



**INSPECTOR GENERAL**  
**Semiannual**  
**REPORT TO CONGRESS**



**OCTOBER 1, 2005 - MARCH 31, 2006**

**U.S. DEPARTMENT OF ENERGY • OFFICE OF INSPECTOR GENERAL**

## Cover Pictures

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*(front to back)*

The McNary Dam on the lower Columbia River along the border of Oregon and Washington

Wind turbines at Tehachapi, California

Tennessee Valley Authority's Shawnee Plant in West Paducah, Kentucky

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**Department of Energy**  
Washington, DC 20585

April 28, 2006

The Honorable Samuel W. Bodman  
Secretary  
U.S. Department of Energy  
Washington, DC 20585

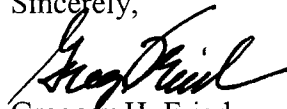
Dear Secretary Bodman:

I am pleased to submit the Office of Inspector General's (OIG) *Semiannual Report to Congress*. This report summarizes significant OIG activities and accomplishments during the six month period ending March 31, 2006.

This report reflects our continuing commitment to focus OIG efforts on the issues and concerns most critical to you, the Administration, the Congress, and the taxpayer. In particular, the report details OIG accomplishments in identifying the Department's most significant management challenges.

We look forward to working with you on matters of mutual interest.

Sincerely,

  
Gregory H. Friedman  
Inspector General

Enclosure





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# Inspector General's Message

I am pleased to provide the Office of Inspector General's (OIG's) *Semiannual Report to Congress* for the reporting period ending March 31, 2006.

This report highlights our most significant accomplishments in identifying areas of Department of Energy operations most vulnerable to waste, fraud, and mismanagement.



During this reporting period, we continued to assist the Department's management in addressing its mission-related priorities. As a direct result of our audits and inspections, significant opportunities for programmatic cost savings, operational efficiencies, and enhanced mission accomplishments were identified.

We issued 53 audit and inspection reports, which contained recommendations identifying over \$25 million in savings and questioned costs. In addition, we referred 35 investigations for prosecution and obtained 9 criminal convictions. Our work led to the recovery of over \$28 million in fines, settlements, and restitutions.

The Department has the monumental task of cleaning up numerous contaminated sites and disposing of nuclear, hazardous, and mixed-waste left behind as a byproduct of nuclear weapons production, other manufacturing and research and development processes, and commercial nuclear energy production. As it pursues this and its other missions, the Department must ensure the safety of the more than 130,000 Government and contractor employees. In our yearly special report on the management challenges facing the Department, we have again identified the area of "environmental cleanup" as a significant management challenge. In addition, "worker and community safety" has been identified by our office as an issue that warrants the attention of senior Department management into the future.

During the course of our work, the OIG places special emphasis on those issues that are listed as significant management challenges. Consequently, over the past six months, we have issued a number of reports addressing concerns in the areas of the environment, safety, and health. These included reports concerning:

- Management controls over radioactive and mixed waste shipments at the Hanford Site;
- The status of the Mixed Oxide Fuel Fabrication Facility at the Savannah River Site;
- Accelerated tank waste retrieval activities at the Hanford Site; and,
- Demolition and replacement of Hanford's Radiological Calibration Laboratory.

Another critical aspect of the Department's mission relating to environmental remediation is the ongoing work on the Yucca Mountain Project, the purpose of which is to create a geological repository that will safely isolate highly radioactive waste for at least 10,000 years. Currently, radioactive materials that have accumulated since the mid-1940s are being stored in temporary facilities at 131 sites in 39 states. In recent years, the OIG has examined various aspects of the Yucca Mountain Project. During the current reporting period, we reviewed allegations of quality assurance weaknesses vital to determining the viability of Yucca Mountain as a waste repository. In addition, we currently have an ongoing audit reviewing the Department's plan to correct quality and internal control deficiencies at Yucca Mountain.



Finally, in the wake of Hurricanes Katrina and Rita, our office initiated a review of the Department's efforts to assist in restoring critical energy systems in the affected regions. In the coming months, as the Nation faces another hurricane season, we plan to further our efforts by initiating reviews to evaluate aspects of the Department's contingency planning efforts to mitigate the impacts of future natural disasters.

The Office of Inspector General remains committed to being an instrument for positive change in the Department. I would like to express my appreciation for the diligent work and accomplishments of all OIG employees and commend them for their continued professionalism and dedication. We again look forward to serving the American taxpayers in identifying ways that the Department of Energy can more effectively and efficiently achieve its important mission responsibilities.

Gregory H. Friedman  
Inspector General



# Management Challenges

On an annual basis, the Office of Inspector General identifies what it considers to be the most significant management challenges facing the Department. This effort highlights those programs and operations that are, in our judgment, the most difficult to manage as well as those with the most significant demonstrated performance problems. This year, the OIG determined that the most serious challenges facing the Department are in the areas of:

- National Security
- Environmental Cleanup
- Stockpile Stewardship
- Contract Administration
- Project Management
- Information Technology
- Financial Management and Reporting

The overall goal of determining management challenge areas on a yearly basis is to focus attention on significant issues with the objective of enhancing the effectiveness of agency programs and operations. Highlights of our work during the current reporting period, which are set forth in the following sections of this report, are organized by management challenge area.

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## National Security

*A primary responsibility of the Department is to enhance national security through the application of nuclear technology. In order to accomplish this goal, the Department oversees the maintenance of the Nation's nuclear weapons stockpile, develops infrastructure for and ensures the security of the nuclear complex, strengthens international nuclear nonproliferation controls, provides safe and effective nuclear power plants for the U.S. Navy, and operates an array of national laboratories. In coordination with the Department of Defense and other agencies, the Department continues to help ensure a safe and secure world. Our reviews over the past six months identified ways that the Department could further strengthen its efforts in the area of national security.*

## Implementation of the 2003 Design Basis Threat

The Department developed and periodically updates a Design Basis Threat (DBT) analysis that reflects the most credible threats posed to Departmental assets and operations. An



OIG audit determined that the National Nuclear Security Administration (NNSA) has experienced delays in implementing changes, including new technologies, to meet the safeguards and security performance requirements contained in the 2003 DBT. Until NNSA fully integrates security planning and budgeting, and implements and evaluates the effectiveness of permanent upgrades and security measures, it lacks assurance that the Departmental assets and operations for which it is responsible are protected in the most cost-effective manner. **(IG-0705)**

## Security Clearance Terminations and Badge Retrieval

Due to the nature of its mission, the majority of the workforce at the Lawrence Livermore National Laboratory (LLNL) possesses personnel security clearances. An OIG inspection concluded that LLNL's internal control structure was not adequate to ensure that security badges were retrieved at the time of an employee's departure or that security clearances of departing employees were terminated in a timely manner. We made several recommendations designed to address our findings and enhance security at the Laboratory. **(IG-0716)**

