



DOE/IG-0022

United States
Department of Energy
Office of Inspector General

Semiannual Report to Congress

October 1, 2000
to March 31, 2001

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April 2001

Did You Know?

"The Department of Energy has installed two low-sulfur light bulbs as a test at its Forrestal building headquarters in Washington, D.C."

(See front cover)

Source: National Energy Policy, Report of the National Energy Policy Group, May 2001.



Department of Energy

Washington, DC 20585

April 30, 2001

The Honorable Spencer Abraham
Secretary
U.S. Department of Energy
Washington, D.C. 20585

Dear Secretary Abraham:

I am pleased to submit the Office of Inspector General's (OIG) Semiannual Report to Congress. The Report summarizes significant OIG activities and accomplishments during the 6-month period ending March 31, 2001. The Inspector General Act, as amended, requires you to forward the Report to the appropriate congressional oversight committees within 30 days of your receipt of this Report.

This Report reflects our continuing commitment to focus OIG efforts on the issues and concerns most critical to the Administration, the Department, and the Congress. In particular, it describes OIG accomplishments in identifying the most significant management challenges facing the Department.

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

Sincerely,

A handwritten signature in cursive script that reads "Greg Friedman".

Gregory H. Friedman
Inspector General

Enclosure

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We are pleased to provide our Semiannual Report to the new Secretary of the Department of Energy (Department) and his staff, as well as the new Congress. The Report summarizes significant Office of Inspector General (OIG) audit, investigation, and inspection activities and accomplishments during the reporting period, October 1, 2000, to March 31, 2001. We devoted a significant portion of our resources to continue improving the effectiveness and efficiency of the Department's programs and operations.



Management Challenges Facing the Department

Since 1997, our Office has provided the Secretary and Congress with an annual assessment of the most serious management challenges facing the Department. During this period, we identified those Department challenges, including challenges facing the National Nuclear Security Administration (NNSA) that, in our view, warrant increased attention or appear to have reached a higher level of urgency. On March 15, 2001, I testified before the House Committee on Government Reform, Subcommittee on National Security, Veterans' Affairs, and International Relations, about these major challenges confronting the Department.

We determined that the most serious challenges facing the Department today can be categorized as follows:

- *Effective Establishment of the NNSA;*
- *Contract Administration;*
- *Energy Supply/Demand Technology;*
- *Environmental Remediation (including radioactive waste storage);*
- *Human Capital;*
- *Information Technology;*
- *Infrastructure;*
- *Property Controls and Asset Inventories;*
- *Safety and Health; and*
- *Security*

We believe that, with aggressive management action, the information technology, infrastructure, and security challenges can be solved within a short period of time. However, the environmental cleanup, safety and health, and contract administration challenges will require long-term Department efforts.

To its credit, the Department, through strategic planning, goal-setting, and management commitment, has taken a number of positive actions to address previously reported challenges. Further progress in resolving these challenges will be impacted by the Department's effective implementation of the Government Performance and Results Act. Specifically, the Department should ensure that it has developed and implemented performance goals and measures that directly address each of the management challenges.

The Reports Consolidation Act of 2000 requires the Inspectors General to annually submit to the agency a statement summarizing the most serious management and performance challenges facing the Department and assessing its progress in addressing those challenges. We believe this requirement will assist the Department in focusing on improving those areas of most critical importance.

economy

**Management Challenges
and Significant Accomplishments**

Did you know?

**Management Challenge -
Energy Supply/Demand
Technology :**

1. World oil demand is projected to increase from 75.5 million barrels per day in 1999 to 117.4 million barrels per day in 2020.
2. The most rapid increases in energy are expected for computers, office equipment, telecommunications, and other equipment.

Source: Annual Energy Outlook 2001 (AEO2001)

The chairmen of several committees of the U.S. Congress requested the OIG to assess the most significant management challenges facing the Department. In response, the OIG initiated an analysis and issued a special report that focused on those areas that warranted increased emphasis or appeared to have reached a heightened level of urgency. (A listing of the management challenges is included in the "Inspector General's Message" at the beginning of this document.)

The Department has taken a number of positive actions to address some of its long-standing problems, including several that were reported by the OIG as management challenges in prior OIG reports. Examples include: integrating research and development activities, commencing operations at the Waste Isolation Pilot Plant, and enhancing project management. Additionally, the Department has expressed its commitment to designing and implementing performance goals and measures directly addressing each management challenge. (IG-0491)

The following are examples of OIG accomplishments in the management challenge areas for which final reports were issued during the reporting period.

• **Effective Establishment of the NNSA**

The NNSA was established in March 2000 pursuant to Title 32 of the National Defense Authorization Act for Fiscal Year (FY) 2000 (Public Law 106-65). NNSA's mission is to provide clear and direct lines of accountability and responsibility for the management and operation of the nation's nuclear weapons, naval reactors, and nuclear nonproliferation activities. As with the establishment of any new Government enterprise, especially one with such a significant mission, the NNSA faces a number of challenges associated with its creation. In order to expand our reviews of NNSA operations, the OIG reorganized and established key management positions devoted to NNSA operations. In addition, the following are some of the NNSA-related reviews the OIG completed:

Security Incident at Los Alamos National Laboratory



Technical Area-18, Los Alamos National Laboratory

The OIG conducted an inspection of a security incident involving a power failure at the Los Alamos National Laboratory's (LANL) Technical Area 18 (TA-18) that prevented a vault containing a reactor from locking properly. This review found no evidence of any loss, compromise, or unauthorized disclosure of classified information or material. The OIG did find weaknesses, however, in LANL's operating instructions and security procedures relating to the locking of the vault.

LANL did not have procedures in place describing how to manually lock the vault in the event of a power failure. Furthermore, the actual procedures used by the Protective Force personnel for exiting the facility where the vault is located were not consistent with their "POST ORDERS." In addition, TA-18 did not have a program of scheduled inspections or preventive maintenance to ensure proper operation of the vault's locking device. It was also determined that, although the incident was reported in a timely manner to appropriate personnel, discrepancies existed in the various reports filed on the incident.

The OIG recommended a series of actions to address the weaknesses identified in LANL's operating and security procedures. Department management agreed with the OIG recommendations, and LANL has written new procedures that address vault operations during a power failure. (INS-L-01-02)

Aspects of the Department's Classified Document Transmittal Process Need Improvement

The OIG initiated a review of the Department's classified document transmittal process to determine whether Department officials and contractors were following proper safeguard and security procedures when transmitting classified documents outside the Department. Analysis of a Calendar Year 1999 sampling of classified transmittals at

three Department laboratories determined that the laboratories had not always adhered to safeguard and security transmittal procedures.

Safeguard procedures mandate that all transmissions outside the Department must be addressed to approved classified addresses as verified through the Department's approved recipient database. The laboratories in question, on occasion, had transmitted classified documents to addresses that were not included in the database. On May 12, 2000, the OIG issued a management alert bringing this matter to the attention of the Department's Office of Security Affairs (OSA). On July 6, 2000, the Director of the Office of Security and Emergency Operations issued a response to the OIG concluding that although Department policy had been violated, no compromise of classified information had occurred.

