



U.S. Department of Energy
Office of Inspector General
Office of Audit Services

Audit Report

Reindustrialization of the East Tennessee Technology Park

DOE/IG-0623

October 2003



Department of Energy

Washington, DC 20585

October 14, 2003

MEMORANDUM FOR THE SECRETARY

Gregory H. Friedman
Inspector General

FROM: **SUBJECT:** INFORMATION: Audit Report on "Reindustrialization of the East Tennessee Technology Park"

BACKGROUND

The East Tennessee Technology Park (ETTP), formerly known as the K-25 Gaseous Diffusion Plant, was built as part of the Manhattan Project and was used to enrich uranium for national defense purposes. The plant was shut down in 1987, and its mission was changed to environmental cleanup and site closure. ETTP contains over 500 buildings, totaling 14 million square feet of space. All of the buildings must be decontaminated, decommissioned, and either demolished or transferred for private sector use before closure is completed.

In 1997, the Oak Ridge Operations Office (Oak Ridge) announced a plan to "reindustrialize" a large portion of the ETTP by transitioning it into a commercial industrial park. According to the plan agreed to by the Department of Energy's Office of Environmental Management (Environmental Management), certain buildings would be leased to private companies, thereby accelerating the pace of cleanup and reducing associated costs. The Department and its environmental management contractor, Bechtel Jacobs Company, LLC, (Bechtel Jacobs) partnered with the Community Reuse Organization of East Tennessee (CROET) to carry out the reindustrialization effort at the ETTP site.

The objective of the audit was to determine if the reindustrialization program at ETTP has resulted in a safe and cost-effective program to facilitate site closure.

RESULTS OF AUDIT

The audit disclosed that since the reindustrialization program began, work on the site's most contaminated and unsafe building has been deferred while buildings with perceived reuse potential have been cleaned up in an effort to increase commercial tenants at the site. Despite this approach, the Department could not demonstrate that the program was operating as intended. Confirmation of cost savings, for example, was elusive. In fact, the Department had obtained commitments for the reuse of only a small fraction of available space. We concluded that the goals of the reindustrialization program were inconsistent with the broader programmatic objectives of the Environmental Management program. Further, the reindustrialization program lacked appropriate management controls.



Printed with soy ink on recycled paper

While the reindustrialization concept was well intended, in our view, the Department would have improved its return on investment if the use of appropriated funds had been focused on efforts to decontaminate, decommission, and demolish ETTP's higher risk facilities. We were informed that Oak Ridge's 2002 Accelerated Closure Plan -- which calls for demolition of any site facility not transferred to CROET -- has the potential to substantially accelerate site closure and reduce cleanup costs. To date, however, only about 5 percent of the square footage at ETTP has been leased to CROET tenants, and less than 3 percent of the square footage has been demolished. Further, the Department plans to spend \$26 million for future reindustrialization activities that may not reduce site closure costs.

To address this situation, we recommended that the Assistant Secretary for Environmental Management discontinue the use of cleanup funds to prepare ETTP facilities for reuse, except in cases where CROET has formally agreed to accept ownership. We also recommend that management evaluate the allowability of costs questioned in the audit report.

The Office of Inspector General recognizes the important part that community reuse organizations, such as CROET, play in representing local interests as the Department's role in regional economies changes. However, Department managers, in our judgment, must exercise care to ensure that the interests of all Federal taxpayers are protected. We discussed similar issues in our report on *Utility System Leases at the East Tennessee Technology Park* (DOE/IG-0609, June 2003) and our report on *Transfer of Excess Personal Property from the Nevada Test Site to the Community Reuse Organization* (DOE/IG-0589, March 2003).

MANAGEMENT REACTION

The Assistant Secretary for Environmental Management found the conclusions in the report to be consistent with the Department's *Top to Bottom Review of the Environmental Management Program* and concurred with the "spirit" of the recommendations. However, in separate technical comments, the Oak Ridge Operations Office management did not agree with our conclusion that emphasis has been placed on reindustrialization with the work on contaminated and unsafe buildings deferred; that costs savings attributed to reindustrialization were not accurate; and, that the Department has spent funds to enhance the marketability of buildings. Based on management's comments, we made modifications to the body of the report. Management's concerns and our analysis are also summarized beginning on page 6 of the report.