## Acquisition of Protective Force Weapons by Sandia National Laboratory

In 2004, the protective force at Sandia National Laboratory–New Mexico (SNL) used a sole source procurement to obtain 20 Milkor MGL Mk-1 6-shot grenade launchers and associated equipment, which were intended to replace the protective force's existing single-shot grenade launchers. In November 2004, U.S. Customs and Border Protection detained and eventually seized the equipment at the port of Los Angeles, California, for violation of U.S. import regulations. We received an allegation that the Department's Sandia Site Office refused to use its authority to obtain the release of the grenade launchers from Customs. We did not find evidence to support this allegation. However, during the course of our review, we found that the Laboratory violated Federal and Department procurement and security policies in the acquisition of the grenade launchers. Specifically, the grenade launchers were not on the Department's standardized firearms list, the acquisition was not consistent with Federal and Department "Buy American" policies, and the purchase did not comply with SNL's procurement policy pertaining to sole source contracts. **(IG-0715)**

## Internal Controls in the Office of Intelligence

An OIG inspection concluded that the Department's Office of Intelligence did not have adequate internal controls over its sensitive property. Specifically, we found that officials

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had not located sensitive computer processing equipment or reported missing sensitive property to the Office of Security, as required by Department policy. We were unable to determine whether missing items had been used to process classified material. Additionally, the Office of Intelligence maintained 287 items of sensitive property that had not been entered into its property inventory as required. We recommended corrective actions to strengthen internal controls over sensitive property in the Office of Intelligence in order to improve accountability and deter possible misuse, theft, or other diversion of Government property. (IG-0722)

## Nuclear Detection Devices

An OIG audit, initiated to evaluate the Department's efforts to coordinate radiation detection research and development activities conducted by national laboratories, found that the Department had not established formal mechanisms to coordinate radiation detection research. As a result, neither the Department of Energy nor the Department of Homeland Security had a complete inventory of relevant research being conducted at the national laboratories. In our judgment, such an inventory is an essential tool for planning and budgeting resources in order to avoid unnecessary research duplication, directing scarce research dollars to the most promising technologies, and allocating research funding to the laboratory having appropriate expertise in the technology under study. (IG-0720)

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## Environmental Cleanup

*Since its establishment, the Department has maintained an important environmental mission. With the end of the Cold War, this mission became of even greater importance, as efforts to dispose of large volumes of solid and liquid radioactive waste became more essential as a result of more than 50 years of nuclear defense work and energy research. The Department is responsible for cleaning contaminated sites and disposing of radioactive waste resulting from nuclear weapons production, nuclear powered naval vessels, and commercial nuclear energy production. Due to the risks and hazards associated with this difficult and costly task, we conducted the following reviews to help ensure that the Department is fulfilling its mission with regard to environmental cleanup.*

### Accelerated Tank Waste Retrieval Activities at the Hanford Site

Under the 1989 Tri-Party Agreement between the Department, the Washington State Department of Ecology, and the Environmental Protection Agency, firm milestones were established for completing the retrieval of waste from underground tanks at the Hanford Site. One of the critical milestones of the Agreement was the retrieval of waste from all of the 16 single-shell tanks located in Hanford's C-Tank Farm by the end of FY 2006. An

OIG audit disclosed that, in terms of both schedule and cost, the Department will not meet its Agreement milestone for the retrieval of waste from the single-shell tanks located at the C-Farm. In addition, the Department estimated that waste retrieval costs have increased to \$215 million, more than doubling the initial estimate. In our judgment, the Department



Waste storage tanks at the Hanford Site

was overly optimistic about its ability to retrieve tank waste and it had not based its approach on sound retrieval experience and proven retrieval technologies. We concluded that our findings have broader implications for the entire tank waste cleanup effort, and as a result of tank waste retrieval delays and cost overruns, the Department's ability to meet its Agreement milestone of removing waste from all single-shell tanks by 2018 is in jeopardy. **(IG-0706)**

## Demolition and Replacement of Hanford's Radiological Calibration Laboratory

The Department's Radiological Calibration Laboratory, which is responsible for functions related to dosimetry and radiological instrument calibrations at the Hanford Site, is scheduled for demolition by the end of FY 2009 as part of the Office of Environmental Management's cleanup plan. An OIG audit found that the curtailment of operations at the Laboratory, as currently planned, would leave the Office of Environmental Management without site capability to perform internal and external dosimetry assessments and radiological calibrations. We determined that since a planned replacement facility would not provide the capabilities essential to meet the Office of Environmental Management's dosimetry and calibration needs, the Department risks increased costs from duplication of resources and the loss of mission critical dosimetry and calibration services. As a result, we recommended that the Department integrate programmatic resources and needs for calibration and dosimetry services and perform a cost-benefit analysis of the available options. **(IG-0711)**

## Management Controls over the Hanford Site Transuranic Mixed Tank Waste

In December 2003, the Department's Office of River Protection began plans to retrieve, dry, and package contact-handled transuranic mixed (TRUM) waste for shipment from the Hanford Site to the Waste Isolation Pilot Plant (WIPP) in Carlsbad, New Mexico. An OIG audit disclosed that the Department had not sufficiently addressed regulatory and permitting issues prior to proceeding with the TRUM waste project. Specifically, the Office of River Protection initiated the project and incentivized the contractor to complete work without fully addressing issues relevant to obtaining the necessary permits to retrieve, treat, and dispose of waste or completing regulatory actions required under the *National*

*Environmental Policy Act of 1969.* In April 2005, the Office of River Protection decided to curtail work on this project and requested its contractor to prepare a transition plan. Our review disclosed that had the Department followed key project management principles, its project management plan may have identified risks and implemented mitigation strategies, thereby eliminating the need to curtail the project. (OAS-M-06-01)

### Did you know?

***The Office of River Protection was established by Congress in 1998 with the exclusive focus of solving cleanup challenges at the Hanford Site, which contains 60 percent by volume of the Nation's high-level radioactive waste.***

## Management Controls over Assessing Natural Resource Damage at Rocky Flats



*Pond sludge removal at Rocky Flats*

While completing environmental cleanup activities at the Rocky Flats Environmental Technology Site, the Department must ensure that potential residual injuries to natural resources are identified and addressed in accordance with the *Comprehensive Environmental Response, Compensation, and Liability Act* through a process known as a Natural Resource Damage Assessment (NRDA). An OIG audit found that the Rocky Flats Project Office had not started the NRDA process. We found that in addition to the initiation of a NRDA process, integration of a Remedial Investigation/Feasibility Study would permit the Department to use the expertise of key personnel, with extensive knowledge of Rocky Flats and its natural resources contamination, before site closure. The Rocky Flats Project Office concurred with our recommendation and agreed to initiate the NRDA process at Rocky Flats. (OAS-M-06-02)

## Contract Administration

*To accomplish its mission, the Department places significant reliance on contractors, employing over 100,000 contractor employees. Contracts are awarded to industrial companies, academic institutions, and non-profit organizations that operate a broad range of Department facilities. In fact, most of the Department's operations are carried out through contracts that consume about three-fourths of its budget. As a result, effective contract oversight is an essential component of the Department's management of its many programs. The OIG conducted the following reviews in order to assess the Department's contract administration.*

## Special Report on the Management of the Clean Cities Conference

In March 2004, during the planning process for the 2005 Clean Cities Conference, the Office of Energy Efficiency and Renewable Energy (EERE) initiated action to transition the Conference to private industry, subsequently choosing a private company to assume all responsibilities for managing the 2005 Conference. An OIG audit found that the Department's actions to transfer the 2005 Conference to private industry were not in accordance with a Departmental guideline and did not comply with sound business practices. We made recommendations designed to strengthen conference management requirements. (OAS-SR-06-01)

