



U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL



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Annual Performance Report FY 2008
Annual Performance Plan FY 2009





Office of Inspector General

Gregory H. Friedman
Inspector General

*This report is also available on the Department of Energy/Office of Inspector General
Website at <http://www.ig.energy.gov>*

Cover Pictures

(from top to bottom)

Naval Petroleum Reserve No. 3 at the Rocky Mountain Oilfield Testing Center

Argonne Laboratory chemist showing a new catalyst developed to reduce nitrogen oxides from diesel engines potentially eliminating 95% a nitrogen oxide emissions from diesel exhausts

Dish Stirling Solar Power System at the Arizona Public Service Solar Test and Research Center capable of producing enough electricity to run an electric generator

40KW Turbines located in Altamont Pass, CA

Geysers Geothermal Power Plant in California

**ANNUAL PERFORMANCE REPORT
FY 2008**

**ANNUAL PERFORMANCE PLAN
FY 2009**



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MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to present the Office of Inspector General's (OIG) combined *Fiscal Year 2008 Annual Performance Report and Fiscal Year 2009 Annual Performance Plan*.

During Fiscal Year (FY) 2008, we reviewed a variety of critical areas relevant to the Department's mission priorities. One of our goals, for example, was to examine possible programmatic improvements in Department operations relating to cyber security and contract management. Overall, our efforts resulted in the issuance of over 70 audit and inspection reports containing recommendations for enhancing Departmental operations, with likely savings of over \$7 million. Further as a result of our investigative efforts, we obtained 20 criminal convictions, recovered \$22.8 million in fines, restitutions and settlements, and, processed over 1,100 complaints and concerns from employees, contractors, and taxpayers regarding the Department and its functions.

In the upcoming year, the OIG plans to focus its efforts on addressing other OIG-identified Management Challenges: safeguards and security, environmental cleanup, stockpile stewardship, and energy supply. No doubt, we will also be involved in the effort to restructure the IG community's governance model as called for in the Inspector General Reform Act of 2008. Among a number of initiatives, this includes the standing up of a new, unified, executive council for the IG community. We anticipate being directly involved in this and a number of related activities.

I am proud of the work of the IG staff. Despite evolving and new challenges, the Office of Inspector General remains committed to serving the American citizens by working with senior management to advance the Department's national security mission.

A handwritten signature in black ink, reading "Greg Friedman", is positioned above the printed name.

Gregory H. Friedman
Inspector General

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OVERVIEW, VISION AND MISSION

As mandated by the *Inspector General Act of 1978*, as amended, the Office of Inspector General (OIG) promotes the effective operation of the Department of Energy (Department), including the National Nuclear Security Administration (NNSA) and the Federal Energy Regulatory Commission (FERC). This is accomplished through audits, investigations, and inspections designed to improve economy and efficiency and to detect and prevent fraud, waste, abuse, mismanagement, and violations of law. As part of a collective effort, the OIG's goal is to ensure that the Department is:

- Fulfilling its program goals effectively;
- Using its resources efficiently in this pursuit;
- Operating within the scope of its legislative mandates;
- Meeting the President's Management Agenda; and,
- Addressing Departmental priorities established by the Secretary.

This report highlights the OIG's FY 2008 actual performance and FY 2009 planned activities. The goals, objectives, and strategies included in this document will be used to plan, measure and report on OIG results. This document includes the results of FY 2008 audits, investigations, inspections, and special requested actions; constant efforts to improve the OIG in alignment with the President's Management Agenda; the relationship between the Department and the OIG; and, the plan to fund and accomplish FY 2009 goals. Appendices include the FY 2009 performance plan schedule, OIG responsibilities, authorities and other mandates; the OIG organization; and, validation and verification of OIG performance activities.

VISION:

To be a highly effective organization that promotes positive change by identifying opportunities for improvements in the performance and efficiency of the Department's programs and operations.

MISSION:

To promote the effective, efficient, and economical operation of the Department through audits, investigations, inspections, and other reviews to detect and prevent waste, fraud, abuse, and violations of law.

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MEASURING FY 2008 PERFORMANCE RESULTS

In FY 2008, the OIG continued to make positive contributions to the Department's mission-related priorities. Some highlights of our work in FY 2008 include:

- \$7.1 million in recommendations that funds be put to better use;
- \$22.8 million in investigative fines, settlements, and recoveries;
- 20 criminal convictions;
- 42 suspensions and debarments;
- 1,131 hotline complaints and inquiries processed;
- 101 civil or administrative actions taken; and,
- Approximately \$142.6 million in potential recoveries from 14 open False Claims Act investigations.

The OIG measures its performance against the long-term and annual goals set forth in OIG planning documents. During this reporting period, the OIG successfully achieved its FY 2008 performance goals. In most instances, the OIG exceeded its goals. The following are the specific results:

GOAL 1:

Promote the President's Management Agenda and the Mission Priorities of the Secretary and Congress.

Objective 1:

Conduct reviews seeking positive change in the Department relating to the implementation of the initiatives in the President's Management Agenda, the Secretary's Priorities, and the OIG-identified Management Challenges.

Performance Measures:

- Conduct reviews as outlined in the OIG annual plan relating to: (1) the President's Management Agenda initiatives; (2) the Secretary's Mission Priorities; and, (3) the OIG-identified Management Challenges. Specifically:
- Complete reviews that address each Presidential, Secretarial, and OIG-identified initiative, priority, and/or challenge as identified in FY 2007.



Accomplishment: Met Goal.

The OIG completed reviews that addressed every Presidential, Secretarial, and OIG-identified initiative, priority, and/or challenge as identified in FY 2007. Performance audits were initiated in several high profile areas – cyber security and the Loan Guarantee Program.

During FY 2008, the Office of Audit Services conducted a total of 64 audits that addressed the President’s Management Agenda, the Secretary’s Mission Priorities, and OIG-identified Management Challenges. For example, audits were conducted to determine whether:

- The Department’s Y-12 site contractor had implemented surface contamination controls in accordance with its Chronic Beryllium Disease Prevention Program.
- The Department’s long-term remediation actions at the Los Alamos National Laboratory (Los Alamos) would be completed in accordance with Consent Order milestones.
- The Department’s planned disposition of its uranium-233 inventories would permit it to meet projected domestic medical and research needs for extremely rare isotopes that are uranium-233 decay products.

During FY 2008, the Office of Inspections and Special Inquiries completed 30 reviews that addressed the President’s Management Agenda initiatives, the Secretary’s Mission Priorities, and OIG-identified Management Challenges. For example, the following reviews were conducted to determine whether:

- Sandia National Laboratory-New Mexico student interns received required training and used necessary personal protective equipment in order to work safely with laboratory machinery, equipment, and hazardous materials.
- The Kansas City Plant had adequate internal controls over the use of purchase cards.
- The Office of Intelligence and Counterintelligence had adequate internal controls for granting, maintaining, and terminating sensitive compartmented information access authorizations for Federal and contractor employees at Department headquarters.
- The Department had an adequate process for nominating known or suspected terrorists to a national watchlist maintained by the Federal Bureau of Investigation’s Terrorist Screening Center.



GOAL 2:

Improve economy and efficiency and reduce waste, fraud, and abuse within the Department.

Objective 2:

Concentrate OIG efforts on issues that have the greatest impact and usefulness to the Department.

Performance Measures:

- Ensure that every performance review includes an analysis of program accomplishments and the use of metrics to measure results.
- Ensure that 57 percent of all performance audits include recommendations leading to demonstrable cost savings, program efficiencies, and/or funds put to better use.
- Complete five follow-up reviews annually to determine the status and efficacy of corrective actions.
- By June 30, 2008, complete an annual risk-based programmatic assessment that considers OIG institutional knowledge; past program performance; funding levels; Presidential, Secretarial, and congressional concerns; and, input from Department program managers.
- Ensure that each year 80 percent of all planned performance audits address high-risk areas as identified in the OIG annual risk-based programmatic assessments.
- Strive for the Department to accept 79 percent of OIG report recommendations.

Accomplishment: Met Goal.

In FY 2008, all 39 performance audits completed included an analysis of program accomplishments and the use of metrics to measure results. The OIG was able to assist the Department in analyzing the operation of various programs and determining whether or not those programs were effectively measuring their performance.

For the performance audits issued, 69 percent identified demonstrable cost savings, program efficiencies and/or funds that can be put to better use in excess of \$23 million. For example:

- Based on our audit of *“Management Controls over Changes to the Idaho Cleanup Project Contract Baseline,”* OAS-M-08-10, the Department could potentially pay \$4.3 million

more in fees than necessary for environmental cleanup at the Idaho National Laboratory if the contract baseline is not adjusted to reflect accurate estimates of work to be performed.



