

INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

OCTOBER 1, 2006 - MARCH 31, 2007

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL





Office of Inspector General
Gregory H. Friedman
Inspector General

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

Cover Pictures

(from back to front)

View of Ames Laboratory's thin film deposition method.

Argonne scientist using the Intermediate Voltage Electron Microscope.

Microalgae, organisms from which a diesel-like fuel can be derived.

Proteus, the aircraft used by Sandia's Atmospheric Radiation Measurement Unmanned Aerospace Vehicle Program.

Verticle Axis Wind Turbine test bed located at Bushland, Texas.

Interior of the National Ignition Facility Chamber.



Department of Energy

Washington, DC 20585

April 27, 2007

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's) *Semiannual Report to Congress*. This report summarizes significant OIG activities and accomplishments during the six month period ending March 31, 2007.

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,

A handwritten signature in black ink, appearing to read "Greg Friedman".

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 six month reporting period ending March 31, 2007. During the reporting period, the OIG continued to assist the Department's management in addressing its mission-related priorities and identifying opportunities for programmatic cost savings, enhanced program performance, and operational efficiencies. We issued 55 audit and inspection reports that identified over \$60 million in potential savings. In addition, we referred 19 investigations for prosecution and obtained 28 criminal convictions. Our work led to the recovery of over \$3.2 million in fines, settlements, and restitutions.



On an annual basis, the OIG identifies what it considers to be the Department's most significant management challenges. Our work has consistently highlighted cyber security as a high risk Departmental function. Consequently, we conducted numerous reviews designed to assist the Department in addressing cyber security vulnerabilities. For example, the OIG completed a review that revealed specific unclassified information system vulnerabilities at several National Nuclear Security Administration (NNSA) sites. Although NNSA had implemented a number of measures designed to reduce cyber security risks and vulnerabilities, we identified deficiencies that exposed critical unclassified systems to an increased risk of compromise. The report included specific recommendations to improve cyber security throughout NNSA. Since cyber security weaknesses have been a continuing challenge for NNSA and the Department, the OIG will continue to focus attention on and devote resources to this critical area.

In my role as the Vice Chair of the President's Council on Integrity and Efficiency, I have had the opportunity to work with the Inspector General community on a number of efforts to enhance information technology programs across Government. To address the growing demand for safeguarding and securing information technology systems, we established a President's Council Roundtable to facilitate relevant audits, evaluations, and investigations and to coordinate the community's perspective on information technology operations and programs affecting all agencies.

The success of the OIG is directly dependent on the diligent work and commitment of our employees. In the past year, I have received a number of communications complimenting the work of our staff. The confidence expressed in the quality of our work has been gratifying.

The Department of Energy's mission is critical to the security of this Nation. As always, we look forward to continuing to serve the American public by identifying ways that the Department can more effectively and efficiently achieve its mission responsibilities.

Gregory H. Friedman
Inspector General

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Accomplishments Addressing Management Challenges

Each year, 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:

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

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.

Safeguards and Security

The Department plays a fundamental role in the Nation's security by ensuring the safety of the country's nuclear weapons, advancing nuclear non-proliferation, and providing safe and efficient nuclear power plants for the United States Navy. Mission-related activities include maintaining stewardship of vital national security capabilities, which range from nuclear weapons to leading research and development projects, protecting nuclear weapons secrets, and protecting other sensitive information. In order to accomplish this mission, the Department maintains a substantial security regime, which includes over 4,000 protective force personnel and various physical safeguards for classified material and other sensitive property. Our reviews over the past six months identified ways that the Department could improve security across the Department.

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Implementation of the Design Basis Threat

The Department uses the Design Basis Threat (DBT) process to identify the most credible threats adversaries pose to highly sensitive and classified Departmental assets and operations. Sites engaged in the energy, science, and environmental (ESE) components of the Department's mission are required to comply with the DBT. An audit was initiated to review implementation of the DBT at various ESE sites containing substantial quantities of sensitive special nuclear materials. We found that although there was significant progress in implementing measures necessary to meet the first phase of the DBT requirements, the majority of ESE sites we reviewed were unlikely to meet the more stringent DBT provisions required by the end of September 2008. **(IG-0749)**

Wildland Fire Planning and Preparation



Controlled burn at Hanford.