The OIG recommended a series of corrective actions to improve the Department's classified document transmittal process. The Department concurred with these recommendations. (IG-0488)

Lack of Operating Funds for Atlas Pulsed Power Experimental Facility



The Atlas Pulsed Power Experimental Facility

The Atlas Pulsed Power Experimental Facility (Atlas) was proposed as part of the Stockpile Stewardship Program to validate certain elements of nuclear weapons computer codes. The facility was completed in August 2000, at a total cost of \$49 million. An OIG audit found that although the Office of Defense Programs (DP) validated the need for Atlas and authorized construction, DP did not have the funds to operate the facility. DP had estimated operating costs when construction was authorized; however, it failed to assign the facility a priority high enough to ensure funding. Subsequent to the issuance of the OIG draft report, DP acquired funding to dismantle, move and reassemble Atlas at the Nevada Test Site (NTS). As of the date of the OIG report, the Department had not secured the funding needed to operate Atlas after it is reassembled.

The OIG made recommendations to ensure that: (1) a formal prioritization process is established; (2) projects have operating funds identified and requested prior to construction; and (3) management notifies Congress if any changes are made to the Atlas operation plan once Atlas is moved to the NTS. Department management did not agree with the OIG's recommendations. Specifically, management stated that it had a good prioritizing process in DP. Management did agree, however, to identify and request operating funds prior to construction and to notify Congress of any changes in plans to operate Atlas. (IG-0495)

- **Contract Administration**

In its FY 1999 Accountability Report, the Department reported that it had reformed its contracting practices. The reported reforms included: aggressively recompeting contracts; tying performance metrics to contractor fees to provide incentives for improved performance; and shifting risk to contractors in exchange for the opportunity to earn higher fee amounts. Based on observations and reviews conducted since 1994, the OIG concluded that many of the Department's contract reform goals have yet to be achieved. OIG reviews have disclosed continuing problems associated with performance-based incentives and fees at major Department contractor locations. During this reporting period, the OIG also disclosed instances where certain contracting practices did not appear to be in the Government's best interest. For example:

Savannah River Site Contractor Reimburses Unallowable Costs

The OIG conducted an investigation which substantiated irregularities with costs claimed by a contractor under a Cooperative Agreement (Agreement) with the Department's Savannah River Operations Office (SRO). Specifically, the investigation revealed that the contractor did not follow its own procurement procedures when granting a major subcontract under the Agreement. The OIG recommended that management consider issuing a "Notice of Intent to Disallow" approximately \$718,000 in costs improperly

Did you know?

In the first 6 months of FY 2001, the Department expended over \$13 billion on procurement of goods and services.

Source: Department of Energy Procurement and Assistance Data System (PADS) as of March 31, 2001.

claimed by the SRO contractor. Management concurred with the OIG recommendation. The Department received \$720,000 from the contractor in final settlement of disputed costs claimed under the Agreement. (I97SR010)

Department Strategy to Subcontract Work and Reduce Staff Not Achieved

The Department's Oak Ridge Operations Office (ORO) entered into a \$2.5 billion management and integration contract with Bechtel Jacobs Company LLC (Bechtel) for environmental remediation activities at sites located in Oak Ridge, Tennessee; Portsmouth, Ohio; and Paducah, Kentucky. The primary objective of the contract was to accelerate cleanup activities and maximize cost effectiveness. To this end, the Department chose a strategy in which the contractor was to rely on competitively awarded, fixed-price subcontracts for much of the work. In its proposal, Bechtel committed to subcontracting just over 90 percent of the work and to reduce staffing by about 80 percent, through transitioning staff to subcontracts, within 2 years of the contract award. These factors were, in large part, the basis of the award to Bechtel.

The OIG conducted an audit to determine whether Bechtel was meeting these commitments. The audit found that Bechtel did not use competitive, fixed-price subcontracts or reduce staffing to the extent proposed during the award selection process. It was also disclosed that the ORO had not incorporated these factors in the Bechtel contract, thereby limiting the Department's ability to hold the contractor accountable for achieving these goals. In addition, the OIG concluded that the Department could have saved an additional \$44.1 million in FY 2000 had Bechtel met the initial terms of its proposal.

The OIG recommended that the Manager, ORO, take actions to strengthen the selection process for awarding future contracts and direct Bechtel to review its planned work to identify any additional opportunities for subcontracting and to analyze core staffing levels and reduce staffing in areas where additional workforce transitioning could be employed. Department management agreed with the OIG recommendations, but disagreed with the audit conclusions stating that the audit did not take into consideration the fact

efficiency

that the contract was "one of a kind," that Department policy impacted on the contractor's ability to meet its subcontracting goals, and that the audit should have focused on compliance with the actual contract and not statements made during source selection. (IG-0498)

- **Environmental Remediation (including radioactive waste storage)**

The Department's effort to address the environmental consequences of its nuclear weapons mission has been recognized as the largest remediation program of its kind ever undertaken. The Department reports that it is responsible for cleaning up 113 geographic sites located in 30 States and one territory. Sites range in size from as small as a football field to larger than the State of Rhode Island. Cleaning up the entire nuclear weapons legacy will take several decades and, according to the Department's most recent estimate, cost about \$230 billion. The magnitude of the cleanup effort, along with its technical complexities and uncertainties, ensure that it will remain a Department challenge for the foreseeable future.

The Department has made progress in defining the cleanup effort, estimating its scope, and prioritizing individual projects. However, OIG reviews during this reporting period illustrate several examples of the need for increased management attention to achieving intended environmental cleanup outcomes.

Department Will Not Meet Completion Commitment for Stabilization of F-Canyon Americium/Curium Solution

In May 1994, the Defense Nuclear Facilities Safety Board (DNFSB) required the Department to formulate a plan to stabilize the highly radioactive Americium/Curium (AM/CM) solution stored at Savannah River's F-Canyon Facility. Initially, the Department committed to stabilizing the solution by September 1998. Thereafter the Department's implementation plan was revised and the completion date was set back until September 2002. This revised commitment was accepted by the DNFSB; however, the DNFSB noted that it would continue to monitor the Department's effort due to the potentially significant health and safety risks associated with

Did you know?

At the beginning of FY 2000, the Department reported it had finished cleanup at 69 of the 113 sites for which it is responsible.

Source: Department of Energy Strategic Plan, September 2000



Aerial View of Savannah River's F-Canyon Facility

the storage of such a highly radioactive solution. In January 2000, the DNFSB issued Recommendation 2000-1, reiterating the urgency of completing the AM/CM stabilization.

The OIG conducted an audit to determine whether the Department would meet its commitment to stabilize the AM/CM solution by September 2002. The OIG concluded that the Department would not meet its commitment to stabilize the AM/CM by September 2002. The Department submitted a revised commitment date of December 2005 to the DNFSB in June 2000. However, stabilization is not likely to be completed until after 2005. The Department committed itself to stabilization dates before knowing the dates were achievable. Furthermore, the Department did not establish separate funds for the vitrification project. Delaying the stabilization of AM/CM will prolong the safety risks associated with the solution, escalate the cost of the vitrification project, and hinder the decommissioning of the F-Canyon Facility.