Construction of the Waste Treatment Plant at Hanford Site, Richland, WA

■ Based on our audit of “*Management Controls over Operations of the Integrated Disposal Facility (IDF) at the Hanford Site*”, OAS-M-08-04, there is a potential that the Department could save approximately \$13 million by postponing operations of the IDF until 2017 when the low-activity waste generated at the Waste Treatment Plant will be available for disposal.

- Based on our audit of “*Management Controls over Small Business Opportunities at Oak Ridge National Laboratory*,” OAS-M-08-08, there is a potential for savings of about \$2 million by expanding small business opportunities at the Laboratory for custodial, landscaping, and industrial hygiene services.

Seven of the 39 performance audits completed were follow-up reviews to determine the status and efficacy of corrective actions.

Fundamental to the annual audit planning process is conducting risk assessments and the development of audit profiles. The OIG considers all major contractor sites to be high risk. Other considerations include OIG institutional knowledge; past program performance; funding levels; and Presidential, Secretarial, and congressional concerns. By June 30, 2008, we completed risk-based programmatic assessments for each Department, NNSA and program activity. These risk assessments resulted in the identification of significant auditable entities at various Department locations. Another part of our audit planning process includes input from Department management, other interested parties, and the OIG staff.

Ninety-one percent of our planned performance audits addressed high-risk and sensitive areas identified in the OIG annual risk-based programmatic assessments.

We also performed audits in response to congressional requests. For example, our “*Review of Alleged Conflicts of Interest Involving a Legal Services Contractor for the Yucca Mountain Project License Application*,” DOE/IG-0792, was performed in response to a request from the State of Nevada congressional delegation. We reported that the procurement appeared to follow the conflict of interest requirements set forth in the Federal Acquisition Regulations, the Department of Energy Acquisition Regulations, and District of Columbia Bar Rules of



View of an exploratory tunnel at Yucca Mountain dug by a 25-foot-diameter tunnel boring machine.

Professional Conduct. However, we noted that the public interest would have been better served had the Department done more to document key decision points relating to the procurement.

Finally, there were 83 audit recommendations included in the 39 performance audits conducted in FY 2008. The Department concurred with 88 percent of our recommendations. The following are summaries of positive outcomes resulting from three significant audits:

- The Department's Office of Health, Safety and Security revised DOE O 142.3, "Unclassified Foreign Visits and Assignments Program," to better address the Department's process for reviewing access requests for nationals of state sponsors of terrorism based on the results of an audit on *"The Department's Unclassified Foreign Visits and Assignments Program,"* DOE/IG-0791.
- After an OIG audit of the *"Management of the Department's Publicly Accessible Websites,"* DOE/IG-0789, the Department Headquarters and field sites took corrective action to evaluate publicly accessible websites and consolidate them where appropriate. In addition, the Department also took action to actively control publicly accessible website development and postings at field locations.
- Lawrence Livermore National Laboratory began to develop and implement a project plan designed to improve safety tracking capability as a result of our report on *"Implementation of Integrated Safety Management at Lawrence Livermore National Laboratory,"* DOE/IG-0797.

The Office of Inspections and Special Inquiries ensured that all 13 performance reviews completed included an analysis of program accomplishments and the use of metrics to measure results or documented that an analysis was not appropriate or required.

Further, the Office of Inspections and Special Inquiries issued 19 inspection reports, which contained a total of 54 recommendations to management. The Department concurred with 100 percent of the inspection recommendations. The following are examples of positive outcomes resulting from inspection recommendations:



- The Department's Oak Ridge Office completed a review of five facilities that sponsored or co-sponsored conferences during the period October 1, 2004, through spring 2008 and recovered \$330,001 in unallowable conference costs. The Oak Ridge Office is also now ensuring that appropriate approvals are provided for conferences and that they are included in the Department's Conference Management System. In addition, the Office of Science and NNSA recouped funds from inappropriate travel voucher claims, and both issued additional guidance on this subject.
- The Sandia Site Office determined that \$24,595 in charges made by employees using the procurement card program managed by Sandia National Laboratory-California were for unallowable purchases or lacked the documentation necessary to determine their business necessity. As a result, these funds were recovered from the Sandia Corporation and returned to NNSA. NNSA also revised and issued a new written policy regarding the reimbursement of business meals and refreshments.
- The Material Control and Accountability program at Los Alamos National Laboratory has increased emphasis on standardized lot identification formulation and improved labeling methodologies that assist in differentiating material samples. This should facilitate the tracking and inventorying of accountable nuclear material.
- Portsmouth and Paducah Gaseous Diffusion Plants implemented random drug testing for all armed personnel.
- NNSA (1) revised DOE O 151.1, "Continuity Programs," to include a requirement for a pandemic plan at all Department facilities/operations and mandatory training requirements and (2) during a 2008 Continuity of Operations Plan (COOP) exercise, led a DOE-wide social distancing drill (e.g., use of teleworking) to test its ability to perform mission-essential functions while minimizing person-to-person contact. In addition, the Department's Office of Human Capital Management developed a corporate process, called "Ring-Central," that enabled senior management to know who would be able to report to work during a pandemic. Ring-Central was tested across the DOE complex during the 2008 COOP exercise. Further, the Office of Human Capital Management developed written procedures for the operation of Headquarters health clinics during a pandemic.



Objective 3:

Provide timely information to the Department so that prompt action can be taken to improve program performance.

Performance Measures:

- Issue 80 percent of audit reports no later than 60 days following receipt of management comments.
- Complete the field work for 80 percent of inspections within 90 work days.
- Complete the field work for 75 percent of special inquiries within 60 work days.
- Ensure that the average time to issue Investigative Reports to Management (IRMs) is 55 days or less following final resolution of criminal and civil investigations.

Accomplishment: Exceeded Goal.

In FY 2008, 92 percent of the audit reports were issued within 60 days following receipt of management comments, providing timely information to Department management.

The Office of Inspections and Special Inquiries completed the fieldwork for over 93 percent of its inspections within 90 work days. The following are examples of inspection findings:

- Work order cost estimates provided between 2005 and 2007 by KSL Services Joint Venture (KSL), the support services contractor at Los Alamos, contained systemic problems in that actual costs frequently exceeded estimates, often by significant amounts. In addition, KSL submitted labor and material charges that were questionable, inappropriate, excessive, or unsupported based on the knowledge of the work performed. There were internal control weaknesses associated with Los Alamos' internal work order management system, which may have contributed to problems with work order charges and costs.
- Half of the DOE Headquarters and field organizations required to submit a pandemic influenza implementation plan failed to meet a deadline set by the DOE Continuity Program Manager; coordination by the Department with individual State or Federal officials for the release of pandemic vaccines had not been completed; a significant number of the required DOE pandemic committee technical advisory positions and the Medical Officer position remained unfilled; DOE had not fully implemented an overall corporate process for identifying and reporting employees who would be unable to perform their work during a pandemic; DOE had not conducted a "social distancing" drill to test its ability to perform mission-essential functions while



minimizing person-to-person contact; and, only 550 of approximately 140,000 DOE and contractor employees received pandemic training.

- An allegation that unauthorized laptop computers were introduced into a Limited Area at the Y-12 National Security Complex was substantiated. An Oak Ridge National Laboratory (Oak Ridge) employee brought an unclassified laptop computer into a Y-12 Limited Area without following proper protocols; Y-12 cyber security staff did not properly secure the laptop computer, allowing the user to depart with the computer; and, inconsistent with a 32-hour reporting requirement, a written report of the incident was not made to Headquarters until 6 days after it was discovered. Further, as many as 37 additional laptop computers may have been improperly introduced into the Limited Area in recent years.
- The Office of Intelligence and Counterintelligence and its subordinate Field Intelligence Elements at Los Alamos and Sandia National Laboratories (Sandia) did not have adequate administrative internal controls over their databases used to track sensitive compartmented information (SCI) access authorizations. The Headquarters and local databases at Los Alamos and Sandia containing information regarding SCI access holders contained numerous errors, including incorrect database entries and failures to update information relevant to SCI access.

No special inquiries were initiated during this reporting period.

The Office of Investigations issued IRMs, on average, 40 days following final resolution of criminal and/or civil action.

Objective 4:

Strengthen financial management and cyber security through completion of mandatory reviews in accordance with Office of Management and Budget and other applicable requirements.

Performance Measures:

- Complete annually, by the established due date, the Department's consolidated financial statement audits to determine whether the financial statements are free from material misstatement.
- By September 30, 2008, review the Department's unclassified information security system programs in accordance with the Federal Information Security Management Act of 2002.



- Initiate 10 “Statement of Costs Incurred and Claimed” audits annually to assess internal controls over costs claimed by the Department’s major contractors.

Accomplishment: Exceeded Goal.