### Did you know?

*The mission of the Clean Cities Program is to advance the Nation's economic, environmental, and energy security by supporting local decisions to adopt practices that contribute to the reduction of petroleum consumption. Since its inception in 1993, Clean Cities has put nearly one million alternative fuel vehicles on the road and displaced approximately one billion gallons of gasoline.*

## Management of Facility Contractors Assigned to the Washington, D.C. Area

The Department frequently utilizes facility contractor employees for the Washington, D.C. area to address technical and direct support needs of Headquarters program offices. An OIG audit disclosed several opportunities to improve the management of this program. Specifically, justifications as to the need for and durations of assignments had not been prepared or were inadequate; assignments were routinely extended beyond the one-year threshold; and, moving and other temporary living allowances paid to assignees varied significantly from contractor to contractor and, in some cases, appeared excessive. After being informed of our preliminary findings, management committed to changes needed to improve the quality and accuracy of reporting and initiated action to improve oversight and approval controls. While these were positive steps, we made several recommendations designed to help those administering the program determine whether these types of assignments are adequately justified, reasonable in duration, and cost-effective. (IG-0710)

## Contributions to the Los Alamos National Laboratory Foundation

In 1996, the University of California, which manages and operates the Los Alamos National Laboratory (LANL) for the Department, established a nonprofit foundation funded in part by the Department to support educational outreach and community investment in New Mexico. An OIG audit found that the University's annual contributions for educational research and community investment to the Los Alamos National Laboratory Foundation

were not made in accordance with contract requirements. Since FY 1998, the Department reimbursed the University of California \$6 million for unallowable contributions. We recommended that the Department's Los Alamos Site Office make a determination regarding the allowability of the \$6 million in contributions charged to the contract and clarify whether future contributions are allowable costs under the contract. **(OAS-M-06-03)**

## Protective Force Contracts at the Oak Ridge Reservation



*Rifle training at the Oak Ridge Reservation*

An OIG inspection, initiated to determine whether the protective force contracts for the Oak Ridge Reservation had been modified to include incentives to reduce overtime, disclosed that the Oak Ridge protective force contracts did not include such incentives. Instead, the contract structure had the opposite effect on the overtime structure. We observed that the current protective force contracts at the Oak Ridge Reservation were due to expire and that the Department planned to

award new protective force contracts using the same structure as the current contracts. We concluded that this decision should be further evaluated based on the findings of this review. **(IG-0719)**

## Project Management

*The Department undertakes numerous unique and complex multi-million dollar projects in order to support its many goals and objectives. In recent years, the Department has responded to weaknesses in the area of project management in order to improve the discipline and structure for monitoring project performance. Utilizing stronger policies and controls to ensure that ongoing projects are reevaluated frequently, the Department has made project management a primary area of focus. Recent OIG reviews identified additional necessary improvements to ensure that the Department's project management principles are effective and accomplishing their goals.*

## Quality Assurance Weaknesses in Yucca Mountain Electronic Mail

The Office of Civilian Radioactive Management's (OCRWM's) Administrative Procedure 16.1 Q, "Condition Reporting and Resolution," which is applicable to Federal and contractor employees working on Yucca Mountain matters, requires that "conditions adverse to quality" be identified, investigated, reported, and resolved. The Nuclear Regulatory Commission (NRC) process for granting a license for the Yucca Mountain nuclear waste



*Tunnel-boring machine breaks daylight at Yucca Mountain*

repository requires that the Department publicly disclose all documents, including e-mails, relevant to the process. An OIG inspection found that OCRWM's process for reviewing approximately 10 million archived e-mails for NRC process relevance did not fully ensure that quality assurance issues were promptly identified, investigated, reported, and resolved in accordance with Administrative Procedure 16.1 Q. Specifically, we found e-mails that identified possible conditions adverse to quality at Yucca Mountain that had not been identified by Yucca Mountain personnel as requiring further review for quality assurance

conditions. We concluded that OCRWM should expand its quality assurance efforts to include a more comprehensive review of the approximately 10 million archived e-mails. **(IG-0708)**

## Management of the Department's Isotope Program

An OIG audit disclosed that the Department had not always provided researchers with the isotopes needed to conduct planned research, much of which was designed to identify breakthroughs in the diagnosis and treatment of various forms of cancer and other life-threatening diseases. Specifically, our review disclosed that the Department:

- Was unable to respond to approximately 250 requests for research isotopes in FYs 2002 through 2004;
- Had not adequately addressed recognized production problems during its Isotope Program planning process;
- Adopted pricing and payment policies that made it very difficult, if not impossible, for the research community to purchase the Department isotopes; and,
- Expended resources on maintaining unused or underutilized production facilities that could have been used to supplement production.

We made several recommendations designed to help management revitalize the Isotope Program and permit it to better address the research community's needs. **(IG-0709)**

### Did you know?

*The Department's Isotope Program produces and sells stable and radioactive isotopes that are widely used by domestic and international customers for medicine, industry, research, and homeland security applications, including medical imaging to diagnose diseases and injuries, cancer treatment research, detection of explosives and drugs, and research aimed at limiting the production of acid rain.*

## Status of the Mixed Oxide Fuel Fabrication Facility

In September 2000, the United States and the Russian Federation signed the Plutonium Management and Disposition Agreement, which committed each country to dispose of 34 metric tons of surplus plutonium. To meet this goal, NNSA planned to construct a Mixed Oxide Fuel Fabrication (MOX) Facility at the Savannah River Site. An OIG audit determined that the cost of the MOX facility will significantly exceed the amounts reported to Congress in 2002. We made specific recommendations to facilitate the successful completion of the project. (IG-0713)

## Performance of the Miamisburg Closure Project

In May 2001, the OIG reported that the Department's Miamisburg Closure Project would not be completed under current cost and schedule requirements. An OIG follow-up audit concluded that the Department is unlikely to achieve revised closure goals on the Project. We found that the Department had not adequately planned for work scope uncertainties, failing to sufficiently quantify the risk or reserve funds needed to cover uncertainties such as employee pension costs and soil volumes that require remediation. We concluded that these findings also could provide valuable lessons for the success of other closure projects. (IG-0721)

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## Information Technology

*Information technology is vital in assuring that the Department fulfills its mission and provides efficient and effective services to the public. Given the important role of information technology in the Federal Government, the Office of Management and Budget included it as part of the President's Management Agenda. While the Department has taken a number of positive actions designed to improve the overall management of information technology resources, additional improvements in this critical area are still needed. During this reporting period, OIG reports have highlighted internal control weaknesses that have impacted information technology systems and security.*

## Management of the Department's Desktop Computer Software Agreements

The Department and its facility contractors operate more than 110,000 desktop computers. Although the Department had established several Department-wide software agreements, an OIG audit found that it had not adequately managed the acquisition and maintenance of desktop computer software licenses. We noted that, at the sites reviewed, the Department



spent approximately \$4.1 million more than necessary over the last five years to acquire and maintain desktop software. We made several recommendations designed to increase the efficiency of the Department's desktop software management practices. (IG-0718)

## The Federal Energy Regulatory Commission's Unclassified Cyber Security Program

An OIG audit found that while the Federal Energy Regulatory Commission continues to make positive strides toward improving its unclassified cyber security systems, several problems still exist that have the potential to put the Commission's systems at risk. Specifically, we found that:

- Access controls, through strong password management, had not been properly implemented on some systems;
- Software with known security vulnerabilities was not replaced in some instances and users were sometimes provided with higher level privileges than they needed to perform their duties; and,
- Not all known cyber security weaknesses were properly identified and/or tracked to resolution.