Attachment

cc: Deputy Secretary
Under Secretary for Energy, Science and Environment
Assistant Secretary for Environmental Management
Manager, Oak Ridge Operations Office

REINDUSTRIALIZATION OF THE EAST TENNESSEE TECHNOLOGY PARK

TABLE OF CONTENTS

Program Accomplishments

| | |
|------------------------------------|---|
| Details of Finding | 1 |
| Recommendations and Comments | 6 |

Appendices

| | |
|---|----|
| Prior Audit Reports..... | 9 |
| Objective, Scope, and Methodology | 10 |
| Management Comments..... | 12 |

PROGRAM ACCOMPLISHMENTS

Background

The Community Reuse Organization of East Tennessee (CROET), with Bechtel Jacobs Company, LLC, (Bechtel Jacobs) assistance, has acted as a leasing agent to attract private companies interested in leasing buildings, space, and equipment at the East Tennessee Technology Park (ETTP). The Department of Energy (Department) leased facilities and equipment to CROET at no cost, and CROET sublet these facilities to commercial companies. CROET attracted tenants with innovative leasing arrangements such as favorable lease terms for buildings where commercial entities assumed some or all of the responsibility for cleanup activities.

Safe and Cost-Effective Cleanup

Under the reindustrialization program, emphasis has been given to cleaning up buildings with perceived reuse potential while work on the site's most contaminated and unsafe building has been deferred. Despite this strategy, little savings or contributions to the cleanup effort have been realized, and the Department has obtained few commitments for the reuse of available buildings.

When reindustrialization began, ETTP's Building K-25 posed the greatest risk to workers and the environment from exposure to radioactive, hazardous, and toxic materials, and from structural collapse. It is the oldest production facility at the site, and is classified as a Nuclear Category 2 building¹. Nonetheless, while the Department has been focusing on reindustrialization, little has been done to lessen risks associated with K-25. For example, Bechtel Jacobs reported that from 1998 to 2002, the number of damaged roof panels increased by 546 percent and the number of damaged floor panels nearly doubled. Bechtel Jacobs also reported that beams had so degraded that workers may have to reinforce the structure before decontamination and decommissioning efforts begin. Overall risks to workers, who must wear respirators while carrying out required surveillance and maintenance activities, are significant. Moreover, surveillance and maintenance costs for the building are the highest on site at \$5 million a year.

Notwithstanding the conditions associated with K-25, the Department spent over \$231 million to clean up buildings with lower health and safety risks but greater perceived potential for reuse. For example, as

¹ A Nuclear Category 2 building is one that has a potential for significant on-site consequences or the potential for criticality.

of October 2002, the Department had paid BNFL, Inc. (BNFL) about \$219 million to decontaminate and decommission Buildings K-29, K-31, and K-33, and to prepare them for reuse. BNFL has made progress in completing the cleanup of K-33 and disposed of significant amounts of contaminated material and equipment. However, whatever perceived appeal the buildings might have had to prospective tenants, at the time of our audit, no commitments were made to take title to the buildings.

In fact, the reuse of K-29 and K-33 remain highly questionable. According to CROET's 2000 Strategic Plan, the K-29 facility "... is contaminated, dilapidated, aesthetically unpleasing, and ... an extremely unlikely candidate for reuse." The reuse of K-33 is also questionable if widespread polychlorinated biphenyl contamination on the building's floor cannot be mitigated. According to a project management document, all of the BNFL buildings may have contaminated soils underneath them. Department officials indicated that CROET is reluctant to, and may not be able to, accept any facilities that have contaminated soil underneath them. Thus, it is doubtful the Department will transfer any of the BNFL buildings to CROET.