The OIG’s audit of the Department’s FY 2008 Consolidated Financial Statements resulted in an unqualified opinion that was issued on November 10, 2008. The audit found that the Department took a number of actions to improve controls over financial reporting during FY 2008. These actions helped it resolve a significant deficiency with accounting for environmental liabilities that was identified during FY 2007 audit testing. While the extent of findings related to cyber security weaknesses had declined since FY 2007, the issue, as outlined below, remained unresolved and continued to be identified as a significant deficiency for FY 2008.

We also completed reviews of the Department’s unclassified information security systems in accordance with the Federal Information Security Management Act of 2002 by September 30, 2008. We found that the Department had taken steps to improve its cyber security program by strengthening configuration management of networks and systems and updating local policies and procedures related to laptop computers and incident reporting. While the Department is taking steps to improve its cyber security program, additional action is required to reduce the risk of compromise to information systems and data. We have identified areas for improvement, including certification and accreditation of systems, systems inventory, contingency planning, and segregation of duties.

Further, we initiated 15 Statement of Costs Incurred and Claimed audits to determine whether the Department’s integrated contractors were reimbursed for allowable costs consistent with their contracts.

Objective 5:

Concentrate investigative efforts on allegations of criminal and civil violations of law that adversely impact major Department programs and operations, with emphasis on maximizing the recovery of public resources and deterring future wrongdoing.

Performance Measures:

- Achieve an annual acceptance rate of 72 percent for cases presented for prosecutorial consideration.
- Ensure 75 percent of all cases opened focus on key areas of Department vulnerability, specifically procurement and grant fraud, environmental violations, *Qui Tams*, or computer crimes.



Accomplishment: Goal Met.

The OIG achieved a prosecutorial acceptance rate of 94 percent during this fiscal year. In addition, the OIG obtained 24 criminal indictments and 20 convictions, 1 pretrial diversion, and 12 civil judgments. Of the cases opened in FY 2008, 75 percent focused on key areas of vulnerability in the Department.

Examples of successes as a result of OIG investigations include:

- Following an OIG investigation, the U. S. Department of Justice announced a significant civil settlement with the Washington Savannah River Company (WSRC), formerly a major Department of Energy contractor. WSRC agreed to pay \$2.4 million to resolve allegations of fraud involving WSRC's failure to disclose—during contract negotiations—material information regarding pension fund increases at the Savannah River Site. The failure to disclose updated actuarial information, which WSRC had in its possession at the time of the negotiations, had the net effect of making additional monies available to WSRC for award fees. Had WSRC made proper disclosures, the company would have earned \$1.2 million in award fees. The \$2.4 million settlement represents double damages and fines. In addition, WSRC agreed to withdraw a pending fee claim of at least \$35.67 million for administering the increased pension cost. The combined settlement and cost savings totals at least \$38 million.

- An OIG investigation determined that a former contractor to the Western Area Power Administration (WAPA) paid out over \$390,000 in gratuities to current and former employees at WAPA's Desert Southwest Regional Office. The payments were made in exchange for the employees providing their assistance in getting the contractor a \$1.2 million contract award. Five individuals pled guilty and received sentences ranging from five years probation to five months in prison. They were also ordered to pay restitution ranging from \$40,864 to \$79,958. In addition, four individuals involved in the scheme were debarred from Government contracting for three years.

- An OIG investigation determined that a grantee made three false statements when he claimed expenses totaling \$62,675 that he did not incur. The grantee, a retired Federal agent, was found guilty on three counts of false statements and two counts of wire fraud. He was sentenced to eight months home detention and ordered to pay fines and restitution in the amount of \$41,000.



Objective 6:

Coordinate with other law enforcement agencies to establish effective networks in order to identify areas that are most vulnerable to waste, fraud, and abuse.

Performance Measure:

- Ensure 25 percent of all cases opened are joint agency/task force investigations with external law enforcement agencies, such as the Federal Bureau of Investigation and other OIGs.

Accomplishment: Exceeded Goal.

The OIG opened 118 cases during FY 2008; 42 percent of which were joint agency task force investigations. The following are examples of successes from joint agency task force investigations:

- A multi-agency task force, where we serve in the lead role, is investigating allegations that information technology companies entered into alliance agreements with either system integration consultants or technology vendors to:
 - 1) Receive fees/rebates when they referred the Government to the consultants to get Government contracts;
 - 2) Receive fees when assisting other consultants or vendors to get Government contracts; or
 - 3) Receive fees when hardware/software was purchased by the Government.

The investigation has determined that these alliance agreements, and the corresponding fees, should have been revealed to the Government. To date, three Government IT contractors have entered into settlement agreements totaling \$6.5 million. The investigation is ongoing, and settlements with other companies are on the horizon.

- A joint OIG investigation determined that the owner and an employee of an information technology sales company misrepresented and sold “gray” market and counterfeit networking and computer equipment to the Department of Energy and the Department of Defense. The owner and the employee of the company both pled guilty to one count of conspiracy to defraud the Government. The owner was sentenced to 5 months home confinement, 2 years probation, and 200 hours of community service, and, ordered to pay approximately \$46,995. The employee was sentenced to 2 years probation, 200 hours community service, and was ordered to pay \$5,452 in fines and restitution. Also, the company, the owner, and the employee were debarred from Government contracting.



- A task force investigation with other law enforcement agencies determined that a Department subcontractor improperly discharged 400,000 gallons of wastewater from a holding pond at a national security facility, knowing that it contained contaminants, including certain radionuclides. The action endangered the health and welfare of Department of Energy employees and surrounding communities. The investigation resulted in a criminal guilty plea, penalties and fines of \$300,000 and a \$15 million settlement with the rouge subcontractor.

Objective 7:

Heighten awareness of potential fraud among internal and external customers.

Performance Measure:

- Provide 28 fraud awareness briefings annually to Department and contractor employees and managers.

Accomplishment: Exceeded Goal.

The OIG investigative personnel conducted 47 fraud awareness briefings in FY 2008. These presentations are designed to discuss the process for reporting fraud, waste, and abuse to the OIG and to highlight priorities and initiatives of the Office of Investigations. In FY 2009, the OIG will continue to concentrate its efforts on educating the community to potential fraud indicators as a means of deterring fraud, waste, and abuse.

GOAL 3:

Support the Taxpayer

Objective 8:

Provide the Department and the public with an effective and efficient mechanism to report waste, fraud, and abuse.

Performance Measures:

- Operate the OIG Hotline in a manner that ensures 85 percent of Hotline complaints warranting further action begin processing within 7 days of receipt.
- Forward 85 percent of the complaints identified for referral to Department or other agency management within 14 days of initiation of the case.



Accomplishment: Exceeded Goal

One hundred percent of predicated Hotline complaints, which are those determined to warrant further action, began processing within 7 days of receipt, and 100 percent of complaints identified for referral were processed within 14 days of initiation of the case. During the year, the OIG Hotline received 2,763 contacts, of which 1,131 warranted further processing as complaints/allegations; 334 of those items were predicated; and, 157 were referred to Department management and other Government agencies, of which 79 requested a management response.

Objective 9:

Make the public aware of OIG reports.

Performance Measure:

- Ensure that all OIG public reports that were identified for inclusion on the Internet are posted within three working days of submission to the Secretary, unless otherwise specified by the Inspector General.

Accomplishment: Met goal.

All public reports were posted within three work days and an early alert system provided approved subscribers advance notification of the release of the reports.

Objective 10:

Provide a structure for ensuring a skilled and efficient workforce.

Performance Measures:

- Ensure that all auditors meet the training requirements as specified by generally accepted Government Auditing Standards.
- Ensure that all investigators meet the training requirements as specified by Federal law enforcement and other related investigative standards.
- Ensure that all inspectors meet the training requirements as specified by the President's Council on Integrity and Efficiency "Quality Standards for Inspections."



Accomplishment: Met goal.

Auditors, inspectors, and investigators all met their training requirements including those prescribed by statute. The OIG's established training requirements to ensure that auditors, investigators, and inspectors receive required or otherwise appropriate training for their specialty. These requirements are stated in each employee's individual development plan. Each organization designated a training coordinator position to: (1) monitor the allocation and use of training funds; (2) ensure required training is scheduled and completed; (3) integrate developmental and training requirements into the planning process; and, (4) ensure employees have individual development plans.

Objective 11:

Provide a process to ensure that the most qualified internal and external candidates are referred for positions.

Performance Measures:

- Ensure a diverse, skilled talent pool for selection of new hires through the use of appropriate recruitment resources.

Accomplishment: Met goal.

The OIG recruited entry level positions at colleges with high numbers of minority students and especially canvassed universities in the southwestern United States that have high numbers of Hispanic students. This is the first year the OIG participated in cyber job fairs, which should open job opportunities to an even wider audience. Also, our use of the Federal Career Intern Program allows the recruiters to better target minority candidates.