Our audit revealed that these problems existed because the Commission had not consistently performed compliance evaluations required by Federal security directives. Management generally concurred with our recommendations, designed to aid management in ensuring that all of the Commission's critical systems are adequately protected. (IG-0704)

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## Financial Management and Reporting

*During this reporting period, the OIG identified financial management and reporting as a new management challenge. The Department's implementation of a new financial management system combined with standing up a new financial services organization resulted in a new organizational structure for performing financial services and accounting operations, which adversely impacted the financial management and reporting capabilities of the Department as well as the FY 2005 financial statement audit.*

## The Department of Energy's FY 2005 Consolidated Financial Statements

Pursuant to requirements established by the *Government Management Reform Act of 1994*, the OIG engaged the independent public accounting firm of KPMG LLP to perform

the annual audit of the Department's consolidated financial statements. Audit work performed by KPMG identified significant deficiencies in financial management and reporting controls related to the Department's FY 2005 consolidated financial statements. As a result of these identified weaknesses, the OIG substantially augmented the audit effort with Federal personnel.

During FY 2005, the Department experienced problems in preparing accurate consolidated financial statements and providing adequate supporting documentation. Issues arose regarding accountability and monitoring obligations, reconciling payment information with the U.S. Treasury, and reconciling transactions to integrated contractor trial balances and subsidiary ledgers. These deficiencies were, in large part, associated with the reorganization of the Department's accounting operations and circumstances surrounding the implementation of a new accounting system. The Department was unable to correct weaknesses and could not provide a number of supporting documents required for audit. As a result, a disclaimer of opinion was issued on the Department's FY 2005 consolidated financial statements. **(OAS-FS-06-01)**

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# Other Significant Accomplishments

## Administrative Safeguards

### The Department's Response to Hurricanes Katrina and Rita

Under the National Response Plan, the Department is the lead Federal agency for Emergency Support Function-12 (ESF-12), which addresses the restoration of energy systems after a natural disaster. An OIG audit found that the Department was effective in fulfilling its responsibilities under the National Response Plan. Specifically, the Department:

- Initiated policy and regulatory actions needed to assist energy recovery efforts and mitigate the impact of hurricanes;
- Coordinated with energy industry and with other governmental agencies to identify supporting resources and facilitate the restoration of energy systems; and,
- Continuously monitored the status of energy system damage and repair work.

While the Department's response mechanism was effective, we did identify certain actions that could enhance future ESF-12 missions. These actions include improving communication channels between private and government bodies and the Department, strengthening the Department's ability to identify emergency response assets in advance of such events, and augmenting the staffing of ESF-12 emergency response teams. **(IG-0707)**

### Selected Purchase Card Transactions at the Nevada Site Office

Our Purchase Card Task Force, which proactively reviews purchase card expenditures under the General Services Administration SmartPay program, conducted a review of selected purchase card transactions at the Nevada Site Office. We determined that internal controls over site contractor Bechtel Nevada's purchase card program could be improved. Specifically, we found that purchase card transactions were not always reviewed and approved by designated officials; purchase cardholders and approving officials were not completing refresher training within required timeframes; and, Bechtel Nevada did not reconcile monthly financial records, resulting in an overpayment of \$16,515 over a two-year period to the bank that issued the purchase cards. We made several recommendations designed to improve internal controls over Bechtel Nevada's purchase card program. **(INS-O-06-01)**

## Contractor Employee Pleads Guilty to Sexual Battery of a Minor Child

As previously reported, an OIG investigation performed jointly with the Idaho Falls Police Department determined that an Idaho National Laboratory fire department employee engaged in sexual activity with a minor. The investigation found that the subject had utilized a Government computer in furtherance of his illicit actions. The subject pled guilty to one felony count of sexual battery to a minor under Idaho Code 18-1508A(1)(c). The subject's security clearance and employment were terminated. During this reporting period, the subject was sentenced to 4 to 20 years incarceration and ordered to pay a \$1,000 fine, \$250 to the Victim's Relief Fund, and \$47.50 in court fees. The subject was also ordered to pay restitution to the victim's family. **(I05IF003)**

## Subject Sentenced for Unauthorized Possession of Four Stolen Department Badges

As previously reported, a joint OIG investigation with the Federal Bureau of Investigation (FBI) and the Bureau of Alcohol, Tobacco, Firearms and Explosives of a check-cashing scam determined that three individuals manufactured and stole various forms of identification, including Department credentials, to facilitate fraudulent activities. Over 100 victims were identified during the investigation. Two subjects pled guilty to various Federal criminal violations. One subject was sentenced by the U.S. District Court, District of New Mexico, to 12 years and 1 month imprisonment and 3 years of supervised release, and was ordered to pay a \$700 special assessment fee. During this reporting period, the other subject was sentenced to 72 months imprisonment, 3 years of supervised release, and a \$1,000 assessment. Additionally, according to the terms of the plea agreement, the latter subject forfeited to the Government computers, printers, cameras, a scanner, and a laminator. **(I04AL009)**

## Department Subcontractor Agrees to *Qui Tam* Settlement and Sentenced for Conspiracy

As previously reported, a joint task force investigation relating to a *Qui Tam* complaint determined that a Department subcontractor did not comply with welding and nondestructive test requirements for valves manufactured under various Government contracts. The investigation revealed that the subcontractor provided substandard valves to the Government, some of which were used in the storage of depleted uranium hexafluoride. During this reporting period, the former Vice President of the Military Division for the Department subcontractor pled guilty in U.S. District Court, Northern District of Ohio, to a violation of Title 18, U.S.C. Section 371, (Conspiracy to Commit Offense or to Defraud United States) and nuclear safety violations under Title 42, U.S.C. Section 2273(a). The subject was sentenced to 24 months incarceration, 3 years supervised release, and ordered to

pay over \$4 million in restitution. In addition, the *Qui Tam* complaint was settled resulting in an agreement to pay \$13,266,000. (I01OR008)

### Did you know?

***The False Claims Act (Act) prohibits any person from “knowingly” presenting a “false or fraudulent claim for payment or approval” to the Federal Government. The Act authorizes individual citizens to bring private suits, referred to as Qui Tam actions, to enforce the Act on behalf of the Government.***

## Chief Accountant for Hanford Site Subcontractor Accepts Pre-Trial Diversion Agreement

An OIG investigation determined that a chief accountant for a Hanford Site Waste Treatment Plant subcontractor altered numerous vendor invoices. The invoices were used as supporting documentation for a fraudulently inflated subcontract termination claim, valued at approximately \$1 million. The subject initially was indicted on one-count criminal violation of mail fraud and subsequently accepted a 12-month pre-trial diversion agreement. Also, as a result of an OIG Report to Management, the subject, the subcontractor company and its owner were suspended from Government contracting pending debarment proceedings. (I04RL001)