Further, the audit disclosed that reindustrialization has not, despite expectations, reduced overall cleanup costs at ETTP. We estimated that since 1997, the Department has spent approximately \$51 million for Bechtel Jacobs' reindustrialization support activities, but has only realized \$4 million in verifiable cost reductions. The cited reindustrialization support activities do not include costs associated with decontamination and decommissioning and are comprised of the following:

- \$41 million, including \$4 million in incentive fees, for the Bechtel Jacobs reindustrialization organization. Bechtel Jacobs currently has a staff of 11 devoted to the program. This group works with CROET to market buildings to the private sector, negotiate barter agreements with private companies to clean buildings at reduced rates, and to prepare the necessary environmental surveys and documentation.
- \$10 million on ETTP infrastructure maintenance and upgrades, such as roof replacements and repairs, to support leasing activities. These improvements were made primarily on the basis of potential reuse.

During our review, management stated that the Department has saved millions of dollars in surveillance and maintenance costs for buildings that were leased to CROET because CROET paid all surveillance and maintenance costs during the leases. We recognize that the Department may have realized some reduction in surveillance and maintenance costs for facilities leased by CROET. However, management was unable to specifically quantify or document any of these cost reductions. Further, the available evidence leads us to conclude that the cost reductions were relatively minor because the leased facilities cited by management included administrative facilities and office buildings that were in good condition when CROET took control of the space.

Program Goals and Controls

The reindustrialization program's goals did not always lead to actions consistent with promoting a safer and more cost-effective cleanup. Reindustrialization's emphasis was attracting tenants to reuse ETTP facilities that were no longer needed by the Department. According to the Department's 1998 report, *Accelerating Cleanup: Paths to Closure*, reindustrialization was established to develop and implement a reuse plan for a full transition from the Department and its prime contractors to the private sector. Similarly, CROET's 2000 Strategic Plan stated that reindustrialization revolves around current and future opportunities to acquire reusable industrial space from the Department and lease it to the private sector. In contrast, the Office of Environmental Management's (Environmental Management) primary goal was to accelerate risk reduction and cleanup. At ETTP, cleanup decisions were generally based on the perceived potential for reuse rather than an assessment of environmental risk. As a consequence, work on the building with the greatest health and safety concern was deferred in favor of buildings viewed as attractive to a commercial user.

In addition, the Department had not established project controls sufficient to ensure that the program actually accelerated cleanup and reduced costs. For example:

- Funds to prepare ETTP facilities for reuse were expended without any commitment from CROET to take ownership of the buildings being renovated;
- Similarly, BNFL's scope of work allowed decontamination and decommissioning activities for reuse without any requirement for the identification of a customer; and,
- CROET was not required to contribute a portion of its lease revenues toward ETTP cleanup and closure.

Regarding the sharing of revenues, the Department envisioned, at the program's inception, using some of the funds from commercial leases to accelerate cleanup and reduce overall costs. Through the end of FY 2002, however, CROET contributed only \$136,000 of the over \$4 million collected in rent revenue to cleanup activities at ETTP. Oak Ridge Operations Office officials we spoke to were not knowledgeable about CROET's lease revenues and expenses because the information was considered to be proprietary.

In 2002, Environmental Management began a program to accelerate risk reduction and cleanup while protecting the health and safety of workers and the public, protecting the environment, and improving national security. To accelerate cleanup and closure at ETTP, the Oak Ridge Operations Office developed an accelerated closure schedule focused on rapid risk reduction and site closure by 2008. Under the Accelerated Closure Plan, some of the facilities that are currently leased to CROET will be made available for transfer to CROET between 2003 and 2006. If CROET does not accept ownership of the facilities according to the Department's schedule, the facilities will be decontaminated, decommissioned, and demolished on an accelerated schedule to support site closure by FY 2008. While this is a positive step, proposed title transfer dates on several of the facilities have already been extended by at least one year.