RELATIONSHIP WITH THE DEPARTMENT OF ENERGY

The work of the OIG continues to focus on the vital areas stated in the Department's strategic plan. The Department's strategic themes of energy security, nuclear security, scientific discovery and innovation, environmental responsibility, and management excellence are key areas for OIG reviews and investigations. The OIG aligns its reviews along the same themes, with emphasis on key challenges facing the Department. The OIG identification of key challenges brings an even sharper delineation of issues for departmental focus. The following are the OIG-identified Management Challenges for FY 2009:

- Contract and Project Management
- Safeguards and Security
- Environmental Cleanup
- Stockpile Stewardship
- Cyber Security
- Energy Supply

In addition to responding to requests for special reviews or investigations from the Secretary and Congress, the OIG continuously performs reviews at the Department through various planned audits and inspections.

OIG Strategic Goal

The OIG's strategic goal is to perform a robust review program that provides timely, relevant performance information and recommendations to improve the Department's programs in relation to:

1. The President's Management Agenda;
2. The Secretary's priorities; and,
3. OIG-identified Management Challenges.

To ensure the integrity of the Federal and contractor workforce, the OIG completes statutory mandates, recovers monies, and provides opportunities for savings.

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FY 2009 FUNDING PRIORITIES

OIG Funding by Strategic Goal

The OIG focuses its resources toward the most significant mission-related priorities and challenges facing the Department. The OIG's overarching strategic goal supports the Department's mission priorities and the President's Management Agenda.

Strategic Goal	FY 2008 Appropriated	FY 2009 Requested	FY 2009 Pre-conference
<i>The OIG's Strategic Goal is to operate a robust review program and provide timely performance information and recommendations to facilitate the Department's efforts to: (1) implement the President's Management Agenda; (2) resolve management challenges; (3) execute the Secretary's priorities; and, (4) ensure the integrity of the Federal and contractor workforce, while ensuring that the OIG completes statutory mandates, recovers monies, and provides opportunities for savings.</i>	\$46.1 million	\$51.9 million	\$51.9 million

The OIG started FY 2009 under a six-month continuing resolution with funding held to FY 2008 levels. This action resulted in a temporary decrease of staffing and a decrease in funds available for travel and training requirements. If the full FY 2009 appropriation request is received, the additional funding will help to ensure that the OIG continues to successfully meet its statutory requirements; and conducts independent audits, investigations, inspections, and other reviews of the Department's programs in a timely and efficient manner.



Mission Priorities	Outcomes
Nuclear Security	<ul style="list-style-type: none">■ Promote security, safety and reliability of Department programs to include vital national security capabilities such as the nuclear stockpile.■ Facilitate the strengthening of the Department’s cyber security programs to protect the integrity, reliability, and confidentiality of critically important information.■ Assist the Department in implementing the Design Basis Threat.■ Promote effective intelligence and counterintelligence programs.
Energy Security and Scientific Discovery and Innovation	<ul style="list-style-type: none">■ Contribute to the protection of the critical energy infrastructure and supply.■ Promote the implementation of the President’s National Energy Plan.■ Assist in promoting research and development that directly relate to and support the missions of the Department and aid in ensuring greater application of mature technologies.■ Promote the advancement of energy, science and technology to achieve energy solutions.
Environmental Responsibility	<ul style="list-style-type: none">■ Promote implementing environmental cleanup faster and cheaper.■ Contribute to the success of the Department’s licensing and construction of a permanent repository for nuclear waste at Yucca Mountain.■ Assess the Department’s management of uranium enrichment and civilian nuclear power development.
Management Excellence	<ul style="list-style-type: none">■ Contribute to the effectiveness of the Department’s financial management (audit of the Department’s financial statements).■ Assure the American public that the Department is fiscally responsible in carrying out its mission.■ Promote effective contract management.■ Foster responsiveness to complaints and allegations from Department and OIG customers.■ Ensure the Department has metrics in place and uses them to manage its programs and activities effectively.



Critical Outside Influences

Each year, the OIG is requested to conduct quick turnaround, unplanned, and resource intensive reviews. These requests directly impact the OIG's workload, formulating budgets, evaluating procedures, and establishing priorities. Examples include:

Secretarial/Congressional Priorities. Emerging mission-related priorities require the Secretary to request the OIG to conduct related reviews. Also, the OIG regularly receives requests from various members of Congress and their staffs to conduct reviews and provide information and to participate in briefings and hearings. These requests are usually unanticipated and require immediate attention. Satisfying these requests often affects the OIG's progress in achieving its strategic planning goals.

New Statutory Requirements. New legislative mandates and unfunded audit, investigative, inspection, or special inquiry requirements divert resources away from other critical areas, including evaluating the performance of the Department's programs and operations as they relate to the President's Management Agenda, the Secretary's mission priorities, and the most serious management challenges facing the Department.

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FY 2009 ANNUAL PERFORMANCE PLAN

Our work is important to the Department's success in fulfilling its Strategic Plan to address the energy, environmental, and nuclear security challenges and mission-related goals. The OIG must ensure that its resources and activities cover the issues and concerns most critical to the Department. This Performance Plan identifies the FY 2009 goals, objectives, and measures that will help the OIG to better plan its priorities and continue to assist the Department in identifying and taking corrective action to improve areas most vulnerable to waste, fraud, and mismanagement. This Performance Plan also describes the specific projects and activities the OIG plans to undertake during FY 2009 to continue identifying opportunities for cost savings and operational efficiencies, and to continue to return hard dollars to the Department and the U.S. Treasury.

FY 2009 Performance Measures

For FY 2009, the OIG will measure its accomplishments against the following performance measures:

GOAL 1:

Promote the President's Management Agenda and the Mission Priorities of the Secretary and Congress

Objective 1:

Conduct reviews seeking positive change in the Department relating to the implementation of the initiatives in the President's Management Agenda, the Secretary's Priorities, and the OIG-identified Management Challenges.

Performance Measures:

- By the end of FY 2011, complete reviews that address each Presidential, Secretarial, and OIG initiative, priority, and/or challenge as identified in FY 2009.
- At least 50 percent of inspection reports will address safety or security related topics.



GOAL 2:

Improve economy and efficiency and reduce waste, fraud, and abuse within the Department

Objective 2:

Concentrate OIG efforts on issues that have the greatest impact and usefulness to the Department.

Performance Measures:

- Ensure that every performance review includes an analysis of program accomplishments and the use of metrics to measure results.
- Ensure that 57 percent of all performance audits include recommendations leading to demonstrable cost savings, program efficiencies, and/or funds put to better use.
- Complete five follow-up reviews annually to determine the status and efficacy of corrective actions.
- By June 30, 2009, complete an annual risk-based programmatic assessment that considers OIG institutional knowledge; past program performance; funding levels; Presidential, Secretarial, and congressional concerns; and, input from Department program managers.
- Ensure 80 percent of all planned performance audits address high-risk areas as identified in the OIG annual risk-based programmatic assessments.
- Strive for the Department to accept at least 79 percent of OIG report recommendations.

Objective 3:

Provide timely information to the Department so that prompt action can be taken to improve program performance.

Performance Measures:

- Issue 80 percent of audit reports no later than 60 days following receipt of management comments.



- Ensure that the average time to issue Investigative Reports to Management is 55 days or less following final resolution of criminal and civil investigations.
- Complete the field work for 70 percent of inspections within 60 work days.

Objective 4:

Strengthen financial management and cyber security through completion of mandatory reviews in accordance with Office of Management and Budget and other applicable requirements.

Performance Measures:

- Complete annually, by the established due date, the Department's consolidated financial statement audits to determine whether the financial statements are free from material misstatement.
- By September 30, 2009, review the Department's classified and unclassified information security system programs in accordance with the Federal Information Security Management Act of 2002.
- Initiate 10 Statement of Costs Incurred and Claimed audits annually to assess internal controls over costs claimed by the Department's major contractors.

Objective 5:

Concentrate investigative efforts on allegations of criminal and civil violations of law that adversely impact major Department programs and operations, with emphasis on maximizing the recovery of public resources and deterring future wrongdoing.

Performance Measures:

- Achieve an annual acceptance rate of 72 percent for cases presented for prosecutorial consideration.
- Ensure 75 percent of all cases opened focus on key areas of Department vulnerability, specifically procurement and grant fraud, environmental violations, *Qui Tams*, or computer crimes.



Objective 6:

Coordinate with other law enforcement agencies to establish effective networks in order to identify areas that are most vulnerable to waste, fraud, and abuse.

Performance Measure:

- Ensure 25 percent of all cases opened are joint agency/task force investigations with external law enforcement agencies, such as the Federal Bureau of Investigation and other OIGs.