In 2000, the Department experienced several large wildland fires that threatened the safety of personnel, facilities, and equipment at the Los Alamos National Laboratory (Los Alamos), the Hanford Site, and the Idaho National Laboratory. These fires burned over 212,000 acres of Department land, resulting in fire-related costs totaling almost \$130 million at Los Alamos alone. An audit was initiated to determine whether the Department had taken action to identify possible hazards associated with wildland fires and mitigate the impacts of these fires. Our review revealed that all three sites had made a number of improvements in this area; however, essential wildland fire mitigation activities involving the assessment and removal of vegetation and the maintenance of roads had either not been performed or were not completely effective. **(IG-0760)**

Mismanagement of Protective Force Supply Room at Lawrence Livermore National Laboratory

In February 2006, the OIG received an allegation that the Lawrence Livermore National Laboratory (Livermore) protective force supply room was being mismanaged. Our inspection concluded that the conditions in the supply room created an environment where security equipment was vulnerable to loss or theft. Specifically, we found that the operation of Livermore's protective force supply room did not include: (1) adequate organization, accountability, and requisition processing for mission-related equipment; (2) a shelf stock of mission-related equipment for issuance to the protective force; or (3) appropriate measures to properly secure unused Security Police Officer metal badges (shields), as required by Department of Energy (DOE) policy. As a result, we made several recommendations to management intended to enhance protective force security operations at Livermore. **(IG-0742)**

Canine Program Inadequacies at Selected Department Sites

The Department's Canine Program plays a pivotal role in identifying and deterring potential threats to facilities and personnel. Department site canine teams are trained in explosives detection, suspect apprehension, and search techniques. The OIG initiated an inspection to review the Canine Programs at three Department sites and concluded that the programs were inadequate in a number of respects. Specifically, we found that half of the canine teams failed the explosives detection evaluation; each of the canines we observed in suspect apprehension demonstrations failed to respond to at least one of the handler's commands; and the canines were not receiving the minimum number of hours of weekly training for explosives detection. We made several recommendations to address these issues and enhance security. (IG-0755)

Safety and Security Concerns Over Hydroelectric Dams

The OIG initiated an audit to determine whether the Federal Energy Regulatory Commission (FERC) had resolved issues identified in a prior audit report related to its Dam Safety Program and had implemented an effective security program. Our review revealed that FERC made a number of improvements to its Dam Safety Program. We noted, however, weaknesses in the program related to dam security inspection, analysis, and review activities. In our judgment, these weaknesses adversely impacted the Commission's ability to oversee the security of hydroelectric dams within its jurisdiction. As a result, we made several recommendations designed to enhance the effectiveness of FERC's dam security program. (IG-0750)

Did you know?

The Federal Power Act authorizes FERC to issue licenses for hydroelectric project works, including dams, reservoirs and other works to develop and improve navigation and to develop and use power.

Material Control and Accountability at Lawrence Livermore National Laboratory

As part of Livermore's fundamental science and stockpile stewardship programs, Laboratory personnel perform tests and study various characteristics of accountable nuclear materials such as plutonium, enriched uranium, americium, and depleted uranium. An OIG inspection was initiated to determine if Livermore was providing timely and accurate information regarding the inventory, transfers, characteristics, and location of accountable nuclear materials. Our review concluded that, in general, Livermore's Material Control and Accountability Program provided timely and accurate information. However, we observed that certain inventory procedures were not consistent with program requirements. We also

identified a number of instances where Livermore's material tracking database did not accurately reflect the status or location of materials in an area. Consistent with the Department's graded approach to safeguards, we made several recommendations to management designed to enhance Livermore's ability to deter, detect, and assist in the prevention of the theft or diversion of accountable nuclear materials. **(IG-0745)**

Drug Testing of Security Personnel at Portsmouth and Paducah

According to DOE regulations, specified individuals, including protective force personnel who possess firearms, will be subject to random drug testing. The OIG initiated an inspection at the Department's Portsmouth and Paducah Gaseous Diffusion Plants to evaluate their drug testing programs. Our inspection revealed that random drug testing requirements for protective force personnel had not been implemented at either site. We recommended that the Manager, Oak Ridge Office, establish a workplace substance abuse program for protective force officers at Portsmouth and Paducah. **(INS-L-07-01)**

Environmental Cleanup

Department efforts to clean up and dispose of large volumes of solid and liquid radioactive, non-radioactive, and mixed waste have become essential as a result of more than 50 years of nuclear defense work and energy research.