Effective Use of Funds and Risk Reduction

In our judgment, the Department could have received a better return on its investment if the funds used for reindustrialization had been used, instead, to decontaminate, decommission, and demolish high-risk facilities at ETTP. Since 1996, the Department had spent \$242 million to decontaminate and decommission several ETTP facilities and prepare them for reuse or demolition. However, only about 5 percent of ETTP's square footage was leased to CROET tenants, and less than 3 percent of the square footage was actually demolished.

Meanwhile, deterioration of the K-25 building continues to accelerate and the potential for release of hazardous substances to the environment increases. Such releases could jeopardize the health and safety of workers, including increased risk of cancer, and could damage the environment.

Further, the Department continues to spend \$60 million a year to maintain and safeguard the site, a figure that would be lower had some of the high-risk buildings been addressed. In addition, the

Department plans to spend another \$26 million of Environmental Management funds for activities that do not directly relate to risk reduction or site closure. Specifically, the Department plans to spend \$17 million for future Bechtel Jacobs' reindustrialization support activities, and \$9 million to prepare the BNFL buildings for reuse, even though they are unlikely to be reused because of widespread contamination.

Finally, we identified \$673,000 in questionable costs paid by the Department for CROET tenants' bad debts. The Department paid \$534,000 in uncollectible phone and maintenance bills and \$139,000 in unpaid utilities. Federal Acquisition Regulation 31.205-3 states that bad debts arising from uncollectible customer accounts are unallowable. Unpaid utilities costs are also discussed in the Office of Inspector General Report DOE/IG-0609, *Utility System Leases at the East Tennessee Technology Park* (June 2003).

During our review, management stated that the ETTP reindustrialization program had met the Department's goals by reducing overall cleanup costs and accelerating closure of the site. Management stated that the BNFL contract would save the Department millions of dollars in cleanup costs if CROET accepts ownership of the buildings. However, subsequent to the issuance of our draft report, the Department directed BNFL to remove decontamination activities from the K-29 building's scope of work. Without these activities, this facility will not meet the regulatory requirements for transfer.

We recognize that the Department could realize substantial benefits from the ETTP reindustrialization program if CROET eventually takes ownership of ETTP facilities and accepts full responsibility for surveillance, maintenance, and future decontamination and decommissioning costs for the facilities. For example, if CROET takes ownership of buildings K-31 and K-33 and accepts full responsibility for surveillance and maintenance of the facility, the Department could avoid over \$60 million in demolition costs because the buildings would not have to be removed.

However, the Department has not yet transferred any buildings to CROET, and the regulators have not approved the process for doing so.² Thus, while the Department has made major investments in the

² In October 2003, the Oak Ridge Operations Office plans to submit a draft report, *Title Transfer Process for Facilities at the East Tennessee Technology Park*, to the regulators for review.

reindustrialization of ETTP facilities, it has no assurance that CROET will accept ownership of the buildings being prepared for transfer. Also, the contaminated soil underneath buildings to be transferred to CROET cannot be remediated until the buildings are demolished. As a result, the Department's soil remedial actions are delayed indefinitely by efforts to prepare the facilities for potential reuse.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Environmental Management:

1. Discontinue use of Environmental Management funds to prepare ETTP facilities for reuse except where CROET has formally agreed to accept ownership of the facilities;
2. Evaluate the cost benefit impacts of modifying BNFL's scope of work and contract price to eliminate preparation of the buildings for reuse unless CROET formally agrees to accept ownership of the facilities before the work is performed;
3. Require CROET to pay a proportionate share of surveillance and maintenance costs for facility space leased by CROET or CROET tenants; and,
4. Determine the allowability of costs paid for CROET tenants' bad debts and seek recovery of costs determined to be unallowable.

MANAGEMENT REACTION AND AUDITOR COMMENTS

The Assistant Secretary for Environmental Management concurred with the spirit of the recommendations, but expressed concerns with some of the statements in the report. In some cases, we modified the report to reflect management's technical comments. Other management comments, along with our responses, are discussed below.