The OIG recommended that the Manager, SRO: (1) reevaluate the proposed December 2005 commitment date; (2) submit a revised project completion date to the Office of the Deputy Assistant Secretary for Project Completion, Office of Environmental Management, that is based on an achievable baseline; (3) establish the AM/CM Vitrification Project as a line item project to ensure that it will receive dedicated funding; and (4) avoid submitting estimated completion dates on future projects until a project plan has been thoroughly developed. Management agreed with recommendations 1, 2, and 4. Management did not, however, agree with recommendation 3. (IG-0489)

Unnecessary Duplication of Atmospheric Prediction and Mapping Activities

The Department obtains predictions and maps of hazardous materials atmospheric dispersions from the National Oceanic and Atmospheric Administration (NOAA), its internal Atmospheric Release and Advisory Capability (ARAC), and locally developed in-house services. The OIG conducted an audit to determine if there was duplication of atmospheric prediction and mapping capabilities at the Department.

The Department was capable of providing the prediction and mapping services to the 18 Department sites; however, these sites had either acquired their own capabilities or had contracted with NOAA for the services. This resulted in unnecessary duplication of atmospheric prediction and mapping capabilities for hazardous materials dispersions at the Department. Also, ARAC was duplicating services for external events that NOAA was capable of providing. For example, both NOAA and ARAC predicted and mapped potential terrorist releases of chemical and biological agents. However, a Federal plan assigned responsibility for such services to NOAA, rather than the Department. The OIG estimated that the Department could save between \$1.56 million and \$6.18 million per year if duplication was eliminated.



OIG Technology Crimes Computer Forensics Laboratory

The OIG recommended that the Office of Emergency Response: (1) define the internal needs for predictions and maps; (2) select and implement the most cost-effective approach to eliminate internal duplication; and (3) cease providing prediction and mapping services to other entities. Management agreed with the first recommendation and stated that a draft policy to define internal needs and requirements for predictions and maps had been developed. Management disagreed with the remaining recommendations. (WR-B-01-02)

• **Information Technology**

Recent passage of the Government Information Security Reform Act (P.L. 106-398, subtitle G), with its requirement for an annual independent evaluation of the Department's information security activities by the OIG, represents a significant additional challenge and a major demand on OIG resources. The OIG is developing a comprehensive strategy for meeting this new requirement in a manner that fully leverages in-house capabilities, contractor resources, and the expertise of other information technology groups within the Department. The OIG's Technology Crimes Section (TCS) and Technology Audit Group, both formed in 1999, are working together to coordinate this effort. Recent information technology reviews include the following:

Joint Investigation Leads to Arrest and Confession of Computer Hacker

The OIG TCS was involved in the execution of a search warrant for computer-related storage media. The warrant was issued during the course of a joint investigation by OIG TCS agents with Special Agents from the National Aeronautics and Space Administration and the United States Postal Inspection Service. This investigation was based on allegations that an individual gained unauthorized access to a nonpublic (Government access only) web server operating at the Department's Sandia National Laboratory (Sandia), Albuquerque, New Mexico, and defaced the web page replacing it with obscene statements. During this investigation, search warrants were executed at two residences and a business, which led to an arrest and confession to computer intrusions at Sandia. The subject of this investigation also confessed to several computer intrusions at other Government and commercial entities and pleaded guilty in the State of Michigan Judicial Circuit Court to one count of Computers-Unauthorized Access. The subject is awaiting sentencing. (I01TC009)

Duplicative Information Systems Need To Be Eliminated

The OIG has completed several reviews on the Department's duplicative information systems. In an audit report from a previous reporting period concerning the Department's "Corporate and Stand Alone Information Systems Development" (DOE/IG-0485), the OIG concluded that the Department spent at least \$38 million developing duplicative information systems. During the current reporting period, the OIG conducted an inspection which found that from FY 1998 through April 2000, the Savannah River Operations Office authorized the expenditure of over \$989,000 to develop, upgrade, and implement its human resource information system, essentially duplicating and weakening the Department's "Corporate Human Resource Information System" (CHRIS).

The OIG provided management with recommendations that, if implemented, would strengthen the corporate initiative and end spending on duplicate systems. Management concurred with all of the OIG recommendations. (IG-0497)

Corporate Human Resource Information System Not Meeting Certain Requirements and Goals

In 1994, the Department determined that its "Legacy" Human Resource Information System no longer met its business needs. As a result, in 1996 it initiated action to replace this system with CHRIS. The Department projected that development of this system would cost approximately \$8 million and would be fully implemented within 6 years. It was also envisioned that the Department could expect a \$9.6 million savings over that 6-year period after CHRIS was implemented. By September 2000 the Department had spent \$11.6 million for CHRIS development.

The OIG conducted an audit and determined that CHRIS had not satisfied all Federal and Department requirements and had not met certain Department goals and objectives. Specifically, several system development activities such as the evaluation of selected software products and tracking of development and implementation costs were inadequate or had not been completed. Furthermore, Department goals to reengineer certain human resource processes and eliminate over 50 redundant systems had not been satisfied. In addition, CHRIS had computer security weaknesses that increased the risk of unauthorized access or malicious damage to its data. CHRIS development and implementation efforts had been adversely affected because the Department did not adhere to project planning requirements and best practices for system development projects. Consequently, full implementation of CHRIS is not anticipated until FY 2005, 6 years after the original forecast, at a cost of about \$20.4 million or 155 percent greater than originally estimated. Furthermore, it is unlikely that the Department will achieve the project's original estimate of approximately \$9.6 million in savings.

The OIG proposed a series of recommendations to aid the Department in satisfying its objective of deploying a fully integrated human resource/payroll system. Department management concurred with the OIG recommendations and identified a number of corrective actions designed to address the conditions in the report. (IG-0494)

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Department Internet Privacy Weaknesses

As required by Section 646 of Public Law 106-554 (The Treasury and General Appropriations Act of 2001), the OIG conducted an audit to determine whether the Department's method of collecting data from users of its publicly accessible web sites was consistent with Federal privacy laws and regulations.

The audit found that the Department's data collection methods were not always consistent with Federal requirements. The OIG discovered that approximately 12 percent of the 93 Department or contractor sponsored web sites reviewed, impermissibly employed a technology using "persistent cookies" (small files containing unique identifiers) to collect information about site visitors. In addition, approximately 30 percent of the web sites did not display conspicuously located, clearly written privacy notices explaining data collection techniques and use of visitor data.

The OIG recommended that the Chief Information Officer take a series of actions to enhance internet privacy within the Department. Management agreed with the OIG recommendations and agreed to take immediate corrective action. (IG-0493)

• **Infrastructure**

For several years, the OIG has reported that the condition of the Department's infrastructure is inadequate and that, in fact, it is deteriorating at an alarming pace. Recent audits in certain areas key to the Department's core missions have led the OIG to conclude that the problem has become more severe, requiring prompt management attention.

Underutilization of the Big Explosives Experimental Facility (BEEF) Results in Unnecessary Costs

The NNSA manages the high-explosive firing facilities used by the Stockpile Stewardship Program. One of these facilities, BEEF, located at the Nevada Test Site, was built to perform large load, high explosive experiments that could not be conducted at any of the Department's other firing facilities. The BEEF facility is operated on a full-time basis by a staff of four.

The audit found that it was not necessary to operate this facility on a full-time basis. The OIG determined that the BEEF was operated on a full-time basis despite the fact that it was used to perform only a limited number of detonations, most of which could have been performed at other Department firing facilities. In addition, the OIG concluded that future use of the BEEF will likely decline because potential users of the facility are moving away from large load-type detonations. If the BEEF were used on an as-needed basis, the Department could save \$500,000 annually and laboratory personnel could avoid unnecessary travel costs to the Nevada Test Site.