Remediation of the Waste Burial Grounds at Hanford



Retrieval of buried waste from low-level burial grounds at Hanford.

The OIG initiated an audit to determine if the Department had developed a comprehensive cleanup strategy for the remediation of the burial grounds storing nuclear waste at Hanford. Our audit found that the Department's remediation strategy: (1) may produce a waste form or waste package that, in some cases, will not meet the Department's current acceptance criteria for interim storage or disposal, and (2) did not reflect the cost to prepare the retrieved waste to meet waste acceptance criteria for storage or final disposal. As a result, the Department may incur

up to \$188 million more than planned to store, monitor, and manage waste retrieved from the burial grounds. We made recommendations to ensure that these issues are addressed as remediation plans for the burial grounds evolve. **(IG-0743)**

Follow-up of Depleted Uranium Hexafluoride Conversion



Depleted Uranium Hexafluoride cylinders at Portsmouth.

The OIG initiated an audit to determine if the Department had performed a cost-benefit analysis and implemented the most cost-effective approach to converting depleted uranium hexafluoride to a more stable form at the Portsmouth Gaseous Diffusion Plant. Our audit found that the Department performed a cost-benefit analysis in May 2005 which showed that adding an additional conversion line to the Portsmouth facility could save about \$60 million. Yet, the Department had not taken steps to implement this cost-effective approach. We determined that, if

implemented now, the Department could still save \$35 million in life-cycle costs by reducing the operations schedule by nearly five years. Management agreed to consider the advisability of installing the fourth line after commencement of plant operations and plans to direct a macroassessment to further evaluate this option. **(IG-0751)**

Stockpile Stewardship

The Department is responsible for the maintenance, certification and reliability of the Nation's nuclear weapons stockpile. In order to ensure that our nuclear weapons continue to serve their essential deterrence role, the Department maintains stockpile surveillance and engineering capability, refurbishes selected nuclear systems, and sustains the ability to restore the manufacturing infrastructure for the production of replacement weapons.

Follow-up on Stockpile Surveillance Testing

In 2001, the OIG reported that the Department was behind schedule in conducting several of the nuclear weapons stockpile surveillance tests. The OIG initiated a follow-up audit to determine whether the Department had resolved the weapons surveillance testing backlog. We concluded that, although the Department made some progress, the Department had not eliminated the backlog. As a result, the Department may lack vital information about the reliability of its nuclear weapons stockpile. Further, testing delays could lead to failures in detecting important operating anomalies or other defects. **(IG-0744)**

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Concerns Over TA-18 Mission Operations

To consolidate special nuclear material in a more secure facility, in December 2002, NNSA announced its decision to relocate Technical Area 18 (TA-18) from Los Alamos to the Device Assembly Facility (DAF) at the Nevada Test Site. To minimize the mission impact of the relocation, program officials were directed to prepare a Closure Plan and establish interim criticality operations capability at Los Alamos and DAF as soon as mid-Fiscal Year (FY) 2005 and to terminate TA-18 operations by FY 2008. The OIG initiated an audit to determine whether NNSA minimized the impact of the TA-18 relocation on mission operations. Our audit revealed that, although its goal was to establish interim operations as early as FY 2005, NNSA had not maintained the capability to conduct unique TA-18 criticality operations and is at risk of delays in re-establishing this capability at the new Criticality Experiment Facility at DAF. (OAS-M-07-02)

Contract Management

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 administration is essential to ensuring Department programs and operations are meeting the established missions and goals.