Objective 7:

Heighten awareness of potential fraud among internal and external customers.

Performance Measure:

- Provide 28 fraud awareness briefings annually to Department and contractor employees and managers.

GOAL 3:

Support the Taxpayer

Objective 8:

Provide the Department and the public with an effective and efficient mechanism to report waste, fraud, and abuse.

Performance Measures:

- Operate the OIG Hotline in a manner that ensures 90 percent of Hotline complaints warranting further action begin processing within 7 days of receipt.
- Forward 90 percent of the complaints identified for referral to Department or other agency management within 14 days of initiation of the case.

**Objective 9:**

Make the public aware of OIG reports.

Performance Measure:

- Ensure that all OIG public reports that were identified for inclusion on the Internet are posted within three working days of submission to the Secretary, unless otherwise specified by the Inspector General.

Objective 10:

Provide a structure for ensuring a skilled and efficient workforce.

Performance Measures:

- Ensure that all auditors meet the training requirements as specified by generally accepted Government Auditing Standards.
- Ensure that all investigators meet the training requirements as specified by Federal law enforcement and other related investigative standards.
- Ensure that all inspectors meet the training requirements as specified by the President's Council on Integrity and Efficiency "Quality Standards for Inspections."

Mission Priorities

Departmental mission priorities are categorized into five foundational strategic themes. In the coming year, the OIG will focus and align its resources and planned activities in support of these areas:

Energy Security - Promoting America's energy through reliable, clean, and affordable energy.

The Department is committed to minimizing supply disruptions that pose a threat to the U.S. economy and national security and aims to increase the attractiveness of advanced energy sources in the marketplace, which could help reduce dependence on foreign sources of energy and diversify the Nation's electricity supply. As the demand for energy in the U.S. may possibly exceed the projected increase in domestic energy production, the Department



continues to explore various technologies that will import more energy, improve energy conservation and efficiency, and/or increase domestic supply. Such technologies include renewable energy sources (including hydropower, wind, solar, bioenergy and geothermal), nuclear energy, oil, natural gas, and coal.

Nuclear Security - *Ensuring America's nuclear security.*

A primary responsibility of the Department is to enhance national security through the application of nuclear technology. This is accomplished through the maintenance of the U.S. nuclear weapons stockpile; the development of responsive infrastructure that can adapt quickly to stockpile changes while drawing down the stockpile of weapons excess to defense needs; the security of the nuclear complex and strengthening of international nuclear nonproliferation controls; the reduction in global danger from weapons of mass destruction; the provision to the U.S. Navy of safe, effective nuclear propulsion systems; and, operation of its national laboratories.

Scientific Discovery and Innovation - *Strengthening U.S. scientific discovery, economic competitiveness, and improving quality of life through innovation in science and technology.*

To remain competitive with other nations and achieve the major scientific discoveries that will drive U.S. competitiveness, the Department endeavors to achieve major scientific advances on the most critical basic research programs in physical sciences. The Department invests in high-risk, high-value energy research and development that the private sector alone would not or could not develop in a market driven economy. These technologies will allow the major scientific discoveries that will revolutionize approaches to the Nation's energy, national security, and environmental quality challenges.

Environmental Responsibility - *Protecting the environment by providing a responsible resolution to the environmental legacy of nuclear weapons productions.*

The Department seeks to research and employ the necessary environmental infrastructure that will ensure a clean and safe environment for future generations. This is implemented through the cleanup of the contaminated nuclear weapons manufacturing and testing sites and the management of the post-closure environmental responsibilities while ensuring the future protection of human health and the environment.



Management Excellence - *Enabling the mission through sound management.*

The mission of the Department is enabled through the work of good management processes performed by its major program and staff offices. The Department's Federal workforce is aging and presenting a significant retirement challenge that threatens to rob the organization of critical skills needed to perform its mission. A highly technical and specialized workforce is required to accomplish scientific and technological missions thus increasing competition for individuals with the knowledge, skills, and competencies that support the Department's goals. The Department seeks to facilitate sound management through (1) improving business processes, (2) technological advancement, (3) asset accountability; and, (4) strengthening human capital.

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OFFICE OF AUDIT SERVICES

The Office of Audit Services (OAS) provides internal and contracted audit activities for Department programs and operations, including the NNSA. The Office strives to provide reliable, credible financial and performance information to senior management, the Congress, and the taxpayers. The Office is organizationally aligned with the Department's programmatic lines in national security and energy; as well as in environment, science, financial, technology, and corporate operations. The Office will concentrate its efforts on economy, efficiency and program reviews, while maintaining sound oversight of the financial statement audit. This organizational structure helps to ensure that audit work provides comprehensive coverage over Department organizations, programs, and operations while meeting the Department's evolving needs.

The Office uses a risk-based process for identifying areas for audit coverage. Specific areas with known or emerging risks and the greatest vulnerabilities are identified. This process leads to conducting program performance reviews that address the President's Management Agenda; the Department's Strategic Themes and Goals; OIG-identified management challenges; as well as congressional interests. A significant portion of audit resources is directed toward meeting OIG statutory audit responsibilities in the financial and information technology areas.

The OAS has scheduled 76 performance audits to start in FY 2009. Many non-discretionary taskings from external sources impact the OAS workload and may require postponement or cancellation of planned audits to accommodate these demands. Following is a summary of the audits' objectives that are scheduled to begin in FY 2009, grouped by the Department's Business Lines. The planned audit workload is summarized later in this plan.

National Security and Energy

To protect our national security by applying advanced science and nuclear technology to the Nation's defense, and to contribute to the protection of the nation's economic security by promoting a diverse supply and delivery of reliable, clean, and affordable energy, the following audits will determine whether the:

- Department is administering an effective large scale energy storage technology development program (A09OR020)
- Industrial Technologies Program's proven technologies are being utilized by industry (A09FR007)



- NNSA's Site Offices are sufficiently staffed with qualified personnel to perform their oversight functions (A09AL001)
- LLNL and Los Alamos are meeting NNSA requirements in mitigating beryllium exposure to its workers and surrounding community (A09LL011)
- Clean Coal Power Initiative is effectively administering funding and meeting its goals (A09OR018)
- NNSA is meeting security clearance adjudication requirements (A09AL002)
- FERC has ensured that enforcement of reliability standards is consistently applied across the United States (A09FR008)
- Chemical and Metallurgical Research Building Replacement Project is on track to be completed within cost, scope and schedule (A09LA009)
- Strategic Petroleum Reserve is operationally ready for drawdown and distribution (A09OR017)
- NNSA is achieving complex transformation goals through cost savings (A09AL003)
- Department is effectively using Energy Savings Performance Contracts (A09OR019)
- Material Control and Accountability Programs at NNSA sites accurately account for the inventory, transfers, characteristics, and location of accountable nuclear materials (A09LV016)
- Nevada Test Site facility transition achieved NNSA's goals and objectives for improving safety and security (A09LV015)
- Energy Efficiency and Renewable Energy (EERE) is effectively administering its Solar Technology Pathway Partnerships Program (A09DN006)
- Los Alamos and Y-12 are achieving their transformation and disposition goals by reducing their operations and building footprint (A09LA010)
- NNSA contractors implemented internal audit design plans and completed subcontract cost audits (A09LL012)
- Highly Enriched Uranium Materials Facility's capacity will meet future storage requirements (A09YT021)
- NNSA is on track to meet its goals for the consolidation of special nuclear material (A09LV014)
- Parent corporation assessments achieved their desired goals (A09LL013)



- NNSA's readiness review process is achieving its purpose in a timely manner (A09YT022)
- Department is effectively administering its Bioenergy Program (A09DN005)
- NNSA is on track to eliminate the existing weapons testing backlog (A09AL004).