## Settlement Reached in Civil False Claims Investigation

A joint OIG investigation of a *Qui Tam* complaint filed under the False Claims Act determined that a Department contractor submitted false claims and statements by misrepresenting the cost impact of a voluntary accounting system change and by improperly allocating various costs on numerous Government contracts. Those costs included general and administrative costs, executive and management bonuses, and computer network costs. The contractor entered into a \$12.5 million civil settlement with the U.S. Government. (I00LL005)

## Employee Concerns Program Survey Recommendations

In May 2001, the Department's Office of Employee Concerns issued the results of a survey conducted by the National Academy of Public Administration (NAPA) on the effectiveness of the Employee Concerns Program. An OIG inspection found that the recommendations outlined in the NAPA survey were not effectively implemented throughout the Department. Specifically, we found that Office of Employee Concerns officials did not require or request that field officials take corrective actions in response to the report recommendations. In addition, Office of Employee Concerns officials did not follow up with field sites to

determine if actions were taken to implement survey report recommendations. The results of our inspection revealed that the Department did not maximize the potential benefit of the NAPA survey results and the accompanying recommendations for improving the Employee Concerns Program. **(INS-L-06-02)**

## Federal Energy Regulatory Commission Employee Disciplined

An OIG investigation determined that a GS-14 FERC employee misused Government time and equipment to work on a personal business enterprise. The employee was counseled and reimbursed the Government over \$10,000. **(I04HQ003)**

## OIG Investigation Results in Guilty Plea for Theft of Government Property

An OIG investigation determined that a Department contractor employee stole 628 pounds of aluminum wire from the Oak Ridge National Laboratory and sold it to a local metals dealer for personal gain. The OIG recovered the wire and obtained a confession from the subject. The subject subsequently entered a guilty plea to a violation of Tennessee Code Annotated 39-14-103 (Theft of Property, Class E Felony). He is currently awaiting sentencing. **(I04OR003)**

## Department Grant Recipient Sentenced for Fraud

As previously reported, a joint investigation as a result of a *qui tam* complaint determined that a grant recipient submitted duplicate research results to more than one agency for payment; billed for research reportedly done in-house but was improperly subcontracted to others; and submitted invoices for personal purchases. The individual pled guilty to one count of Title 18, U.S.C. Section 1341 (Mail Fraud) and one count of Title 26, U.S.C. Section 7201 (Attempt to Evade or Defeat Tax). During this reporting period, the subject agreed to pay \$1.4 million pursuant to a global criminal and civil settlement. Of this amount, over \$1 million went to the U.S. Treasury to resolve the *Qui Tam* complaint and the Internal Revenue Service received over \$288,000 for criminal penalties and interest. The subject was also sentenced to 5 years probation and 12 months home confinement with electronic monitoring, ordered to pay a \$20,000 fine, and \$200 special assessment fee. The individual was also debarred from Government contracting for a five- year period. **(I01PT001)**

## Former Contractor Employee at Brookhaven National Laboratory Pleads Guilty to Misusing Credit Card

A joint OIG investigation with the Suffolk County Police Department determined that a former Brookhaven National Laboratory contractor employee misused a Laboratory computer and assigned credit card to purchase automotive parts for a personal vehicle. Pursuant to a plea agreement with the District Attorney's Office for Suffolk County, the subject pled guilty to one count of Petit Larceny in violation of New York State Penal Law section 155.25 and paid restitution in the amount of \$11,570. **(I04PT006)**

## Department Supplier Pleads Guilty to Trafficking in Counterfeit Goods

A joint OIG investigation with the FBI and the Postal Inspection Service determined that the owner of a wholesale computer parts reseller supplied \$380,000 in counterfeit computer memory kits to the Department's Bettis and Knolls Atomic Power Laboratories. The parts were determined to be counterfeit before they were installed. Pursuant to a plea agreement with the U.S. Attorney's Office for the District of New Hampshire, a principal of the company pled guilty to one count in violation of trafficking in counterfeit goods under Title 18, U.S.C. Section 2320. **(I02PT005)**

## Electronic Recording of Telephone and Radio Conversations

An OIG inspection found that protective force management at LANL was regularly recording both telephone and radio conversations and that these recordings were not conducted in compliance with Department policies and procedures. We recommended, among other things, that the Laboratory terminate recording operations that were inconsistent with Department regulations; obtain required proof of consent to record conversations; and, assure full compliance with the Department's records management program. **(IG-0717)**

## Subject Pleads Guilty to Wire Fraud in Scheme Involving Purchase Cards

An OIG investigation determined that a former contractor employee of the Department's National Renewable Energy Laboratory (NREL) conspired with a print shop vendor to submit 97 false claims totaling \$126,175 using a Government purchase card. The subject used the purchase card to place fraudulent NREL copy jobs with a complicit print shop vendor. Both subjects pled guilty to various violations of Title 18 and are awaiting sentencing. **(I02DN003)**



## Overbilling for Travel Costs

As previously reported, a False Claims Act investigation conducted with numerous law enforcement agencies determined that a Department contractor failed to adjust travel costs for credits or rebates received from travel vendors. The contractor entered into a \$41.9 million civil settlement with the U.S. Government. During this reporting period, four additional Department contractors each settled lawsuits concerning false claims allegedly submitted to various agencies, including the Department of Energy, in connection with travel reimbursement. One consulting firm agreed to pay \$15 million to settle the matter. The other companies agreed to pay \$3,365,664, \$4,471,980 and \$2,770,000 respectively. **(I03AL020)**

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## Results

### Highlights of Positive Results Based on Office of Inspector General Work

During this reporting period, the Department took positive actions as a result of OIG work conducted during the current or previous periods. Consistent with our findings and recommendations:

- The Federal Energy Regulatory Commission took action to update its information technology system's vulnerability management methodology, to include increased compliance evaluations to determine whether systems are operating in accordance with security requirements.
- The Department completed a cost-benefit analysis on the options for integrating the programmatic requirements of the Office of Environmental Management, the Office of Science, and other customers for services currently being provided at the Hanford Radiological Calibration Laboratory.
- The Department took action to analyze and disseminate information on common or recurring cyber security weaknesses and required program offices to ensure that Federal and Departmental cyber security policy and guidance are communicated, understood, and implemented by line management across the complex, including contractors. Specifically, the Department established integrated teams of cyber security specialists that have visited numerous Office of Science and Office of Environmental Management field sites to evaluate key aspects of the sites' cyber security programs and have recommended specific action items for improvement. Follow-up visits by the integrated teams are scheduled within one year to ensure that action items are corrected.
- The Department has developed a list of assets from across the complex that are in use but could be diverted to emergency response if necessary.

- The Department has canceled plans to award a contract at Hanford’s Fast Flux Test Facility. Instead, work at the reactor will end once it is permanently shut down, so limited cleanup money can be spent on projects that present an immediate threat to the environment or safety.
- The Department has initiated a plan to conduct a follow-up survey to assess the current effectiveness of the Employee Concerns Program.
- The Department tasked the National Academies of Science to conduct an assessment of scientific and technical issues related to groundwater monitoring and contamination mitigation at LANL.
- The Department’s Strategic Petroleum Reserve is implementing Homeland Security Presidential Directive 12, to ensure that appropriate background checks are conducted on current Federal, contractor and subcontractor personnel, as well as all new-hires.