Management of Contractor Intergovernmental Personnel Act and Change of Station Assignments

The Department's contractor-operated facilities use Intergovernmental Personnel Act (IPA) and Change of Station (COS) assignments to permit contractor employees to work at other organizations. IPA assignments are temporary transfers of personnel between the contractor and a Federal agency. Under COS assignments, personnel are temporarily transferred to a non-Federal organization. The OIG initiated an audit to determine whether the Department was effectively managing contractor use of IPA and COS assignments at three NNSA national laboratories and three DOE science laboratories. A detailed review of 77 active IPA and COS assignments found that the Department was not actively ensuring that the assignments were cost effective; operated in accordance with existing procedures or good business practice; or that taxpayer-provided funds supporting IPA and COS assignments were put to the best possible use. As a result, NNSA agreed to take the lead for the Department in developing guidance to correct problems addressed in our report. (IG-0761)

Excessing of Computers at Idaho National Laboratory

The OIG initiated an inspection at the Idaho National Laboratory (INL) to determine if adequate policies and internal controls for excessing computers and other electronic memory devices were in place to prevent the unauthorized dissemination of unclassified controlled information. Our review revealed that INL did not always excess computers in accordance with applicable policies and procedures, as exemplified by its sale of a computer containing unclassified controlled information at a public auction in 2004. We also found that INL's former management contractor did not revise and implement internal policies and procedures to reflect new Department requirements on clearing, sanitizing, and destroying information system storage media, memory devices, and other related hardware. Further, we found that when a new company was awarded a contract in November 2004 to manage INL, the Department's Idaho Operations Office delayed incorporating into the contract Department requirements on clearing, sanitizing, and destroying hard drives and other memory devices. (IG-0757)

Excessing of Computers at Lawrence Livermore National Laboratory

The OIG initiated an inspection to determine if Livermore: (1) had excessed unclassified computers and other electronic memory devices in accordance with applicable policies and procedures and (2) had adequate internal controls in place to prevent the unauthorized dissemination of unclassified controlled information during the excessing process. We concluded that Livermore's policies, procedures, and internal controls for excessing unclassified computers and other electronic memory devices were not always consistent with applicable DOE policies. Specifically, we found that:

- NNSA delayed for 2 1/2 years having Livermore implement Department policy, first issued in February 2004, on clearing, sanitizing, and destroying memory devices.
- Due to the delay in implementing the Department policy, the Laboratory did not establish certain site-wide procedures and internal controls necessary to ensure the proper clearing, sanitization, and destruction of memory devices.

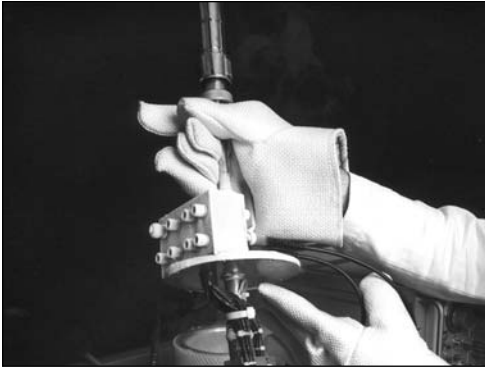
We made several recommendations to management designed to enhance the security of sensitive information and to improve contract administration. (IG-0759)

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Project Management

The Department undertakes numerous unique and complex high cost projects in order to support its mission. In recent years, the Department has implemented stronger policies and controls to ensure that ongoing projects are reevaluated frequently. Recent OIG reviews identified additional necessary improvements to ensure that the Department's project management principles are effective and accomplishing their goals.

Financial Management of Superconductivity Partnership Projects

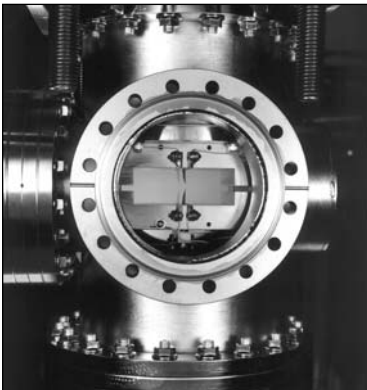


Checking a sample of thin film superconductivity material in liquid nitrogen.