The Assistant Secretary found the conclusions in the report to be consistent with the Department's *Top to Bottom Review of the Environmental Management Program*. As a result of the Secretary of Energy's direction to implement the recommendations of the Top to Bottom Review, an accelerated cleanup plan for Oak Ridge Reservation was established with the regulators in 2002. The plan focuses on risk reduction and closing the ETTP by 2008. The Assistant Secretary stated that leasing has been discontinued and reindustrialization through title transfer will be pursued if it reduces

costs and can be accomplished in advance of the ETTP decommissioning schedule, which is responsive to recommendation 1. The Assistant Secretary did not provide any corrective actions for recommendations 2, 3, or 4. The Assistant Secretary further stated that the Oak Ridge Operations Office (Oak Ridge) identified a number of statements of opinion that required correction and attached Oak Ridge comments to their management comments. The Assistant Secretary's comments are included as Appendix 3.

As further discussed below, Oak Ridge management did not agree with our conclusion that emphasis has been given to reindustrialization while work on contaminated and unsafe buildings has been deferred, that costs savings attributed to reindustrialization were not accurate, and that the Department has spent funds to enhance the marketability of buildings.

Oak Ridge management agreed that building K-25 is a priority in terms of risk reduction, but stated that there are other buildings at the site that were debatably in as bad or worse condition. In particular, the K-1420 Building was a Category 2 Nuclear building and now, as a result of Reindustrialization's activities, its classification has been reduced to a "Radiological Facility." Therefore, management stated, it is not accurate to conclude that emphasis has been given to cleaning up buildings with perceived reuse potential while work on the most contaminated and unsafe building has been deferred. However, our review disclosed that in 1996, it was estimated that K-25 had 75 times more highly enriched uranium in its piping and equipment than K-1420. Further, while K-1420 has been downgraded as a result of work completed through the reindustrialization program, the lessee has vacated the facility and left a significant amount of work to be completed. Specifically, Area B of the K-1420 building remains contaminated and the lessee abandoned a significant amount of hazardous and radioactive waste.

Also, Oak Ridge management stated that the Office of Inspector General did not accurately portray the cost savings resulting from reindustrialization. While the audit report indicates \$4 million in verifiable cost savings and \$51 million in program costs, management stated that the Department has identified \$538 million in verifiable life-cycle cost reductions and avoidances; and \$41 million in program cost reductions from the reindustrialization program. We disagree that reindustrialization will provide the Department with \$538 million in verifiable savings. The

\$469 million in cost avoidance from the BNFL contract is attributable to a change in contracting approach rather than reindustrialization. In addition, management's claimed cost savings of \$30.3 million for leasing the utility systems to CROET may not be realized. In our report on, *Utility System Leases at East Tennessee Technology Park* (DOE/IG-0609, June 2003), the Office of Inspector General found that the Department is paying about the same for utilities as it did before it entered the leases. Also, we question the validity of \$11.4 million in savings by transferring surveillance and maintenance costs from the Department to CROET. We were unable to obtain any detailed support from the Department to validate these savings during the audit. Further, the Department has continued to pay for surveillance and maintenance cost for many of the leased facilities.

Finally, Oak Ridge management stated that, as a matter of policy, there were no Department-funded facility modifications to improve the marketability of buildings. Any Department-funded renovations were to be only for the purpose of protecting the Department's interests in the area of safety, health, security, or environmental protection as necessary. While management asserted that it had not funded facility modifications to prepare for reuse, we found several instances where this occurred. For example, in a memorandum entitled *East Tennessee Technology Park Property Protection Area Reconfiguration - Path Forward To Proceed With Opening The Site*, the Department justified spending \$1.5 million to reconfigure the property protection area with the expectation that the effort would foster the vision of privatization and commercialization of the site. Additionally, on October 14, 1998, an emergency baseline change proposal was issued to perform overhead decontamination in K-1401. The change proposal stated that reindustrialization planned to lease this portion of the K-1401 facility starting in November 1998, and it was critical that the approval not be delayed. The work was completed, but the lease never materialized.

