total number of contract audit reports, and the total dollar value of questioned costs and unsupported costs.

	Total Number	Questioned Costs	Unsupported Costs
Those issued before the reporting period for which no management decision has been made:	5	\$6,552,760	\$144,936
Those issued during the reporting period:	1	\$0	\$0
Those for which a management decision was made during the reporting period:	3	\$158,543	\$60,695
<i>Value of disallowed costs:</i>		\$111,411	\$7,930
<i>Value of costs not disallowed:</i>		\$47,132	\$52,765
Those for which a management decision is not required:	0	\$0	\$0
Those for which no management decision had been made at the end of the reporting period:	3	\$6,394,217	\$84,241

# Statistics

## ***At Your Service***

The following are audit reports issued before the beginning of the reporting period for which no management decisions had been made by the end of the reporting period, the reasons management decisions had not been made, and the estimated dates (where available) for achieving management decisions. These audit reports are over 6 months old without a management decision. The Department has a system in place which tracks audit reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by audit agencies and agreed to by management are addressed and effected as efficiently and expeditiously as possible.

*The Contracting Officers have not yet made decisions on the following contract reports for the following reasons. They include delaying settlement of final costs questioned in audits pending completion of review of work papers and voluminous additional records.*

ER-CC-93-05      Report Based on the Application of Agreed-Upon Procedures With Respect To Temporary Living Allowance Costs Claimed Under Contract No. DE-AC09-88SR18035, October 1, 1987, to September 20, 1990, Bechtel National Inc., San Francisco, California, and Bechtel Savannah River, Inc., North Augusta, South Carolina, May 3, 1993  
*(Estimated date of closure: September 30, 2000).*

WR-C-95-01      Independent Final Audit of Contract No. DE-AC34-RIRF00025, July 26, 1990, to March 31, 1993, Wackenhut Services, Inc., Golden, Colorado, March 14, 1999  
*(Estimated date of closure: December 30, 2000).*

*Additional time was necessary to develop management decisions for the following reports. Further explanations for the delays follow each audit report.*

CR-B-97-02      Audit of Department of Energy's Contractor Salary Increase Fund, April 4, 1997. *The finalization of the management decision on this report is awaiting resolution of one outstanding issue. It is estimated that this will occur by September 30, 2000.*

# Statistics

## At Your Service

- |            |   |
|------------|---|
| ER-B-99-06 | Bechtel Jacobs Payroll Creation, April 14, 1999. <i>The unresolved issues were presented to the Departmental Internal Control and Audit Review Council. Department Elements are being consulted on corrective action. Resolution is expected to occur by June 30, 2000.</i> |
| IG-0411    | Contractors Incentive Programs at the Rocky Flats Environmental Technology Site, August 13, 1997. <i>The finalization of the management decision on this report is pending the resolution of one outstanding legal issue. This should occur by September 30, 2000.</i>      |
| IG-0430    | The U.S. Department of Energy's Project Hanford Management Contract Costs and Performance, November 5, 1998. <i>The finalization of the management decision on this report is pending concurrence by Department Heads. This is expected to occur by April 30, 2000.</i>     |
| IG-0440    | Waste Treatment Plans at the Idaho National Engineering and Environmental Laboratory, February 4, 1999. <i>A final management decision is being reviewed by the necessary Department Elements. It is estimated that this will occur by May 30, 2000.</i>                    |
| CR-B-99-02 | Management of Unneeded Materials and Chemicals, September 30, 1999. <i>The finalization of the management decision is pending resolution of accountability issues. It is estimated that this will occur by December 30, 2000.</i>   |

# Statistics

## ***At Your Service***

### ***INVESTIGATIVE STATISTICS*** ***October 1, 1999, to March 31, 2000***

Investigations open at the start of this reporting period *	228
Investigations opened during this reporting period	33
Investigations closed during this reporting period	55
Investigations open at the end of this reporting period	206
Qui Tam investigations opened	3
Total open Qui Tam investigations as of 3/31/00	24
Multi-agency task force investigations opened	8
Total open multi-agency task force investigations as of 3/31/00	65
Investigative reports to prosecutors and Department management	9
Recommendations to management for positive change and other actions	7
Administrative discipline and other management actions	4
Investigations referred for prosecution	12
Accepted **	8
Pretrial diversions	2
Indictments	5
Criminal convictions	6
Pretrial diversions	1
Civil actions	3
Fines, settlements, recoveries ***	\$36,206,005

\* Total adjusted from prior reporting period.

\*\* Some of the investigations accepted during the 6-month period were referred for prosecution during a previous reporting period.

\*\*\* Some of the money collected was the result of task force investigations.

### ***Hotline Statistics***

Hotline calls, letters, and other complaints	544
Hotline calls, letters, and other complaints predicated	261
Hotline referrals received via the General Accounting Office	1
Unresolved complaints from previous reporting periods	28
Total Hotline actions predicated	290
Investigations opened on Hotline complaints	19
Hotline actions pending disposition	64
Hotline actions transferred to the Management Referral System	105
Hotline actions that required no OIG activity	102
Total Hotline actions disposition	290

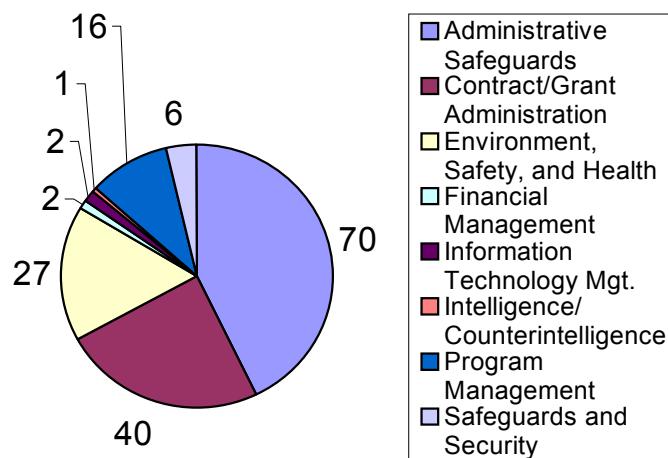
# Statistics

## At Your Service

### INSPECTION STATISTICS October 1, 1999, to March 31, 2000

Inspections open at the start of this reporting period	47
Inspections opened during this reporting period	22
Multiagency reviews completed	2
Inspections closed during this reporting period	15
Inspections open at the end of this reporting period	54
Reports issued (includes non-public reports)	17
Inspection recommendations	
Accepted this reporting period	36
Implemented this reporting period	43
Qui Tams processed	6
Legislative and policy actions processed	17
Funds recovered	\$713,537
Complaints referred to Department management/others	164
Referrals to Department management requesting a response for OIG evaluation	72
Management responses received	88

**Management Referral System**  
(complaints referred by major issue area)



# Feedback Sheet

The contents of the April 2000 Semiannual Report to Congress comply with the requirements of the Inspector General Act of 1978, as amended. However, there may be additional data which could be included or changes in format which would be useful to recipients of the Report. If you have suggestions for making the Report more responsive to your needs, please complete this feedback sheet and return it to:

Department of Energy  
Office of Inspector General (IG-121)  
Washington, D.C. 20585

ATTN: Wilma Slaughter

**Your name:**

**Your daytime telephone number:**

**Your suggestion for improvement:** (please attach additional sheets if needed)

If you would like to discuss your suggestion with a staff member of the Office of Inspector General or would like more information, please call Wilma Slaughter at (202) 586-1924 or contact her on the Internet at [wilmantine.slaughter@hq.doe.gov](mailto:wilmantine.slaughter@hq.doe.gov).