The OIG initiated an audit to determine whether the Office of Electricity Delivery and Energy Reliability (OE) had effectively managed financial assistance provided to its Superconductivity Partnership projects. Our review revealed that while efforts were taken to address certain technical risks, the financial risks were not always addressed, and changes in market conditions were not always fully assessed. Of the 16 open Partnership projects reviewed during this audit, 5 were identified as needing stronger financial review.

Consistent with Department guidance and sound business practices, we recommended that the OE Director ensure that policies and procedures relating to the financial management of its Partnership cooperative agreements are developed and implemented. **(OAS-M-07-01)**

Recovery of Costs for the Proprietary Use of the Advanced Photon Source



Diamond x-ray beam monitor at the Advanced Photon Source.

The OIG initiated an audit to determine whether the Department was effectively recovering funds to offset operating costs for the proprietary use of the Advanced Photon Source, a light source user facility at the Argonne National Laboratory. Our audit revealed that the Laboratory: (1) charged hourly rates for proprietary usage of the Advanced Photon Source that did not sufficiently cover operating costs; (2) routinely reduced the number of hours charged from the time recorded by floor coordinators; and (3) did not always collect advances for proprietary experiments or bill those conducting proprietary research in a timely manner. **(IG-0753)**

Cyber Security

The Department spends approximately \$2.5 billion a year on information technology. Recently, however, threats to the Department's information systems have increased. The vast array of sensitive data that Department laboratories and facilities generate increases the potential for compromise of sensitive information. While the Department has taken a number of positive actions designed to improve the overall management of its cyber security program, additional improvements in this critical area are still needed. During this reporting period, the OIG conducted various reviews in this area that highlighted needs for improvements.

Concerns over Classified Information at the Los Alamos National Laboratory

At the request of the Secretary of Energy, the OIG reviewed the circumstances surrounding an October 2006 incident involving the possible compromise of classified data by a former subcontractor employee of NNSA's Los Alamos National Laboratory. Our inquiry into the incident revealed that, despite the expenditure of millions of dollars by NNSA to upgrade various components of the Laboratory's security apparatus, the security environment at the Laboratory was inadequate. Our report made specific recommendations to the Department to help strengthen security policies and procedures at both the Agency and the Laboratory. (OAS-SR-07-01)

NNSA's Cyber Security Program

At NNSA's request, and consistent with findings in the OIG's annual evaluation report on *The Department's Unclassified Cyber Security Program - 2006* (IG-0738), we initiated a review of NNSA's unclassified cyber security program. Our audit revealed that NNSA had implemented a number of measures designed to reduce cyber security risks and vulnerabilities. However, we identified a number of deficiencies that exposed critical unclassified systems to an increased risk of compromise. (IG-0758)

Certification and Accreditation of Unclassified Information Systems

The Department's certification and accreditation (C&A) process is designed to ensure that its information systems are secure prior to beginning operation and that they remain so throughout their lifecycle. Previous OIG reports identified several Department sites that had incomplete C&A processes and that failed to comply with National Institute of Standards and Technology cyber security requirements. Because of these problems, we initiated an audit to determine whether the Department's unclassified information systems

had been appropriately certified and accredited for operation. Our review revealed that, despite recent efforts by the Department to strengthen its guidance on the C&A process, many of its systems were not properly certified and accredited for operation. As a result, we made several recommendations designed to strengthen the C&A process and improve the Department's cyber security posture. **(IG-0752)**

Controls Over Computer Property at the Department's Counterintelligence Directorate

The OIG initiated an inspection to evaluate the adequacy of internal controls over computer property maintained by the Department's Counterintelligence Directorate at Headquarters. We concluded that internal controls over classified and unclassified computer property at the program office were inadequate. Specifically, we found that the Counterintelligence Directorate: (1) could not locate 20 desktop computers listed on its property inventory that either processed or may have processed classified information; (2) had 57 computers that were not included on the Counterintelligence Directorate's property inventory; (3) had expired loan agreements for 96 Headquarters computers that were located at field sites; and (4) had no labels affixed to 74 computers indicating classification level. **(IG-0762)**