The BEEF Facility, Nevada Test Site

The OIG recommended that the Nevada Operations Office (Nevada): (1) operate the BEEF on an as-needed basis; (2) require users to justify performing detonations at the BEEF that do not exceed local load limits; and (3) periodically review the operations of the BEEF. Nevada agreed with the OIG recommendations. (WR-B-01-03)

Lack of Effective Maintenance Program at Idaho National Engineering and Environmental Laboratory (INEEL)

The OIG conducted an audit to determine whether the Idaho Operations Office (Idaho) maintained facilities in a safe and economical manner. The average age of the facilities at the INEEL is 27 years, and some of the facilities are more than 50 years old.

The audit found that Idaho did not have an effective maintenance program. Idaho did not ensure that its contractor, Bechtel BWXT Idaho, LLC (Bechtel), developed and implemented a comprehensive site maintenance plan. Without such a plan, Bechtel did not have sufficient oversight over its maintenance program. In addition, Idaho did not incorporate any performance goals or standards into the Bechtel contract to measure the success of maintenance



Central Facilities Area, INEEL

operations. Further, the data on Bechtel's computerized maintenance management system was incomplete and unreliable. For example, the system could not produce a comprehensive list of maintenance needs or reliable actual cost data, and non-maintenance work was erroneously classified as maintenance.

The OIG recommended that the Manager, Idaho, take several actions designed to improve the maintenance operations. Department management agreed with the OIG recommendations and identified specific corrective actions already in progress at the time of the audit. (WR-B-01-04)

- **Property Controls and Asset Inventories**

For several years the OIG has been reporting, through the Federal Managers' Financial Integrity Act (FMFIA) process, that the Department has extensive inventories of nuclear and non-nuclear materials that may no longer be necessary due to mission changes. The OIG has been concerned that funds spent to store, secure, and handle these materials could be put to better use and that the potential exists for safety and health concerns. The OIG has also reported significant deficiencies in controls over Government property. While the Department deserves credit for recent attention to this long-standing problem, recent OIG reviews continue to raise new concerns about the adequacy of controls over property.

Proceeds from Enriched Uranium Asset Sale Are Less than Expected due to Ineffective Management of Contract Costs

In October 1997, Fluor Fernald, Inc. (Fluor), the prime contractor at the Department's Fernald Environmental Management Project (Fernald), accepted bids to sell 978 metric tons of enriched uranium located at Fernald. The Department authorized Fluor to offset costs that were directly related to the sale and return the net proceeds to the U.S. Treasury (Treasury). Fluor estimated that the sale would realize net proceeds of \$5 to \$7 million for return to the Treasury.

The OIG conducted an audit to determine whether the Department returned proceeds from the sale of enriched uranium to the Treasury. The review found that the Department returned only \$76,000 in proceeds to the Treasury and that Fluor offset some of the sale proceeds with costs that were not directly related to the sale. Avoidable costs were also identified that were inappropriately incurred by Fluor. The OIG determined that this occurred because: (1) Fluor did not follow the Department's policy for offsetting proceeds from the sale of assets; and (2) the Department failed to provide appropriate oversight and contractor performance incentives for this project. The OIG concluded that had the process been more effectively managed, an additional \$3.6 million could have been returned to the Treasury. Additionally, the audit also questioned the award fee payments of \$675,430 made to Fluor by the Department despite the fact that Fluor spent four times more than originally estimated on this project.

The OIG recommended a series of corrective actions to ensure that the proceeds from future sales of assets are handled in accordance with Department and Federal guidance. Department management concurred with the recommendations and agreed to initiate corrective actions. However, Department management contended that \$3.4 million of the questioned costs were allowable and that the award fees paid to the contractor were appropriate. (IG-0496)

Vehicle Fleet Operations Not Being Managed Economically or Efficiently

In a 1994 report entitled "Audit of Light Vehicle Fleet Management in the Department of Energy" (DOE/IG-0362), the OIG reported that at various selected sites the Department was not managing its light vehicle fleet operations in the most economical and efficient manner. One site included in the audit was the Richland Operations Office (Richland) and, with respect to that site, the report concluded that 64 percent of its vehicle fleet was utilized less than local mileage standards. The OIG conducted a follow-up audit to determine if the size of Richland's vehicle fleet was

appropriate. The audit found that the size of Richland's vehicle fleet was not appropriate. Since the 1994 report was issued, the number of site personnel at Richland has declined by 41 percent, but the number of light vehicles has declined by only 3 percent.

The audit also determined that 85 percent of the vehicles were used less than the Department's mileage standards and 27 percent were used less than the site's local mileage standards. It was determined that Richland had not established or implemented controls required by the Department's Property Management Regulation. The OIG estimated that Richland could potentially reduce the number of vehicles in its fleet by 559 and save approximately \$1.7 million annually.

The OIG recommended that Richland measure vehicle use against Department standards or, if warranted, against local standards based on factors such as past performance and special operating conditions upon review and approval of the Fleet Manager. The OIG also recommended that underused vehicles be reassigned or returned to GSA. Department management concurred with the OIG's recommendations and estimated that the fleet could be reduced by approximately 400 vehicles, a reduction that would save about \$1.2 million annually. (WR-B-01-01)

• Safety and Health

Ensuring the safety and health of its workforce and the public is another of the Department's most difficult, long-term challenges. Safety and health issues encompass all activities relating to the identification, testing, handling, labeling, cleanup, storage, and/or disposal of radioactive and hazardous waste. Other activities relate to nuclear safety and occupational and worker safety and health (e.g., nuclear safety standards). Several OIG reviews completed during this reporting period addressed this challenge.

Weaknesses Identified in the Department's Research Activities Involving Controlled Biological Select Agents

Department laboratories conduct research involving biological select agents and select agent materials. The

Did you know?

The Department's laboratories conduct research involving the development of detection and response systems to improve preparedness in the event of a domestic attack involving biological select agents.

Source: March 22, 2000, Congressional Statement of the Director, Chemical & Biological Nonproliferation Program, NNSA

agents include approximately 40 viruses, bacteria, rickettsia, fungi, and toxins whose transfer within the United States is controlled. The OIG conducted an inspection of these activities to determine whether the Department has implemented appropriate environment, safety, and health measures regarding the possession and use of the agents.

The OIG concluded that although there was no evidence that current activities had adversely impacted safety and health, there was insufficient organization, coordination and direction in the Department's biological select agent activities. Specifically, the Department's activities lacked sufficient Federal oversight, consistent policy, and standardized implementing procedures, resulting in the potential for greater risk to workers and possibly others from exposure to biological select agents and select agent materials. Additionally, it was observed that the Department's laboratories did not always receive timely and consistent information about Centers for Disease Control and Prevention registration requirements.

The OIG recommended a series of actions to strengthen the Department's activities involving controlled biological select agents. Management concurred with the OIG recommendations and agreed to take corrective action. (IG-0492)

The Federal Energy Regulatory Commission's (FERC) Information on Dam Safety Conditions Not Complete or Timely

The OIG conducted an audit of FERC's dam safety program to determine whether FERC's Division of Dam Safety and Inspections was adequately conducting inspections, including reporting results and tracking follow-up actions with respect to construction, operation and maintenance of the non-Federal hydroelectric dams under its jurisdiction.