Environment, Science, and Corporate Management

To protect the environment by providing a responsible resolution to the environmental legacy of the Cold War and by providing for the permanent disposal of the Nation's high-level radioactive waste, and to contribute to the protection of the U.S.' national and economic security by providing world-class scientific research capacity and advancing scientific knowledge, the following audits will determine whether the:

- Waste placed in the Environmental Management Waste Management Facility has been properly characterized and meets the facility's waste acceptance criteria (A09ET007)
- Battelle Energy Alliance, LLC, is meeting the corporate spending commitments of the contract (A09ID022)
- Department adequately manages its Cooperative Research and Development Agreements at the Pacific Northwest National Laboratory (A09RL032)
- Office of Science BioEnergy Research Centers are meeting their goals and objectives (A09CH001)
- NNSA is adequately managing the Pit Disassembly and Conversion Facility project (A09SR041)
- Department's actions in preparing a sodium-bearing treatment facility at the Idaho National Laboratory will meet its planned needs for final waste disposal (A09ID018)
- Department has implemented an effective control system for use of the Holifield Radioactive Ion Beam Facility (A09ET011)
- Entrepreneur in Residence Program is effectively commercializing inventions from the Department's laboratories (A09CH002)
- Department has a comprehensive remediation strategy for miscellaneous waste tanks at the Hanford Site (A09RL033)
- Department is using appropriate seismic design criteria when upgrading and constructing nuclear facilities within the complex (A09SR040)



- Office of Science is establishing measures for and evaluating performance of its education programs (A09CH005)
- Department is effectively managing the Idaho spent nuclear fuel dry storage project (A09ID021)
- Department has effectively managed the sludge treatment phase of the Spent Nuclear Fuels project (A09RL036)
- Carbon Sequestration Program is achieving its objectives (A09ET010)
- Office of Legacy Management is appropriately administering post-retirement benefits at closure sites (A09ID020)
- Department's Cooperative Audit Strategy is operating effectively (A09CH003)
- Environmental Management is adequately managing the Uranium-233 project (A09ET008)
- Interim Salt Waste Processing Plan is effectively meeting the programmatic goals for treating salt waste (A09SR037)
- Department's Spent Nuclear Fuel Program is achieving its objectives to support disposal of the Federal spent nuclear fuel (A09ID023)
- Department's laboratories have implemented applicable safety guidance regarding nanotechnology (A09CH004)
- Department's plan for construction of an interim pretreatment facility for low-activity waste will be cost effective (A09RL035)
- Department completed required Design Basis Threat safeguards and security upgrades at the Savannah River Site within established cost parameters (A09SR039)
- Department's laboratories have adequate security controls over classified and sensitive documents (A09ET009)
- Department is adequately managing the Moab Mill Tailings Project (A09ID019)
- Department is utilizing the Commercial Grade Dedication Process as required (A09RL031)
- Department has rework of its National Environmental Policy Act documentation or Critical Decisions (A09ID024)
- Office of Science is properly awarding, administering, and closing-out grants to assure costs are allowable and deliverables are received (A09CH006)



- Department is decommissioning and decontaminating the Plutonium Finishing Plant in a timely and cost effective manner (A09RL034)
- Plans to disposition the Savannah River inventory of Heavy Water are cost effective and consistent with the Department's mission (A09SR038).

To assure the American public that the Department is fiscally responsible in carrying out its mission; promotes effective contract management; ensures the Department has metrics in place and uses them to manage its programs and activities effectively; and promotes the safety and health of the Department's workforce, the following audits will determine whether the:

- Department has corrected previously reported problems with the audit resolution and follow-up process and issues identified through recent OIG audits have been resolved (A09GT016)
- Department has established and implemented an effective and efficient foreign travel program (A09PT028)
- Bonneville Power Administration is effectively managing the development and implementation of information technology systems (A09TG047)
- Department's use of leases at selected field sites is efficient and effective (A09PT030)
- Department considers prior performance when making new non-facilities contract, grant and financial assistance awards (A09GT014)
- Department's Federal common information technology services efforts are meeting planned goals and objectives (A09TG048)
- Department is adequately controlling the costs of Management and Operating contractor total compensation programs (A09PT026)
- Department's Human Reliability Program is being administered in an effective manner (A09PT029)
- Department has effectively protected its mission critical infrastructure and key resources (A09GT013)
- Department has corrected previously reported problems and implemented an effective and comprehensive emergency preparedness program (A09GT017)
- Department effectively managed the information technology capital planning process (A09TG046)



- Entities connected to the nation's power grid have adequately implemented cyber security standards mandated by the Federal Energy Regulatory Commission (A09TG051)
- Department's protective forces are being adequately trained based on security requirements identified in the current Design Basis Threat (A09PT025)
- Office of Science is effectively and efficiently managing all of its information technology resources (A09TG043)
- Department is adequately managing its excess Government-owned real property (A09GT015)
- Department is adequately monitoring the performance of selected projects (A09GT012)
- Department is effectively managing the Laboratory Directed Research and Development Programs at selected sites (A09PT027)
- Department is effectively managing communications security (A09TG049)
- Emergency Communications Network is meeting performance expectations to provide the capability to manage emergency situations involving NNSA assets and interests (A09TG050)
- Department is effectively implementing Homeland Security Presidential Directive – 12 (A09TG052)
- Department has effectively protected its servers and other network devices (A09TG045)
- Transportation Command and Control System upgrade is being properly managed to ensure secure command and control of the Department's shipments (A09TG044)
- Department had implemented an effective software development and management process that satisfied Federal and Department requirements, goals, and mission needs (A09TG042).

To contribute to the effectiveness of the Department's financial management, the following audits will be performed:

- A09FN001 – *Department of Energy Consolidated Financial Statement FY 2009*
- A09FN002 – *FERC's Financial Statement FY 2009*
- A09FN005 – *IT Management Letter FY 2009*



- A09FN003 – *Decommissioning and Decontamination FY 2009 Government Management Reform Act (GMRA)*
- A09FN004 – *Federal Manager’s Financial Integrity Act FY 2009*
- A09FN006 – *Financial Management Letter FY 2009*
- A09FN007 – *Agreed-upon-Procedures for Payroll FY 2009*
- A09FN008 – *Southeastern Power Administration Financial Statement FY 2009*
- A09FN009 – *Southwestern Power Administration Financial Statement FY 2009*

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OFFICE OF INVESTIGATIONS

The Office of Investigations (OI) conducts investigations into alleged violations of law that impact Department programs, operations, facilities, and personnel. Priority is given to investigations of suspected violations of criminal and civil statutes, as well as serious administrative misconduct. Criminal Investigators within OI work closely with Department of Justice (DOJ) prosecutors and other Federal, State and local law enforcement organizations utilizing a full range of law enforcement authorities, such as carrying firearms, applying for and executing search warrants, and making arrests. The work of OI, however, extends beyond the conduct of investigations – namely, the office identifies opportunities for improving the economy and efficiency of Department programs and operations by issuing reports that recommend positive change. OI's accomplishments are measured by recommendations accepted by management, investigations accepted for prosecutive action, cooperative efforts with other law enforcement agencies, and proactive initiatives. Through accomplishments in those areas, the office plays a major role in assisting the OIG in promoting the efficient, effective, and economical operation of the Department, including NNSA.

National Program Area Initiative

The work performed by OI is primarily reactive in nature and has the potential of reaching into any Department major program area, including NNSA. The establishment of the National Program Area Initiative has afforded OI the opportunity to identify program areas in the Department most vulnerable to fraud, waste, and abuse and to proactively dedicate a significant portion of investigative resources, to include special agent training, liaison development, and specialized studies, to those program areas. OI's National Program Area Initiative concentrates on four areas, which are also tied into the Department's strategic themes as identified in the 2008 Strategic Plan. The four areas are: (1) contract and grant fraud; (2) environment, safety, and health (ES&H) violations; (3) *Qui Tams*; and (4) technology crimes. One of OI's goals is to have 75 percent of its open investigations address at least one of the four areas. In FY 2009, work on the National Program Area Initiative will continue to move forward as plans are implemented and expanded.

Contract and Grant Fraud

During FY 2008, OI continued to identify and interact with key Department and NNSA procurement personnel, as well as conduct fraud awareness briefings with special emphasis on procurement and grant fraud. A majority of the Department's budget is expended on contracts and grants; therefore, the opportunity for fraud to occur or exist within various



Department programs is significant. Given the continuing potential for significant fraud, to include potential fraud in the Department's Loan Guarantee Program, and the Department's responsibility to oversee the \$25 billion Advanced Technology Vehicle Loan Program, in FY 2009, OI will continue to: (1) expand fraud awareness briefings throughout the Department, including NNSA; (2) prioritize contract and grant fraud investigations, placing emphasis on cases with a potential high dollar recovery to the Department; (3) work with established contract and grant task forces, and identify opportunities to establish new task forces with DOJ involvement; (4) coordinate and pursue leads referred by the OIG Offices of Audit Services and Inspections and Special Inquiries; and, (5) identify and pursue contract and grant fraud investigations proactively. An example of success in the grant fraud arena is as follows:

- A joint OIG investigation determined that an employee of a grantee contractor mailed false and fraudulent invoices to a Department grant recipient and received \$608,459 to which he was not entitled. The employee, along with other co-conspirators, devised and participated in a scheme to defraud the Department and receive kickbacks on contracts where no work was completed. The employee pled guilty in the Northern District of Illinois to a violation of Mail Fraud. Sentencing is pending.