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## Congressional Responses

During this reporting period, the OIG received 10 requests for information from Congress, provided information in 15 instances, and briefed Committee staff on 8 occasions. In addition, the Inspector General testified at a congressional hearing on February 14, 2006, before the Subcommittee on National Security, Emerging Threats, and International Relations, House Committee on Government Reform, on “National Security Whistleblowers in the Post-9/11 Era – Lost in a Labyrinth and Facing Subtle Retaliation.”

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## Management Referral System

The OIG operates an extensive Management Referral System. Under this system, selected matters received through the OIG Hotline or other sources are referred to the appropriate Department manager or other Government agency for review and appropriate actions.

The OIG referred 92 complaints to Department management and other Government agencies during this reporting period and specifically requested Department management to respond concerning the actions taken on 47 of these complaints. Otherwise, Department management is asked to respond if it develops information or takes action that it believes should be reported. The following demonstrates management’s use of OIG-provided information to stimulate positive change or to take decisive action:

- A technical expert confirmed that there were computer security vulnerabilities at a Department laboratory and recommended further evaluation of risks associated with the current network-perimeter policies and documentation of the accepted risks in revising the laboratory’s Cyber Security Program Plan and Site Risk Assessment.

Scanning and penetration tests will be conducted to determine the effectiveness of the laboratory's security controls. Also, the laboratory will incorporate a firewall on the network perimeter to supplement existing firewalls and provide an added measure of protection for the site.

- Department management substantiated an allegation that a vice president of a laboratory contractor violated a DOE Order, directing all employees to send complaints regarding laboratory operations through a laboratory security department before sending them to the OIG. Consequently, the local Department site office worked with the laboratory to write clear and unambiguous language into the laboratory's policy manual, clearly stating that complaints be directed to the OIG.
- In response to a referral to Department management that a contractor supervisor allegedly had directed employees to charge personal time to a Department contract, the contractor's internal auditors examined employee time charges and subsequently questioned the costs associated with about 434 hours of time charged. Further review by the local Department Site Office questioned the costs associated with the entire 1,074 hours charged to the contract. The contracting officer issued a "Notice of Intent to Disallow Costs." The contracting officer also directed the contractor to report the details of actions taken and planned to ensure adequate control of time charging and approval.

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## Qui Tams

Since 1996, the OIG has been instrumental in working with the Department of Justice in *Qui Tam* cases. The OIG is currently working on 24 *Qui Tam* lawsuits involving alleged fraud against the Government in the amount of approximately \$287 million. These cases are highly resource intensive, requiring the active participation of OIG investigative and audit assets. However, they have proven to be targets of opportunity within the Department of Energy with a high return on our investments.

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## Intelligence Activities

The OIG issued two quarterly reports pursuant to Executive Order 12863, "President's Foreign Intelligence Advisory Board." The Order requires the Inspectors General of the Intelligence Community to report to the Intelligence Oversight Board concerning intelligence activities the Inspectors General have reason to believe may be unlawful or contrary to Executive order or Presidential directive. No intelligence activities were reported during this period that were contrary to Executive order or Presidential directive.

However, we determined that officials in the Department's Office of Intelligence did not comply with the documentation requirements set forth in a Director of Central Intelligence

Directive when they granted an individual access to sensitive compartmented information (SCI). They did not ensure that the entity processing the SCI request received all required documentation. The Director of the Office of Intelligence stated that his office will ensure that the entity processing an SCI request receives copies of all required documentation.

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## Legislative and Regulatory Review

The Inspector General Act of 1978, as amended, requires the OIG to review and comment upon legislation and regulations relating to Department programs and to make recommendations concerning the impact of such legislation or regulations on Departmental economy and efficiency. The OIG coordinated and reviewed 19 legislative and regulatory items during the reporting period.

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## Hotline System

The OIG operates a Hotline System to facilitate the reporting of allegations involving the programs and activities under the auspices of the Department. During this reporting period, 683 complaints were processed. The OIG Hotline System can be reached by calling 1-800-541-1625 or 1-202-586-4073.

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# Reports Issued

Audit Reports Issued – October 1, 2005, through March 31, 2006

Report Number	Title	Date of Issue	Savings	Questioned Costs
IG-0704	<i>The Federal Energy Regulatory Commission's Unclassified Cyber Security Program – 2005</i>	10-06-05		
IG-0705	<i>The National Nuclear Security Administration's Implementation of the 2003 Design Basis Threat</i>	10-07-05		
IG-0706	<i>Accelerated Tank Waste Retrieval Activities at the Hanford Site</i>	10-17-05		
IG-0707	<i>The Department of Energy's Response to Hurricanes Katrina and Rita</i>	11-09-05		
IG-0709	<i>Management of the Department's Isotope Program</i>	11-17-05	\$4,900,000	
IG-0710	<i>Management of Facility Contractors Assigned to the Washington, D.C. Area</i>	11-21-05		
IG-0711	<i>Demolition and Replacement of Hanford's Radiological Calibration Laboratory</i>	12-05-05		
IG-0712	<i>Management Challenges at the Department of Energy</i>	12-14-05		
IG-0713	<i>The Status of the Mixed Oxide Fuel Fabrication Facility</i>	12-21-05		
IG-0714	<i>Nuclear Material Availability (Classified Report)</i>	01-10-06		
IG-0718	<i>Management of the Department's Desktop Computer Software Enterprise License Agreements</i>	01-30-06	\$2,487,400	
IG-0720	<i>Nuclear Detection Devices</i>	02-28-06		

<b>Report Number</b>	<b>Title</b>	<b>Date of Issue</b>	<b>Savings</b>	<b>Questioned Costs</b>
IG-0721	<i>Follow-up Audit Report on the Department of Energy's Performance of the Miamisburg Closure Project</i>	03-14-06		
OAS-M-06-01	<i>Management Controls over the Hanford Site Transuranic Mixed Tank Waste</i>	11-25-05		
OAS-M-06-02	<i>Management Controls over Assessing Natural Resource Damage at Rocky Flats</i>	11-25-05		
OAS-M-06-03	<i>Management Controls over the University of California's Contributions to the Los Alamos National Laboratory Foundation</i>	12-30-05		\$6,000,000
OAS-M-06-04	<i>Management Controls over BWXT's Teaming Partner Arrangement at Pantex</i>	02-08-06		
OAS-L-06-01	<i>The Department of Energy's Radio Communications Systems</i>	11-09-05		
OAS-L-06-02	<i>Property Transfers at the East Tennessee Technology Park</i>	11-21-05		
OAS-L-06-03	<i>Defense Waste Processing Facility Operations at the Savannah River Site</i>	12-20-05		
OAS-L-06-04	<i>Federal Managers' Financial Integrity Act Audit Report</i>	12-20-05		
OAS-L-06-05	<i>Management Controls over Technologies at the Special Nuclear Material Component Requalification Facility</i>	01-05-06		
OAS-L-06-06	<i>Review of the Independent Auditor's Report on The Institute for Genomic Research for the Year Ending December 31, 2004</i>	01-10-06		