The audit determined that although FERC inspections were conducted in accordance with program goals, FERC had not comprehensively reviewed over 70 independent consultant

reports and had not prepared final reports on more than 300 internal inspections, some of which had been performed in 1997. As a result, FERC did not have complete, timely, and important information about the safety condition of some dams under its jurisdiction. Furthermore, inspection results were susceptible to misunderstanding because they had not been finalized and were not available for management review.

Management concurred with the audit finding and recommendations and proposed development of a comprehensive plan to reduce or eliminate the backlog of consultant reviews and preparation of internal inspection reports. Management also agreed to modify its Data and Management System database to improve monitoring of the report issuance process. (IG-0486)

Improvement Necessary in Department Coordination of Containers Suitable for Shipping Fissile Material

The OIG conducted an audit to determine the status of Department containers suitable for shipping its surplus fissile material.

The audit concluded that the Department did not have a sufficient number of containers ready to ship the different types of its surplus fissile materials from various sites to the Savannah River Site. This occurred because the Department did not effectively integrate and manage its shipping container activities. Since FY1998, the Department has spent or committed to spend about \$18.5 million related to its container activities, but still does not have a sufficient number of containers to ship surplus fissile materials to Savannah River.

The OIG recommended that Management: (1) establish a more formal process within the Department for integrating coordination of Type B container activities; (2) develop and implement the Department's Packaging Management Plan; (3) direct all field elements to provide information on containers in inventory, new container needs, and containers under development to the Department's centralized point of

contact; and (4) prioritize and coordinate Type B container certification needs throughout the Department. Management concurred with the recommendations. (IG-0490)

- **Security**

One of the objectives of the Department's National Nuclear Security Administration business line is to ensure that the Department's "... nuclear weapons, materials, facilities, and information assets are secure through effective safeguards and security policy, implementation, and oversight." The Department spends over \$1 billion per year for physical and personnel security. Previous reviews by the OIG, Congress, and others have identified weaknesses in the Department's protection of nuclear weapons-related information. Lapses in security were frequently cited during the debate leading to NNSA's creation. In 1999, the OIG designated Security as an emphasis area and initiated a number of reviews aimed at assisting the Department in focusing on areas of particular concern. The results of these reviews indicated that improvements in security operations are still needed.

Security Service Restructuring Effort Results in Increased Costs

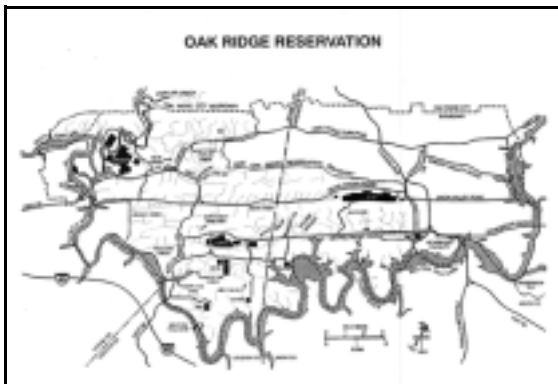
In FY 1998, the ORO decided to restructure its security services in an effort to reduce cost, gain more administrative control, and capitalize on the efficiencies associated with a centralized approach to security. To achieve its objectives, in FY 2000 ORO awarded a 3-year base term contract for security services valued at \$218 million to Wackenhut Services, Incorporated. Despite this restructuring effort, security costs increased from \$78.4 million in FY 1999 to an estimated \$92.1 million in FY 2000.

The OIG conducted an audit to determine why security costs increased at the Oak Ridge Reservation after the restructure. The OIG found that ORO did not manage the restructuring effort in a way that would have achieved its goals. Specifically, ORO did not perform an analysis of security service staffing levels, determine the scope of work to be transferred to Wackenhut, or develop cost-reduction measures or incentives to ensure efficient contractor performance. Also, despite its commitment to achieve greater economies in

Did you know?

The Department's FY 2002 budget request for the National Nuclear Security Administration is \$6.8 billion.

Source: DOE News Release, April 9, 2001



security services, ORO did not consider cost as a ranking factor in its selection of the security services contractor. As a result, ORO incurred at least \$7.5 million in avoidable security costs in FY 2000.

The OIG recommended a series of corrective actions designed to improve ORO's management of the security services. Management concurred with the OIG recommendations and agreed to initiate corrective action. (IG-0487)

The Department Needs to Take More Timely and Effective Actions to Improve Coordination of Its Nuclear Shipments

The NNSA's Office of Transportation Safeguards (OTS) maintains a liaison program with State, Tribal and local officials in the event of an incident or accident involving shipments of nuclear weapons, nuclear weapons components, or special nuclear materials. The OIG conducted an inspection to determine the effectiveness of selected OTS liaison activities.

OTS officials have recently taken steps to improve liaison with State, Tribal, and local officials. The inspection found, however, that OTS needs to take more timely and effective actions to ensure the potential benefits from these improvements are fully achieved. For example, although OTS assigned liaison responsibilities to three individuals in July 2000, representatives of three States from a selected sample of six States informed the OIG that they had no recent contact with OTS. Also, in October 2000, OTS established a program to augment its liaison activities by using OTS Federal Agent volunteers to educate law enforcement officials about OTS shipments, but the augmentation will not begin until October 2001. In addition, OTS had conducted only one joint training exercise with State and local law enforcement agencies since 1995.

The OIG recommended that the Manager, Albuquerque Operations Office, take actions to improve coordination and communication between OTS and State representatives to assure all parties are aware of their respective roles and responsibilities in the event of an accident or incident

involving an OTS shipment. Management agreed with the
OIG recommendations and agreed to initiate corrective
actions. (INS-O-01-02)

***Review of the Department's Role in the Development and
Review of the Commerce Control List and the U.S.
Munitions List***

The OIG conducted an inspection of the Department's role in
the development and review of the Commerce Control List
and the U.S. Munitions List. The inspection, which was part
of an interagency review by Inspectors General of the
Departments of Commerce, Defense, Energy, and State, was
conducted in response to the requirement in Section 1402(b)
of the National Defense Authorization Act for FY 2000 for an
annual report by the Inspectors General on export control
policies and procedures.

The OIG inspection concluded that the Department is
providing appropriate support to the development and review
of the Nuclear Referral List, a subset of the Commerce
Control List. Additionally, the Department, which has only a
minor role in the development and review of the U.S.
Munitions List, is providing appropriate support for this list.
(INS-O-01-03)

effectiveness

Congressional Responses

During the reporting period, the OIG received 26 requests for information from Congress, provided information in 36 instances to Congress, and briefed Committee staff on 8 occasions. In addition, on March 15, 2001, the Inspector General testified before the House Committee on Government Reform, Subcommittee on National Security, Veterans' Affairs, and International Relations, about the management challenges described in this report.

Campaign Activity Review Updates

The OIG conducted two updates to its audit of "Campaigning Activities by Political Appointees," (DOE/IG-0473). The first update focused on the Department's progress in resolving areas of concern previously identified (internal controls relating to documentation and receivables) and addressed the political activities of key Department employees. The update determined that four of the five previously identified instances of insufficient documentation and controls concerning receivables had been resolved.