Implementing Common Information Technology Services at Headquarters

In 2003, the Department launched an initiative to consolidate all aspects of common information technology systems. The OIG initiated a review to determine whether DOE's Common Operating Environment (DOE-COE) initiative was meeting planned goals and objectives. Our audit revealed that although the Department had made progress in implementing DOE-COE at Headquarters, it had not fully achieved the goals and objectives envisioned by the original initiative. As such, we made recommendations designed to help improve the continuing implementation and operation of the DOE-COE initiative. **(IG-0763)**

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Energy Supply

Over the last several years, energy consumption in the United States and throughout the rest of the world has grown substantially. As a result of this growth, as well as other world events, the United States' energy supply has come under stress, and obstacles have arisen that create challenges for achieving a stable and reliable energy supply system. The Department is in a unique position to help ensure that the Nation's energy needs are met through sound energy policy, research and development, and overall leadership.

The Strategic Petroleum Reserve's Response to Hurricanes Katrina and Rita



Holding tanks at the Strategic Petroleum Reserve.

The OIG conducted an audit to determine whether the Strategic Petroleum Reserve met its energy security mission in response to Hurricanes Katrina and Rita. We found that the Department used the Reserve and its assets with great effectiveness to address emergency energy needs in the crisis surrounding the hurricanes. The findings of our audit were generally positive. However, we found that while the alternate computer facility, located 55 miles northeast of the primary site, appeared acceptable under most circumstances, the far-reaching impact of Katrina proved that the proximity of the alternate site to the primary facility was less than optimal and affected the prompt restoration of computer network services vital to continuity of operations of the Reserve. Given the relative frequency of major hurricanes in the vicinity of the Reserve's primary facility, we concluded that management should consider moving the alternate site to a more remote location. (IG-0747)

Did you know?

The Strategic Petroleum Reserve is the largest stockpile of Government-owned emergency crude oil in the world. Established in the aftermath of the 1973-74 oil embargo, the Reserve provides the President with a response option should a disruption in commercial oil supplies threaten the U.S. economy.

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Significant Investigative Accomplishments

Multiple Individuals Prosecuted for a Company-Wide Fraud Scheme

A joint OIG investigation with other law enforcement agencies determined that the owners and employees of a metal distribution company orchestrated a company-wide scheme to provide fraudulent test certifications and substandard metals to the Government and its contractors in the defense, nuclear, and aerospace industry. Over 50 orders were affected by the scheme, including critical applications. Five individuals pled guilty to multiple counts, which included: false statements, false claims, and conspiracy. The two owners of the company were sentenced to a total of 51 months incarceration, 4 years of supervised release, and assessed \$397,360.96 in restitution and fines. One employee was sentenced to 2 years probation, 3 months of house arrest, and fined a \$100 special assessment fee. Another employee was sentenced to 18 months probation and ordered to pay \$7,288 in restitution and fines. The other individuals are awaiting sentencing. The company and its owners have been debarred from Government contracting for three years, and the company's employees were suspended indefinitely pending debarment action. (I04AL002)

Settlement Reached in Civil False Claims Investigation

An OIG investigation determined that an NNSA contractor at the Savannah River Site double-billed the Department between 1997 and 2004 by charging costs, such as depreciation and lease expense on Light Weight Truck (LWT) casks, to both direct and overhead accounts. The LWT casks are used to store and transport spent nuclear materials from foreign countries back to the U.S. for processing and storage. The contractor entered into a \$1.2 million civil settlement with the U.S. Government. Of those funds, \$700,000 will be returned to the Department. (I03SR003)

Former National Renewable Energy Laboratory Employee Sentenced for Wire Fraud Scheme

As previously reported, an OIG investigation determined that a National Renewable Energy Laboratory employee conspired with a print shop vendor to submit 97 false claims totaling \$126,175 for payment of bogus print jobs. The employee used a Government purchase card to pay for the fraudulent claims and subsequently shared the proceeds with the print shop owner. Both individuals pled guilty to various criminal violations. During this reporting period, the former Laboratory employee was sentenced to 12 months of house

arrest, 5 years of probation, and ordered to pay restitution of \$126,000. The court further ordered that, upon completion of house arrest, the subject receive psychological counseling. The print shop vendor was also sentenced to 3 years of probation, 200 hours of community service, and ordered to pay a special assessment fee of \$100. **(I02DN003)**