<b>Report Number</b>	<b>Title</b>	<b>Date of Issue</b>	<b>Savings</b>	<b>Questioned Costs</b>
OAS-L-06-07	<i>The Department's Management of United States Enrichment Corporation Site Services</i>	02-09-06		\$922,000
OAS-L-06-08	<i>Personal Property Management at Oak Ridge National Laboratory and Brookhaven National Laboratory</i>	02-28-06		
OAS-L-06-09	<i>The Department of Energy's Management of the Northeast Home Heating Oil Reserve</i>	03-23-06		
OAS-L-06-10	<i>The Department's Information Technology Capital Planning and Investment Control Process</i>	03-31-06		
OAS-V-06-01	<i>Review of the Independent Auditor's Report on the Los Alamos National Laboratory Foundation for the Year Ended December 31, 2004</i>	10-03-05		
OAS-V-06-02	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Battelle – Pacific Northwest Laboratory Under Department of Energy Contract No. DE-AC05-76RL01830</i>	10-11-05		\$366,000
OAS-V-06-03	<i>Review of the Independent Auditor's Report on New Mexico Institute of Mining and Technology for the Year Ended June 30, 2004</i>	10-12-05		
OAS-V-06-04	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Westinghouse Waste Isolation Division Under Department of Energy Contract No. DE-AC04-86AL31950</i>	12-01-05		



<b>Report Number</b>	<b>Title</b>	<b>Date of Issue</b>	<b>Savings</b>	<b>Questioned Costs</b>
OAS-V-06-05	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Midwest Research Institute Under Department of Energy Contract No. DE-AC36-99GO10337</i>	12-13-05		
OAS-V-06-06	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation Under Department of Energy Contract No. DE-AC04-94AL85000</i>	12-20-05		\$2,032,805
OAS-V-06-07	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Los Alamos National Laboratory under Department of Energy Contract No. W-7405-ENG-36</i>	12-23-05		\$7,947,368
OAS-V-06-08	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Honeywell Federal Manufacturing &amp; Technologies, LLC Under Department of Energy Contract No. DE-AC04-01AL66850</i>	1-10-06		

<b>Report Number</b>	<b>Title</b>	<b>Date of Issue</b>	<b>Savings</b>	<b>Questioned Costs</b>
OAS-V-06-09	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Lawrence Livermore National Laboratory Under Department of Energy Contract No. W-7405-ENG-48</i>	01-12-06		\$162,260
OAS-V-06-10	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Washington TRU Solutions, LLC Under Department of Energy Contract Nos. DE-AC04-01AL66444 and DE-AC29-01AL66444</i>	01-19-06		\$533,953
OAS-FS-06-01	<i>The Department of Energy's Fiscal Year 2005 Consolidated Financial Statements</i>	11-14-05		
OAS-FS-06-02	<i>Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Financial Statement for Fiscal Year 2005</i>	11-22-05		
OAS-FS-06-03	<i>Federal Energy Regulatory Commission's Fiscal Year 2005 Financial Statement Audit</i>	12-06-05		
OAS-FS-06-04	<i>Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2005</i>	12-15-05		
OAS-FS/ CA-06-01	<i>Review of Actions to Correct Financial Control and Reporting Weaknesses</i>	02-14-06		
OAS-FS/ CA-06-02	<i>Review of Actions to Correct Financial Control and Reporting Weaknesses</i>	03-30-06		

Inspection Reports Issued –  
October 1, 2005, through March 31, 2006\*

<b>Report Number</b>	<b>Title</b>	<b>Date of Issue</b>
IG-0708	<i>Quality Assurance Weaknesses in the Review of Yucca Mountain Electronic Mail for Relevancy to the Licensing Process</i>	11-09-05
INS-L-06-01	<i>Purchase Card Transactions at the Bonneville Power Administration</i>	11-16-05
INS-O-06-01	<i>Selected Purchase Card Transactions at the Nevada Site Office</i>	11-22-05
IG-0715	<i>Acquisition of Protective Force Weapons by Sandia National Laboratory, New Mexico</i>	01-12-06
IG-0716	<i>Security Clearance Terminations and Badge Retrieval at the Lawrence Livermore National Laboratory</i>	01-19-06
IG-0717	<i>Electronic Recording of Telephone and Radio Conversations by Los Alamos National Laboratory Protective Force Management</i>	01-24-06
IG-0719	<i>Protective Force Contracts at the Oak Ridge Reservation</i>	02-02-06
INS-L-06-02	<i>Implementation of Employee Concerns Program Survey Recommendations</i>	03-03-06
INS-L-06-03	<i>Sandia National Laboratory Access to Sensitive Compartmented Information</i>	03-07-06
IG-0722	<i>Internal Controls Over Sensitive Property in the Office of Intelligence</i>	03-13-06

\*Does not include non-public reports



# Statistical Information

## Audit Report Statistics – October 1, 2005, through March 31, 2006

*The following table shows the total number of audit reports and the total dollar value of the recommendations that funds be put to better use by management:*

	<b>Total Number</b>	<b>One Time Savings</b>	<b>Recurring Savings</b>	<b>Total Savings</b>
Those issued before the reporting period for which no management decision has been made*	7	\$1,573,636,213	\$6,000,000	\$1,579,636,213
Those issued during the reporting period	35	\$7,387,400	\$0	\$7,387,400
Those for which a management decision was made during the reporting period*	17	\$570,810,774	\$0	\$570,810,774
Agreed to by management		\$46,627,900	\$0	\$46,627,900
Not agreed by management		\$47,182,874	\$0	\$47,182,874
Those for which a management decision is not required	18	\$0	\$0	\$0
Those for which no management decision has been made at the end of the reporting period*	7	\$1,487,212,839	\$6,000,000	\$1,493,212,839

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

## Audit Report Statistics – October 1, 2005, through March 31, 2006

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

	Total Number	Questioned Costs	Unsupported Costs
Those issued before the reporting period for which no management decision has been made	1	\$151,354	\$0
Those issued during the reporting period	8	\$18,054,386	\$0
Those for which a management decision was made during the reporting period*	8	\$17,283,740	\$0
Value of disallowed costs		\$8,098,722	\$0
Value of costs not disallowed		\$6,000,000	\$0
Those for which a management decision is not required*	1	\$922,000	\$0
Those for which no management decision has been made at the end of the reporting period*	0	\$4,107,018	\$0

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

## Reports Lacking Management Decision

The Department has a system in place to track audit reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by audit agencies and agreed to by management are addressed as efficiently and expeditiously as possible. Listed below are audit reports over six months old that were issued before the beginning of the reporting period and for which no management decisions had been made by the end of the reporting period. The reasons management decisions had not been made and the estimated dates (where available) for achieving management decisions are also included.