Environment, Safety, and Health

The Department's program for cleaning up the environmental contamination caused by nuclear weapons research, production, and testing is estimated to cost over \$200 billion over the next several decades. With the end of the Cold War, the mission to clean up the environment has become more essential as a result of more than 50 years of nuclear defense work and energy research. The OIG has identified environmental cleanup as one of three Department FY 2009 management challenges that is likely to persist well into the future. OI's ES&H program area supports the Department's Environmental Responsibility strategic theme. Ensuring the safety and health of the public and the Department's workers is a top priority. In FY 2009, OI will continue to: (1) work with established ES&H task forces, (2) identify opportunities to establish new task forces; and, (3) develop and maintain ES&H contacts in the Department, NNSA, and other Government agencies.

Qui Tam

As a rule, *Qui Tam*-related allegations are complex and staff-hour intensive. As of September 30, 2008, OI had 14 open *Qui Tam* investigations with claims alleging fraud of \$142.6 million. These investigations often have a major impact on the Department and generally involve significant allegations of fraud involving millions of dollars and multiple Federal agencies. OI continues to work closely with the DOJ's Commercial Litigation Branch in the investigation and analysis of *Qui Tam* cases. Following, is an example of a successful OIG *Qui Tam* investigation:



- A joint investigation determined that a body armor manufacturer knowingly participated in the manufacturing and sale of defective body armor containing Zylon. The body armor company sold the defective body armor to the Department as well as to other Federal, State, local and tribal law enforcement agencies. The company involved agreed to pay a total of \$15 million to resolve allegations that it violated the False Claims Act.

In FY 2009, OI will continue to: (1) assist DOJ in investigating and providing analysis of *Qui Tam* cases; (2) adjust resources appropriately to ensure priority *Qui Tam* cases are being resolved in a timely manner; and, (3) identify specific *Qui Tam* training for OI personnel.

Technology Crimes

Information Technology, another of the Department's major issue areas, received a significant amount of OI's resources and attention during FY 2008. OI's Technology Crimes Section (TCS) is staffed by investigators with the specialized skills necessary to proactively and reactively investigate the expanding number of complex technology crimes that are occurring within many of the Department's programs. TCS further strengthens OI's support to the Department, including NNSA, in detecting, preventing, and investigating illegal network intrusions. Utilization of such a group is critical because of the risks and vulnerabilities on the rise (i.e., security breaches, computer systems intrusions, virus attacks, and employee misuse). In FY 2008, TCS provided technical expertise on standard fraud cases. Additionally, TCS investigations led to several criminal convictions against individuals who compromised Government computers or misused them by accessing or storing sexually explicit material to include child pornography. An example of a recent success is as follows:

- A Romanian hacker was convicted by a Romanian court for hacking into unclassified Department of Energy computers, as well as systems at the National Aeronautics and Space Administration and the Department of the Navy. The investigation revealed that the Romanian had compromised at least 22 unclassified computers at 4 Department laboratories, including systems at a weapons laboratory (Sandia). The subject illegally gained access to the computers by stealing user names and passwords from academic personnel at various universities that also have access to Department computers. The Romanian is awaiting sentencing.

During FY 2009, TCS will: (1) continue to proactively contribute to and support fraud investigations through consultations and forensic media analysis; (2) investigate incidents of technology crimes and non-compliance with applicable regulations involving protection of the information infrastructure throughout the Department; (3) clarify and extend OI's role in technology incident response and investigations in the Department; (4) ensure all TCS special agents continue to receive required technical training; and, (5) refine and provide technology crimes awareness briefings throughout the Department complex.



Proactive Work

Historically, OI's response to allegations of wrongdoing has been reactive in nature. However, OI succeeded in implementing a process that streamlined and formalized proactive case development with a targeted approach designed to ensure more efficient and effective use of resources.

OI will continue its pursuit of proactive initiatives designed to effect positive change within the Department and enhance OI's ability to meet organizational goals and objectives. Close attention will be paid to OI's infrastructure needs to ensure adequate skills, tools, and processes are in place to respond promptly and appropriately to emerging priority issues identified by the President, Secretary, Congress, and public. Partnerships with other established law enforcement agencies, Department managers, and employees will be expanded, and productive sources of information will be further cultivated.



OFFICE OF INSPECTIONS

The Office of Inspections conducts performance and allegation-based inspections, as well as special inquiries in response to concerns raised by Congress, senior managers of the Department, and others. The Office also manages the OIG Hotline and Management Referral Systems. The Office facilitates management reform in the Department by evaluating and providing recommendations to improve program performance.

Although the Office plans a portion of its annual inspection work, it retains flexibility in order to be able to promptly address concerns and allegations received during the course of the year. The Office of Inspections initiated an annual average of 15 allegation-based inspections over the last 4 years. When planning its performance inspection work, the Office identifies and prioritizes topics responsive to the President's Management Agenda, the Secretary's Mission Priorities, and the Department's Management Challenges as identified by the OIG. Inspections are initiated with consideration given to their significance and potential impact on Department programs and operations. In light of current heightened concerns over homeland security, the Office is focusing its resources to address critical safety and security issues affecting programs and operations throughout the Department. The office is carrying 34 active inspections into the new fiscal year, and the following are planned inspections for FY 2009:

Security

- The Human Reliability Program at a Selected Department Site
- Transmittal of Classified Documents by a Departmental organization
- Operations Security Program at a Selected Department Site
- Impact of the Elimination of Certain Activities on Protective Force Operations at a Department Site

Safety

- The Technical Qualification Program for Personnel with Safety Responsibilities at a Department Facility
- Chemical Safety Databases at Selected DOE Sites



- Nuclear Facility Maintenance Requirements at a Department Site
- Supplier Evaluation, Selection, and Monitoring at a Department Site

Management Excellence

- Property Management at a Department Site
- Disposal of Government Furnished Property Issued to Contractors



Appendix A

PLANNED FY 2009 PERFORMANCE AUDITS

Office of Audit Services

AUDIT NUMBER	TITLE
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PLANNED FISCAL YEAR 2009 PERFORMANCE AUDITS

National Security and Energy

A09AL001	<i>NNSA's Site Office Oversight Personnel</i>
A09AL002	<i>NNSA's Security Clearance Adjudications</i>
A09AL003	<i>NNSA's Complex Transformation</i>
A09AL004	<i>Follow-up of Stockpile Surveillance Testing</i>
A09DN005	<i>EERE's Bioenergy Program</i>
A09DN006	<i>EERE's Solar Technology Pathway Partnerships</i>
A09FR007	<i>Industrial Technologies Program</i>
A09FR008	<i>FERC's Enforcement of Electric Reliability Standards</i>
A09LA009	<i>Chemical and Metallurgical Research Building Replacement Project at LANL</i>
A09LA010	<i>Transformation and Disposition Plan at LANL and Y-12</i>
A09LL011	<i>Beryllium Exposure at LANL and LLNL</i>
A09LL012	<i>NNSA's Contractor Internal Audit Implementation Designs and Subcontract Audits</i>
A09LL013	<i>Parent Corporation Assessments</i>
A09LV014	<i>NNSA's Special Nuclear Materials Consolidation and Disposition</i>



A09LV015	<i>Nevada Test Site Facility Transition</i>
A09LV016	<i>Material Control and Accountability Programs at NNSA Sites</i>
A09OR017	<i>Operational Readiness at the Strategic Petroleum Reserve</i>
A09OR018	<i>Department's Execution of the Clean Coal Power Initiative</i>
A09OR019	<i>Department's Management of Energy Savings Performance Contracting</i>
A09OR020	<i>Department's Large Scale Energy Storage Technology Efforts</i>
A09YT021	<i>Highly Enriched Uranium Materials Facility Capacity</i>
A09YT022	<i>NNSA's Readiness Review Process</i>

Environment, Science, and Corporate

A09CH001	<i>Office of Science BioEnergy Research Centers</i>
A09CH002	<i>Commercialization of Laboratory Inventions</i>
A09CH003	<i>Effectiveness of the Department's Cooperative Audit Strategy</i>
A09CH004	<i>Follow-Up of Nanoscale Materials Safety at the Department's Laboratories</i>
A09CH005	<i>Department's Science Energy Programs</i>
A09CH006	<i>The Chicago Office's Management of Grants</i>
A09ET007	<i>Environmental Management Waste Management Facility</i>
A09ET008	<i>ORNL's Uranium-233 Project</i>
A09ET009	<i>Security Controls over Classified and Unclassified Sensitive Documents at the Department's Laboratories</i>
A09ET010	<i>Carbon Sequestration Program</i>
A09ET011	<i>Holifield Radioactive Ion Beam Facility</i>
A09GT012	<i>Project Management Applications and Techniques for Selected Projects</i>
A09GT013	<i>Protection of the Department's Mission Critical Infrastructure and Key Resources</i>
A09GT014	<i>Department's Controls over Non-Facilities Contractor Prior Performance</i>
A09GT015	<i>Department's Management of its Excess Real Property</i>
A09GT016	<i>Department's Audit Resolution and Follow-Up Process</i>