It was also determined that during March through September 2000, the former Secretary took 28 trips of which six involved mixed official/political travel. Only four of these trips, however, had been recognized by the Department as containing a political component. The OIG recommended a series of actions to improve the process of managing political travel activities and the Department agreed to implement these recommendations. (CR-L-01-01)

Based on the OIG review of the trips taken during the second and final update period and the corrective actions taken by management, the OIG determined that all previously identified issues had been resolved by the Department. In addition, the OIG did not identify any instances of campaigning activities that were not in accordance with applicable laws and regulations. (CR-L-01-05)

Financial Management

Report on the Department of Energy's Consolidated Financial Statements

For the second year in a row, the Department received an unqualified (clean) opinion on its FY 2000 consolidated financial statements. The OIG conducted the audit pursuant to the Government Management Reform Act of 1994 (Act). The objective of the Act is to improve financial practices of Federal agencies. The preparation of the statements is the responsibility of the Department, and the OIG is responsible for the audit.

This year, the OIG contracted with the accounting firm of KPMG LLP to conduct the audit. The accounting firm concluded that the financial statements present fairly, in all material respects, the Department's financial position as of September 30, 2000, and its net costs, changes in net position, budgetary resources, reconciliation of net costs to budgetary obligations and custodial activities for the year then ended. The OIG agreed with this opinion.

As part of this determination, the auditors considered the Department's internal control over financial reporting and tested the Department's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on the consolidated financial statements.

Three reportable weaknesses in the Department's system of internal controls were identified. These related to: (1) Performance Measurement Reporting; (2) Financial Management at the Western Area Power Administration (Western); and (3) Unclassified Information System Security. Each of these items represents a repeat finding from the prior year's audit report.

- Although the Department made improvements in reporting the results of its performance activities, the quality of certain measures was questionable. Specifically, performance goals, in many cases, were not output or outcome oriented; some were not meaningful or

economy

relevant or stated in objective or quantifiable terms. Additionally, costs were not clearly related to outcomes.

- For most of FY 2000, Western's financial system did not generate timely, useful reports containing complete and accurate financial information. To compensate for the increased control risk, an intensive effort was required to ensure reliability of Western's financial information and account balances. As of December 2000, Western had made progress. This improvement allowed KPMG to consider this a reportable condition instead of a material internal control weakness as was reported last year by the OIG.
- In the area of Unclassified Information System Security, the Department has certain network vulnerabilities and general access control weaknesses. Full implementation of the Cyber Security Program throughout the Department should help ensure that Federal information standards are met, and that information systems are adequately protected against unauthorized access.

Significant progress was made in one area relating to the environmental liability estimate. The Department utilizes a parametric model to estimate the majority of the \$26 billion cleanup cost for active and surplus facilities. Most of the active facilities cost is associated with the cleanup of facilities in the NNSA. This year, the Department improved the quality of input data for this estimate in response to a recommendation in the OIG's FY 1999 consolidated financial statements report. Accordingly, this issue is no longer a reportable condition.

To ensure the quality of the audit, the OIG approved the scope of KPMG's assignment and monitored their work. The OIG also reviewed the audit report and related working papers to ensure compliance with applicable auditing standards.

The OIG transmittal memorandum and the KPMG audit report are included in the Department's Fiscal Year 2000 Performance and Accountability Report, DOE/CR-0071. (IG-FS-01-01)

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.

Source: False Claims Act

Qui Tams

Since 1996, the OIG has been instrumental in working with the Department of Justice (DOJ) on Qui Tam cases where it has been alleged that a Department contractor or grantee submitted false claims. The OIG is currently working with the DOJ on 27 Qui Tam lawsuits involving alleged fraud against the Government in the amount of approximately \$260 million.

Previous Civil Settlement Results in Payment of \$6.3 Million to the Department

As previously reported, a task force investigation involving a Government architect and engineering contractor determined that the contractor improperly billed the Federal Government for sale/lease back expenses. A civil settlement agreement was reached in March 2000.

During this reporting period, the contractor paid the Federal Government \$35 million in accordance with the terms of the agreement. The Department directly received \$6.3 million. The remaining funds were divided among the Qui Tam Relator, the DOJ, the U.S. Treasury, and other Federal agencies. (I97LL022)

Administrative Safeguards

Contractor Reimburses the Department for Employee's False Travel Claims

An OIG investigation substantiated an allegation that a Department contractor employee at the Lawrence Livermore National Laboratory (LLNL) claimed lodging costs to which he was not entitled while he was on an extended temporary duty assignment. Subsequently, the contractor employee voluntarily terminated his employment with LLNL. LLNL acknowledged that it improperly allowed the expenses, and it reimbursed the Department \$37,766 for the employee's false travel claims. Additionally, the employee's supervisor was verbally admonished for approving the unallowable expenses. (I00LL003)

Contractor Employees Falsify Department Letterhead to Obtain Personal Firearms

An OIG investigation determined that contractor employees at the Department's Strategic Petroleum Reserve improperly used their positions to facilitate the purchase of at least 16 personal firearms under a firearms manufacturer's special pricing program, and used Department ammunition for the firearms. The investigation revealed that contractor employees, including management officials, used Department and contractor letterhead to convey false information to a firearms manufacturer to induce the sale of the firearms.

The case was coordinated with an Assistant U.S. Attorney (AUSA) of the Eastern District of Louisiana. The AUSA declined prosecution in favor of administrative remedies.

The OIG issued an Administrative Report to Management (ARM) reporting the results of the investigation and making a number of recommendations. Management informed the OIG that: (1) administrative action was taken against several contractor employees; (2) the contractor will reimburse unallowable costs claimed under the contract (for example, contractor's time claimed against the contract for processing the firearms requests); (3) policies were implemented regarding the use of Department letterhead; and (4) the actions of the contractor will be factored into the next award fee determination. (I99OR005)

Employee Misused Government Credit Card and Submitted False Travel Vouchers

An OIG investigation substantiated allegations that a Department employee at the Western Area Power Administration (WAPA) misused a Government sponsored credit card to obtain \$1,365 in unauthorized cash advances and submitted two false travel claims totaling \$2,148.

This matter was referred to the U.S. Attorney's Office for the District of Montana, who deferred criminal prosecution in favor of administrative action. The OIG issued an ARM

recommending that appropriate administrative action be taken against the employee. The subject resigned in anticipation of WAPA's removal action. The subject has reimbursed the Department for the unauthorized credit card transactions and has agreed to pay restitution for the unauthorized travel claims. The total anticipated recovery amount is \$3,513. (I00DN008)

Subcontractors Debarred for Supplying the Government Substandard Coal

In a previous Semiannual Report, the OIG reported the results of an OIG task force investigation into the alleged shipment of substandard coal and falsification of coal testing results. The substandard coal was provided to the Department's Savannah River Site, the Fernald Environmental Management Project, and numerous Department of Defense facilities. After a U.S. Attorney for the Southern District of Kentucky accepted the case for criminal prosecution, a Federal Grand Jury returned a 43-count indictment for false statements, false claims, conspiracy, and major fraud against the Government. Following the indictment, both subcontractors and their owners were suspended from Government contracting. Under the terms of a plea agreement, both owners separately pleaded guilty to false statements, and they were each sentenced to 2 years probation.