Appendix 1

PRIOR AUDIT REPORTS

- *Transfer of Excess Personal Property From the Nevada Test Site to the Community Reuse Organization* (DOE/IG-0589, March 2003) found that Nevada's personal property transfer practices did not strike an appropriate balance between the effort to assist community development and the need to ensure that taxpayers received reasonable consideration for property transferred to the local community reuse organization.
- *The Decontamination and Decommissioning Contract at the East Tennessee Technology Park* (DOE/IG-0481, September 12, 2000) found that BNFL was not on track to complete the decontamination and decommissioning (D&D) of three process buildings on schedule or within budget. The audit disclosed that the contractor's management team was ineffective and the Oak Ridge Operations Office did not pay sufficient attention to the contractor's escalating project cost. We estimated that the contract will cost \$94 million more than the current contract amount of \$250 million, and that completion was at least two years behind schedule.
- *Decontamination and Decommissioning at the East Tennessee Technology Park* (ER-B-99-01, December 1998) reported that the Oak Ridge Operations Office did not fully emphasize reductions in health, safety, and environmental risks when it selected D&D projects. Specifically, the Operations Office's contract with BNFL to D&D three buildings did not involve Building K-25, the facility that posed the greatest risk from exposure to radioactive waste, hazardous or toxic materials, and structural collapse. As a result, Building K-25 continued to deteriorate and hazards to workers and the environment were increased. We estimated that the Department could incur \$34.5 million in unnecessary surveillance and maintenance costs for Building K-25 between 1998 and 2002.
- *Utility System Leases at the East Tennessee Technology Park* (DOE/IG-0609, June 2003) reported that utility leases were inefficient and unnecessarily costly to the Department. Specifically, the leases were structured to create disincentives for reducing utility cost and improving operating efficiency; did not ensure that all funds the Department contributed for infrastructure repairs and rehabilitation were used for that purpose; and, did not adequately protect the Government's interests with respect to price adjustments and accountability over certain personal property. In originating the leases, the Department had not obtained competitive bids for management of the utility systems and infrastructure, nor had it included adequate safeguards in the lease agreements to protect taxpayer interests. As a result, the Department paid as much as \$6.9 million more than it needed to for utility services at ETTP in less than a five-year period. Moreover, the unnecessary expenditures represent funds that could otherwise have been used to help meet the Department's environmental cleanup goals at the ETTP site.

Appendix 2

OBJECTIVE

The objective of this audit was to determine if the reindustrialization program at the East Tennessee Technology Park (ETTP) had resulted in a safe and cost-effective program to facilitate site closure.

SCOPE

The audit was performed from June 2002 through April 2003 at the ETTP, the Community Reuse Organization of East Tennessee (CROET), and the Oak Ridge Operations Office in Oak Ridge, Tennessee. The scope of the audit included the reindustrialization and cleanup activities performed at ETTP from 1996 through 2003.

METHODOLOGY

To accomplish the audit objective, we:

- Obtained and reviewed applicable laws, regulations, and Departmental policies for the transfer of assets to the private sector;
- Reviewed reindustrialization activities and analyzed reported savings derived from these activities;
- Assessed cleanup activities completed since 1996 and compared actual performance to the accelerated closure schedule;
- Analyzed cleanup costs incurred since 1996 to determine if Environmental Management funds were used for economic development activities;
- Examined the role CROET plays in reindustrialization at ETTP; and,
- Held discussions with Department, CROET, and Bechtel Jacobs personnel.

The audit was conducted 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 audit objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. Because only a limited amount of computer-processed data was used during the audit, we did not conduct a reliability assessment of computer-processed data.

Finally, we assessed the Department's compliance with the Government Performance and Results Act of 1993. The Department's Performance Evaluation Plan with Bechtel Jacobs had measurable performance standards related to the contractor's support of leasing activities. However, the standards did not measure the success of reindustrialization in accelerating cleanup and reducing cleanup costs.