A09GT017	<i>Follow-Up on Emergency Preparedness</i>
A09ID018	<i>Processing of Sodium-Bearing Waste at the Idaho National Laboratory</i>
A09ID019	<i>Moab Mill Tailings Cleanup Project</i>
A09ID020	<i>Follow-Up of Contractor Post-Retirement Benefits at Environmental Closure Sites</i>
A09ID021	<i>Expansion of the Idaho Spent Nuclear Fuel Dry Storage Facility</i>
A09ID022	<i>Battelle Energy Alliance, LLC Contractual Spending Requirements</i>
A09ID023	<i>National Spent Nuclear Fuel Program</i>
A09ID024	<i>NEPA and Critical Decision Rework</i>
A09PT025	<i>Follow-Up on the Department's Protective Force Training</i>
A09PT026	<i>Management and Operating (M&O) Contractor Compensation</i>
A09PT027	<i>Laboratory Directed Research and Development</i>
A09PT028	<i>Department's Official Foreign Travel Program</i>
A09PT029	<i>Department's Human Reliability Program</i>
A09PT030	<i>Department's Controls over Leased Space at Selected Field Sites</i>
A09RL031	<i>Department's Commercial Grade Dedication Process</i>
A09RL032	<i>Cooperative Research and Development Agreements at the Pacific Northwest National Laboratory</i>
A09RL033	<i>Hanford's Miscellaneous Waste Tanks</i>
A09RL034	<i>Decommissioning and Decontamination of PFP</i>
A09RL035	<i>Early Low-Activity Waste Treatment by the Office of River Protection</i>
A09RL036	<i>K Basin Sludge Treatment at the Hanford Site</i>
A09SR037	<i>Treatment of Salt Waste at the Savannah River Site</i>
A09SR038	<i>Heavy Water at the Savannah River Site</i>
A09SR039	<i>Oversight of Safeguards and Security Activities at the Savannah River Site</i>
A09SR040	<i>Seismic Design of Nuclear Facilities within the Department</i>
A09SR041	<i>Follow-Up of NNSA's Pit Disassembly and Conversion Facility</i>
A09TG042	<i>Department's System and Software Development Practices</i>



A09TG043	<i>Office of Science's Management of Information Technology</i>
A09TG044	<i>Management of the NNSA Secure Transportation Asset's Transportation Command and Control System Upgrade</i>
A09TG045	<i>Implementation of Minimum Security Configuration Standards for Servers and Network Devices</i>
A09TG046	<i>Department's Information Technology Capital Planning Activities</i>
A09TG047	<i>Information System Development Practices at BPA</i>
A09TG048	<i>Department's Progress in Implementing Common IT Services at HQ and Federal Field Sites</i>
A09TG049	<i>Management of the Department's Communications Security</i>
A09TG050	<i>NNSA's Emergency Communication Network</i>
A09TG051	<i>FERC's Monitoring of Cyber Security Practices for the Nation's Power Grid</i>
A09TG052	<i>DOE Implementation of HSPD-12</i>
A09TG053	<i>DOE Implementation of FISMA</i>
A09TG054	<i>FERC's Implementation of FISMA</i>

PLANNED FISCAL YEAR 2009 GMRA AUDITS

A09FN001	<i>Department of Energy Consolidated Financial Statement Audit FY 2009</i>
A09FN002	<i>FERC's Financial Statement Audit FY 2009</i>
A09FN003	<i>Decommissioning and Decontamination FY 2009 GMRA</i>
A09FN004	<i>FMFIA FY 2009</i>
A09FN005	<i>IT Management Letter FY 2009</i>
A09FN006	<i>Financial Management Letter FY 2009</i>
A09FN007	<i>Agreed-upon-Procedures for Payroll FY 2009</i>
A09FN008	<i>Southeastern Power Administration Financial Statement Audit FY 2009</i>
A09FN009	<i>Southwestern Power Administration Financial Statement Audit FY 2009</i>



PLANNED FISCAL YEAR 2009 ATTESTATION ENGAGEMENTS

A09AL023	<i>Sandia 2008 SCIC</i>
A09AL024	<i>Sandia 2007 SCIC</i>
A09CH055	<i>UChicago Argonne LLC 2008 SCIC</i>
A09CH056	<i>Princeton Plasma Physics Laboratory 2005-2008 SCIC</i>
A09ET057	<i>UT Battelle LLC 2008 SCIC</i>
A09ET058	<i>West Valley Nuclear 2005-2008 SCIC</i>
A09ID059	<i>Battelle Energy Alliance 2008 SCIC</i>
A09LA025	<i>Los Alamos National Security LLC 2008 SCIC</i>
A09LL026	<i>Lawrence Livermore National Security 2008 SCIC</i>
A09LL027	<i>University of California at Livermore 2007 SCIC</i>
A09LL028	<i>University of California at Berkeley 2006-2008 SCIC</i>
A09LV029	<i>Bechtel SAIC Co. 2005-2008 SCIC</i>
A09OR030	<i>DynMcDermott (SPRO) 2005-2008 SCIC</i>
A09PT060	<i>Naval Reactors – Bechtel Bettis 2005-2008 SCIC</i>
A09PT061	<i>Naval Reactors – KAPL 2005-2008 SCIC</i>
A09RL062	<i>Battelle Memorial Institute PNNL 2008 SCIC</i>
A09SR063	<i>Savannah River Nuclear Services 2008 SCIC</i>
A09SR064	<i>Washington Savannah River Company 2008 SCIC</i>
A09YT031	<i>BWXT Y-12 LLC 2008 SCIC</i>
A09YT032	<i>Honeywell International Inc. 2007-2008 SCIC</i>



PLANNED FY 2009 INSPECTIONS

Office of Inspections

Security

- The Human Reliability Program at a Selected Department Site
 - Transmittal of Classified Documents by a Departmental organization
 - Operations Security Program at a Selected Department Site
 - Impact of the Elimination of Certain Activities on Protective Force Operations at a Department Site
-

Safety

- The Technical Qualification Program for Personnel with Safety Responsibilities at a Department Facility
 - Chemical Safety Databases at Selected DOE Sites
 - Nuclear Facility Maintenance Requirements at a Department Site
 - Supplier Evaluation, Selection, and Monitoring at a Department Site
-

Management Excellence

- Property Management at a Department Site
 - Disposal of Government Furnished Property Issued to Contractors
-



Appendix B

OIG RESPONSIBILITIES AND AUTHORITIES

The *Inspector General Act of 1978*, as amended, requires the OIG to:

- Conduct independent and objective audits and investigations;
- Promote economy, efficiency, and effectiveness;
- Prevent and detect waste, fraud, and abuse;
- Review pending legislation and regulations; and,
- Keep the Secretary and Congress fully and currently informed.

OTHER MANDATES

- ***Government Performance and Results Act (GPRA) of 1993.*** Continuous review of the Department's implementation of strategic goals that improve the efficiency and effectiveness of mission priority programs.
- ***Government Management Reform Act (GMRA) of 1994.*** Annual audit of Department-wide and designated component financial statements. This effort currently requires approximately 24 percent of the OIG's resources, including contractual assistance from an external audit firm.
- ***Reports Consolidation Act of 2000.*** Annual audit to identify the most significant management and performance challenges facing the Department.
- ***Federal Information Systems Management Act (FISMA) of 2002.*** Annual review of Department information security systems.
- ***Section 522 of the Consolidated Appropriations Act of 2005.*** Biennial review of the actions of the Department's Chief Privacy Officer.



- ***OMB Circular No. A-123, Management Accountability and Control.*** New and expanded audit requirements are anticipated.

- ***Department of Energy Orders.*** Audits of statements of costs incurred and claimed by the Department's integrated contractors.



Appendix C

OIG ORGANIZATION

The OIG is organized into three major functional areas and a corporate support office:

- Office of Audit Services
- Office of Investigations
- Office of Inspections
- Office of Resource Management

OIG field offices are located at key Department sites around the Nation.



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Appendix D

VALIDATION AND VERIFICATION

The chart below represents how the OIG validates and verifies its performance activities.

Data Sources: OIG Semiannual Reports to Congress; Inspector General Act of 1978, as amended; Government Management Reform Act; Government Performance and Results Act; Government Information Security Reform Act; False Claims Act; Foreign Intelligence Surveillance Act of 1978, as amended; and, Executive Order 12333, "United States Intelligence Activities."

Frequency: Biennially/Annually/Semiannually/Quarterly.

Data Storage: OIG Energy Inspector General Project Tracking System.

Verification: OIG policies and procedures; Yellow Book Standards; President's Council on Integrity and Efficiency Quality Standards for Investigations and Inspections; and internal and external peer reviews.

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