During this reporting period, both subcontractor companies and their owners were debarred from Government contracting for a period of 3 years. (I94SR018)

Former Subcontractor Employee Placed in Pre-Trial Diversion Program

An OIG investigation determined that a former subcontractor employee at the Department's Strategic Petroleum Reserve falsified time and attendance records resulting in the payment of \$6,191 in unearned income. The U.S. Attorney's Office for the Southern District of Louisiana accepted the case for criminal prosecution for violations of Title 18, U.S.C., Section 641 (Theft of Government Property). The former employee reimbursed the Government the full amount of

\$6,191 and was placed in the Pre-Trial Diversion Program for a period of 1 year. (I99OR007)

Intelligence Activities

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

Legislative and Regulatory Review

The OIG coordinated and reviewed 21 legislative and regulatory items, as required by the Inspector General Act of 1978 (Act). The Act requires the OIG to review existing and proposed legislation and regulations relating to Department programs and operations and to comment on the impact which they may have on economical and efficient operations of the Department.

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 action. Complaints referred may include such matters as time and attendance abuse, misuse of Government vehicles and equipment, violations of established policy, and standards of conduct violations.

The OIG referred 228 complaints to Department management and other Government agencies during this reporting period, and requested Department management to respond concerning the actions taken on 110 of these complaints.

efficiency

Challenges Facing the OIG

The OIG continued to direct its resources toward sensitive, complex, quick-turnaround tasks requested by the Secretary and Congress. For example, at the request of the former Secretary and a member of Congress, the OIG initiated a review of the circumstances surrounding a draft report on Yucca Mountain. This multidisciplinary effort has consumed a considerable amount of resources. In addition, based on Secretarial/congressional requests, the OIG conducted a review to determine whether there was profiling based on national origin in certain aspects of Department security clearance processes and in the handling of security incidents. The OIG expects that requests for such labor-intensive, quick-turnaround tasks will continue.

The OIG looks forward to working with the Secretary, other Department officials and the Congress to continue improving the economy, efficiency, and effectiveness of agency programs and operations. The OIG is committed to providing the highest level of service possible.

The OIG also will continue to devote considerable time and resources to conducting reviews that assist the Department in meeting its management challenges and that contain value-added recommendations to foster better agency stewardship.

***AUDIT REPORTS ISSUED IN THE FIRST HALF
OF FISCAL YEAR 2001***

Report Number	Title	Date of Issue	Savings	Questioned Costs
CR-FS-01-01	Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2000	03-29-01		
CR-L-01-01	Update to the Audit of Campaigning Activities by Political Appointees	10-13-00		
CR-L-01-02	The Department of Energy's Bank Deposit Financial Assistance Program	11-09-00		
CR-L-01-03	Survey of the Department of Energy's Health-Related Research and Development Program	11-22-00		
CR-L-01-04	The Department of Energy's Small Business Program	12-07-00		
CR-L-01-05	Final Update to the Audit of Campaigning Activities by Political Appointees	12-20-00		
CR-L-01-06	Federal Managers' Financial Integrity Act Audit Report	02-08-01		
CR-L-01-07	Department of Energy's Advisory Panels	02-08-01		
ER-C-01-01	Interim Audit of Thomas Jefferson National Accelerator Facility Costs Incurred Under Contract DE-AC05-84ER40150 Fiscal Years 1994 Through 1999	12-07-00		
ER-L-01-01	Follow-up Audit of Overtime at the Savannah River Site	10-10-00		
ER-L-01-02	Survey of Argonne National Laboratory's Advanced Photon Source	10-26-00		
ER-L-01-03	Distribution of Indirect Costs at the Savannah River Site	11-21-00		
ER-L-01-04	Survey of Bates Linear Accelerator Center Funding	11-30-00		

Reports Issued

ER-L-01-05	Survey of the Neutrinos at the Main Injector Project and Main Injector Neutrino Oscillation Search Experiment	01-23-01		
ER-L-01-06	Survey of Integrated Safety Management at the Oak Ridge Operations Office	01-31-01		
WR-B-01-01	Richland Operations Office Fleet Management	02-02-01	\$8,500,000	
WR-B-01-02	Prediction and Mapping Capabilities for Atmospheric Releases of Hazardous Materials	03-07-01	\$7,800,000	
WR-B-01-03	Utilization of the Big Explosives Experimental Facility	03-13-01	\$2,500,000	
WR-B-01-04	Facility Maintenance at the Idaho National Engineering and Environmental Laboratory	03-22-01		
WR-L-01-01	Occupational Medicine Program	11-02-00		
WR-L-01-02	Environmental Remediation at the Energy Technology Engineering Center	12-19-00		
WR-L-01-03	Office of Transportation Safeguards Resources for Future Workload	02-14-01		
WR-V-01-01	Assessment of the Internal Audit Function at the Rocky Flats Environmental Technology Site	10-17-00		
WR-V-01-02	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to the Midwest Research Institute Under Department of Energy Contract No. DE-AC36-83CH10093	12-01-00		
IG-FS-01-01	Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2000	02-16-01		
IG-0486	Federal Energy Regulatory Commission's Dam Safety Program	10-27-00		
IG-0487	The Restructure of Security Services by the Oak Ridge Operations Office	10-31-00	\$37,500,000	
IG-0489	Americium/Curium Vitrification Project at the Savannah River Site	11-28-00		

Reports Issued

IG-0490	Containers Suitable for Shipping Fissile Material	11-28-00	\$18,500,000	
IG-0491	Management Challenges at the Department of Energy	11-28-00		
IG-0493	Internet Privacy	02-09-01		
IG-0494	The U.S. Department of Energy's Corporate Human Resource Information System	02-13-01		
IG-0495	The Need for the Atlas Pulsed Power Experimental Facility	02-12-01		
IG-0496	Sales of Enriched Uranium at the Fernald Environmental Management Project	02-27-01		\$3,600,000
IG-0498	Bechtel Jacobs Company LLC's Management and Integration Contract at Oak Ridge	03-21-01	\$220,500,000	

The OIG's Audit Followup Action:

- OIG recommended corrective actions agreed to by the Department are tracked by the Department until complete.
- The OIG follows up on all Department nonconcurrences with OIG report recommendations.
- When the Department and the OIG disagree, the Department must prepare a Management Decision describing its position and any alternative action.
- The Department's Chief Financial Officer reviews the Management Decisions and may convene a meeting of the Departmental Internal Control and Audit Review Council (DICARC) to achieve mutually agreeable resolution.

**INSPECTION REPORTS ISSUED IN THE FIRST HALF
OF FISCAL YEAR 2001***

Report Number	Title	Date of Issue	Savings	Questioned Costs
INS-L-01-01	Inspection Report on the Processing of Unsolicited Proposals by the Office of Energy Efficiency and Renewable Energy	10-18-00		
INS-L-01-02	Security Incident at Technical Area 18, Los Alamos National Laboratory	11-06-00		
INS-L-01-03	Inspection of Property Control Issues at Bonneville Power Administration	12-05-00		
INS-O-01-01	Inspection of Lawrence Livermore National Laboratory Credit Card Usage and Property Management Concerns	02-20-01		
INS-O-01-02	Inspection of Selected Coordination Activities by the Department of Energy's Office of Transportation Safeguards	03-13-01		
INS-O-01-03	Inspection of the Department of Energy's Role in the Commerce Control List and the U.S. Munitions List	03-21-01		
IG-0488	Inspection of Selected Aspects of the Department of Energy's Classified Document Transmittal Process	11-20-00		
IG-0492	Inspection of Department of Energy Activities Involving Biological Select Agents	02-02-01		
IG-0497	Inspection of Concerns Relating to the Management of the Savannah River Operations Office Learn/Power Information System	03-13-01		

* Does not include non-public reports.