We held an exit conference with the Oak Ridge Operations Office on October 9, 2003.

Appendix 3

DOE F 1325.8
(B-89)
EFG (07-90)

United States Government

Department of Energy

Memorandum

DATE: August 15, 2003

REPLY
TO
ATTN OF: EM-32 (Jud Lilly, 301-903-7218)

SUBJECT: EM Comments on the Inspector General Audit of Reindustrialization of the East Tennessee Technology Park

TO: Frederick D. Doggett, Deputy Assistant Inspector General for Audit Services

We have reviewed the Draft Audit Report on Reindustrialization of the East Tennessee Technology Park (ETTP). We find the Inspector General's conclusions to be consistent with the Department's Top to Bottom Review of the Environmental Management Program.

As a result of the Secretary of Energy's direction to implement the recommendations of the Top to Bottom Review, we established an accelerated cleanup plan for the Oak Ridge Reservation with our regulators in 2002. That plan is focused on risk reduction and closing the ETTP by 2008. Leasing has been discontinued. Reindustrialization through title transfer will be pursued if it reduces our costs and can be accomplished in advance of our decommissioning schedule.

The staff in the ORO have carefully reviewed the audit report and have identified a number of statements of opinion that require correction (see attachment). The ORO staff also believe that the report omitted discussion of important cleanup work accomplished by the reindustrialization program. The ORO staff comments are included as Attachment 1.

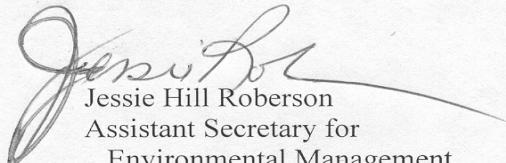
Obviously we concur with the spirit of the recommendations. However, we propose the following alternative wording focused on achievable actions:

- Revise recommendation 2 to read, "Evaluate the cost benefit impacts of modifying BNFL's scope of work and contract price to eliminate preparation of the buildings for reuse unless the Community Reuse Organization of East Tennessee (CROET) agrees to accept ownership of the facility before the work is performed."

Appendix 3 (continued)

2

- Concerning recommendation 3, DOE is moving to a title transfer approach rather than leasing to CROET. There is a schedule to have all appropriate facilities that will be transferred to CROET completed by FY 08.



Jessie Hill Roberson
Assistant Secretary for
Environmental Management

Attachment

cc: Gerald Boyd, OR
Robert Brown, OR
Judy Penry, OR

CUSTOMER RESPONSE FORM

The Office of Inspector General has a continuing interest in improving the usefulness of its products. We wish to make our reports as responsive as possible to our customers' requirements, and, therefore, ask that you consider sharing your thoughts with us. On the back of this form, you may suggest improvements to enhance the effectiveness of future reports. Please include answers to the following questions if they are applicable to you:

1. What additional background information about the selection, scheduling, scope, or procedures of the audit would have been helpful to the reader in understanding this report?
2. What additional information related to findings and recommendations could have been included in this report to assist management in implementing corrective actions?
3. What format, stylistic, or organizational changes might have made this report's overall message more clear to the reader?
4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report which would have been helpful?

Please include your name and telephone number so that we may contact you should we have any questions about your comments.

Name _____ Date _____

Telephone _____ Organization _____

When you have completed this form, you may telefax it to the Office of Inspector General at (202) 586-0948, or you may mail it to:

Office of Inspector General (IG-1)
Department of Energy
Washington, DC 20585

ATTN: Customer Relations

If you wish to discuss this report or your comments with a staff member of the Office of Inspector General, please contact Wilma Slaughter at (202) 586-1924.

The Office of Inspector General wants to make the distribution of its reports as customer friendly and cost effective as possible. Therefore, this report will be available electronically through the Internet at the following address:

U.S. Department of Energy, Office of Inspector General, Home Page
<http://www.ig.doe.gov>

Your comments would be appreciated and can be provided on the Customer Response Form attached to the report.