### ■ Management Audits

**CR-B-99-02:** Management of Unneeded Materials and Chemicals, September 30, 1999 – *The management decision was signed on June 23, 2005 assigning programs with the responsibility to develop disposal plans. The elements assigned the responsibility to develop disposition plans have recently finalized their plans to dispose of the Department's unneeded materials and chemicals. The results of the*

*management decision are being reviewed by the necessary Departmental elements. The final management decision will then be submitted for the Inspector General's approval. Completion of the review is expected by May 31, 2006.*

**IG-0669:** Use and Management of Mobile Communications Services, December 14, 2004 – *The finalization of the management decision for this report is awaiting review of proposed cost for contracted support to perform the activities cited in the Inspector General audit. Beyond that, review and concurrence by the necessary Departmental Elements will be obtained. This should occur by June 30, 2006.*

**IG-0686:** Development and Implementation of the Department's Enterprise Architecture, April 21, 2005 – *The finalization of the management decision for this report is awaiting review and concurrence by the necessary Departmental Elements. This should occur by May 15, 2006.*

**IG-0688:** The National Nuclear Security Administration's Pit Disassembly and Conversion Facility, May 3, 2005 – *The finalization of the management decision is pending the resolution of complex issues. This should occur by December 31, 2006.*

## Prior Significant Recommendations Not Implemented

As of March 2006, closure actions on recommendations in 37 OIG reports had not been fully implemented within 12 months from the date of report issuance. The OIG is committed to working with management to expeditiously address the management decision and corrective action process, recognizing that certain initiatives will require long-term, sustained, and concerted efforts. The Department has undertaken a series of initiatives to strengthen its process for addressing recommendations in OIG reports and closed 211 recommendations in the last 6 months. Management updates the Departmental Audit Report Tracking System on a quarterly basis, most recently in March 2006. Information on the status of any report recommendation can be obtained through the OIG's Office of Audit Services and Office of Inspections and Special Inquiries.

## Inspection Statistics – October 1, 2005, through March 31, 2006

Inspections/Special Inquiries open at the start of this reporting period	80
Inspections/Special Inquiries opened during this reporting period	22
Inspections/Special Inquiries closed during this reporting period	14
Inspections open at the end of this reporting period	88
Reports issued (includes non-public reports)	12
Report Recommendations*	
<i>Issued this reporting period</i>	37
<i>Accepted by management this reporting period</i>	33
<i>Implemented by management this reporting period</i>	32
Complaints referred to Department management/others	92
<i>Referrals to Department management requesting a response for OIG evaluation</i>	47

\*Includes non-public report recommendations

## Hotline Statistics – October 1, 2005, through March 31, 2006

Hotline calls, emails, letters, and other complaints	683*
Hotline calls, emails, letters, and other complaints predicated	228
Unresolved Hotline predications from previous reporting period	11
<i>Total Hotline predications</i>	239
Hotline predications transferred to the Management Referral System	105
Hotline predications closed based upon preliminary OIG activity	115
Hotline predications pending disposition	9
<i>Total predications processed</i>	239

\*The figure includes complaints outside the purview of the Office of Inspector General. The complainants were referred to the appropriate Federal, State, local, or private organization for assistance, if applicable.

## Investigative Statistics – October 1, 2005 through March 31, 2006

Investigations open at the start of this reporting period	278
Investigations opened during this reporting period	56
Investigations closed during this reporting period	63
Investigations open at the end of this reporting period	271
<i>Qui Tam</i> investigations opened	0
<i>Total open Qui Tam investigations as of 3/31/06</i>	24
Multi-agency task force investigations opened	20
<i>Total open multi-agency task force investigations as of 3/31/06</i>	125
Investigative reports to prosecutors and Department management	23
Recommendations to management for positive change and other actions	41
Administrative discipline and other management actions	34
Suspensions/Debarments	10
Investigations referred for prosecution	35
<i>Accepted*</i>	20
<i>Indictments</i>	20
<i>Criminal convictions</i>	9
<i>Pretrial diversions</i>	1
<i>Civil actions</i>	8
Fines, settlements, recoveries**	\$ 28,387,306.27

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

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



# Feedback Sheet

The contents of the March 2006 Semiannual Report to Congress comply with the requirements of the Inspector General Act of 1978, as amended. If you have any suggestions for making the report more responsive, please complete this feedback sheet and return it to:

**United States Department of Energy  
Office of Inspector General (IG-1)  
Washington, D.C. 20585**

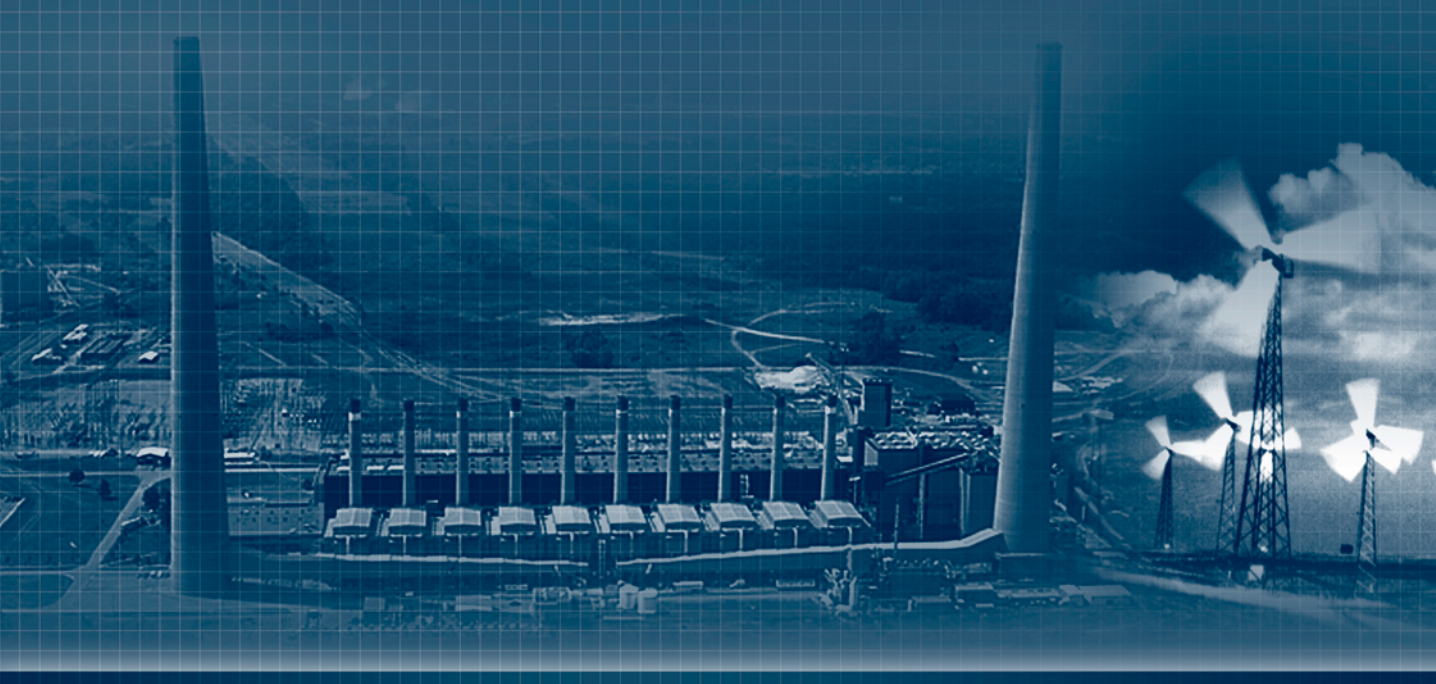
**ATTN: Juston Fontaine**

Name: \_\_\_\_\_

Daytime Telephone Number: \_\_\_\_\_

Comments/Suggestions/Feedback:  
*(Please attach additional sheets if needed.)*





**U.S. DEPARTMENT OF ENERGY • OFFICE OF INSPECTOR GENERAL**