AUDIT REPORT STATISTICS
October 1, 2000, to March 31, 2001

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

	Total Number	One-Time Savings	Recurring Savings	Total Savings
Those issued before the reporting period for which no management decision has been made:*	13	\$166,827,042	\$269,730,516	\$436,557,558
Those issued during the reporting period:	34	\$77,460,000	\$221,440,000	\$298,900,000
Those for which a management decision was made during the reporting period:*	12	\$146,189,639	\$329,447,396	\$475,637,035
<i>Agreed to by management:</i>		\$7,661,247	\$4,800,000	\$12,461,247
<i>Not agreed to by management:</i>		\$17,599,043	\$2,000,000	\$19,599,043
Those for which a management decision is not required:	23	\$0	\$0	\$0
Those for which no management decision had been made at the end of the reporting period:*	12	\$219,026,752	\$484,370,516	\$703,397,268

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

AUDIT REPORT STATISTICS
October 1, 2000, to March 31, 2001

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

	Total Number	Questioned Costs	Unsupported Costs
Those issued before the reporting period for which no management decision has been made:	4	\$7,651,747	\$84,241
Those issued during the reporting period:	1	\$0	\$0
Those for which a management decision was made during the reporting period:	0	\$0	\$0
<i>Value of disallowed costs:</i>		\$0	\$0
<i>Value of costs not disallowed:</i>		\$0	\$0
Those for which a management decision is not required:	1	\$0	\$0
Those for which no management decision had been made at the end of the reporting period:	4	\$7,651,747	\$84,241

REPORTS LACKING MANAGEMENT DECISION

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

The Contracting Officers have not yet made decisions on the following contract audit reports and the reasons for not doing so included the delaying of settlement of final costs questioned in audits pending completion of review of work papers and voluminous additional records, additional work by the Defense Contract Audit Agency, and completion of certain legal and contractual investigations.

- | | |
|-------------|--|
| ER-CC-93-05 | Report Based on the Application of Agreed-Upon Procedures With Respect To Temporary Living Allowance Costs Claimed Under Contract No. DE-AC09-8SR18035, October 1, 1987, to September 20, 1990, Bechtel National Inc., San Francisco, California, and Bechtel Savannah River, Inc., North Augusta, South Carolina, May 3, 1993
<i>(Estimated date of closure: September 30, 2001)</i> |
| WR-C-95-01 | Independent Final Audit of Contract No. DE-AC34-RIRF00025, July 26, 1990, to March 31, 1993, Wackenhut Services, Inc., Golden, Colorado, March 14, 1999
<i>(Estimated date of closure: June 30, 2001)</i> |
| ER-C-97-01 | Report on Interim Audit of Costs Incurred Under Contract No. DE-AC24-92OR219721 from October 1, 1994, to September 30, 1995, Fernald Environmental Restoration Management Corporation, Fernald, Ohio, December 20, 1996
<i>(Estimated date of closure: September 30, 2001)</i> |
| ER-C-00-03 | Interim Audit of Thomas Jefferson National Accelerator Facility Costs Incurred Under Contract DE-AC05-84ER40150 Fiscal Years 1994 Through 1999
<i>(Estimated date of closure: December 31, 2001)</i> |

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

- IG-0411 Contractor Incentive Programs at the Rocky Flats Environmental Technology Site, August 13, 1997. *The finalization of the management decision on this report is pending the resolution of one outstanding legal issue. This should occur by December 31, 2001.*
- CR-B-99-02 Management of Unneeded Materials and Chemicals, September 30, 1999. *This item, while high on the list of Management Efficiency Initiatives last year, was not resolved at the time that the previous Administration left office. Plans are to raise the issue for resolution as soon as the new Deputy Secretary is in place. A management decision is expected before December 30, 2001.*
- IG-0457 Follow-up Audit of Program Administration by the Office of Science, January 24, 2000. *The Department is awaiting the Committee on Science, Engineering, and Public Policy's study, GPRA 2000, to be conducted by the end of this year, before it finalizes its management decision. It should be made by December 30, 2001.*
- IG-0462 National Low-Level Waste Management Programs, February 24, 2000. *The finalization of the management decision on this report is awaiting resolution of one outstanding issue. It is estimated that this will occur by June 30, 2001.*
- IG-0470 Follow-up Audit of Health Benefit Costs at the Department's Management and Operating Contractors, May 11, 2000. *Finalization of the management decision is pending resolution of the outstanding issue. It should be made by July 30, 2001.*
- IG-0483 Implementation of Presidential Decision Directive 63, Critical Infrastructure Protection, September 22, 2000. *The finalization of the management decision on this report is awaiting review and mandatory concurrence by several organizations. It is expected that this will occur by April 27, 2001.*
- WR-B-00-07 Vehicle Use at Lawrence Livermore National Laboratory, September 20, 2000. *The finalization of the management decision on this report is pending conclusion of the selection of the best available measurement for Lawrence Livermore National Laboratory vehicle usage. It is estimated that this will occur by September 30, 2001.*

INVESTIGATIVE STATISTICS
October 1, 2000, to March 31, 2001

Investigations open at the start of this reporting period	199
Investigations opened during this reporting period	49
Investigations closed during this reporting period	49
Investigations open at the end of this reporting period	199
Qui Tam investigations opened.....	6
Total open Qui Tam investigations as of 3/31/01	27
Multi-agency task force investigations opened	10
Total open multi-agency task force investigations as of 3/31/01	65
Investigative reports to prosecutors and Department management.....	8
Recommendations to management for positive change and other actions.....	19
Administrative discipline and other management actions.....	14
Suspensions/Debarments.....	5
Investigations referred for prosecution.....	9
Accepted*	4
Indictments	1
Criminal convictions	2
Pretrial Diversions	1
Civil actions	1
Fines, settlements, recoveries**	\$817,725.37

**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.*

INSPECTION STATISTICS
October 1, 2000, to March 31, 2001

Inspections open at the start of this reporting period	43
Inspections opened during this reporting period	15
Inspections closed during this reporting period	13
Inspections open at the end of this reporting period	45
Reports issued (includes non-public reports)	15
Inspection recommendations	52
<i>Accepted this reporting period</i>	30
<i>Implemented this reporting period</i>	22
Qui Tams processed	5
Complaints referred to Department management/others	228
<i>Referrals to Department management requesting a response for</i>	
<i>OIG evaluations</i>	110

Hotline Statistics

Hotline calls, emails, letters, and other complaints	520
Hotline calls, emails, letters, and other complaints predicated	229
Hotline referrals received via the General Accounting Office	
and predicated	3
Unresolved Hotline predications from previous reporting periods	2
Total Hotline predications	234
Hotline predications transferred to the Management Referral System	151
Hotline predications closed based upon preliminary OIG activity	64
Hotline predications pending disposition	19
Total predications processed	234

FEEDBACK SHEET

The contents of the April 2001 Semiannual Report to Congress comply with the requirements of the Inspector General Act of 1978, as amended. However, there may be additional data which could be included or changes in format which would be useful to recipients of the Report. If you have suggestions for making the Report more responsive to your needs, please complete this feedback sheet and return it to:

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

ATTN: Wilma Slaughter

Your name:

Your daytime telephone number:

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

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

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