Improper Award of Subcontract by Department Contractor

An OIG investigation determined that a contractor at the Pacific Northwest National Laboratory provided inaccurate and potentially misleading information in response to a Department inquiry into the award of a subcontract. The investigation also determined that the contractor failed to follow approved subcontracting procedures and may have inappropriately lobbied for the subcontract project funding. As a result of our Investigative Report to Management, the Department reduced the contractor's award fee. The contractor also took a variety of actions, including returning \$250,000 to the Department. **(I05RL004)**

Contractor Employee Debarred After Theft Conviction

As previously reported, 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 resigned, pled guilty to one violation of Tennessee Code Annotated 39-14-103 (Theft of Property, Class E Felony), and was subsequently sentenced to two years of probation. During this reporting period, the former contractor employee was debarred from Government contracting for a three-year period. **(I04OR003)**

Individual Pleads Guilty to Tax Fraud and Conspiracy

A joint OIG investigation with other law enforcement agencies determined that an individual and a co-conspirator diverted, for personal use, approximately \$4 million in Department monies originally intended for safety subcontracts at Russian nuclear power plants. The individual pled guilty to eight counts of Tax Fraud and one count of Conspiracy and was assessed a fee of \$100 for each count, totaling \$900. The plea agreement stipulated that the individual forfeit all of his illegal proceeds. The individual is currently awaiting sentencing, and the co-conspirator is facing criminal violations in Russia. **(I02HQ010)**

Department Courier Pleads Guilty to Wire Fraud and Possession of Unregistered Firearms

A joint OIG investigation with other law enforcement agencies determined that a Department courier at the Pantex Plant attempted to sell and had sold Department equipment restricted for use by Government, law enforcement, and military personnel. Couriers are responsible for moving nuclear weapons, special nuclear material, selected non-nuclear weapons components, limited-life components, and other materials requiring secure transport. The subject pled guilty to one count of Wire Fraud and one count of Possession of Unregistered Firearms. The subject was sentenced to 30 months of incarceration for each of the 2 counts, to be served concurrently, and 3 years of supervised release. The subject was also assessed \$8,489 in restitution, \$200 in Special Assessments, and a \$10,000 fine. **(I05AL010)**

Guilty Verdicts for Department Subcontractor, Company President, and Chief Operating Officer

A joint OIG investigation with other law enforcement agencies determined that a Department subcontractor, company President, and Chief Operating Officer were involved in a scheme to launder money obtained from Department contracts. Specifically, the scheme involved the use of various businesses owned by the President and the Chief Operating Officer, the company President's family members, and various business associates. A jury in the U.S. District Court for the Eastern District of Tennessee found the subcontractor company guilty of Conspiracy to Defraud the Government (Conspiracy). In addition, the jury found the company's President guilty of Conspiracy, Theft of Government Property, and Money Laundering. The jury also found the Chief Operating Officer guilty of Money Laundering. During a previous reporting period, a business associate pled guilty to one count of Conspiracy in the Eastern District of Tennessee. All subjects are awaiting sentencing. **(I00OR008)**

Contractor Employee Sentenced to 16 Years in Prison

A joint OIG investigation with the Livermore Police Department determined that a contractor employee at Lawrence Livermore National Laboratory maintained child pornography on his Government-owned computer and engaged in sexual activity with a mentally handicapped adult. The subject's employment was subsequently terminated. The subject pled no contest to 2 sex offenses and 9 counts of Production of Child Pornography and was sentenced to 16 years in prison. **(I06TC011)**

Contractor Employee Pleads Guilty to Possession of Stolen Property

An OIG investigation determined that a Bonneville Power Administration contractor employee accessed a leased Department facility after hours, using unauthorized master keys, and stole computer equipment, office equipment, and software valued in excess of \$95,000. The subject pled guilty to one count of First Degree Possession of Stolen Property and was sentenced to 90 days incarceration and ordered to pay \$2,000 in fines. **(I04RL007)**

Los Alamos National Laboratory Employee Pleads Guilty

An OIG investigation determined that a Los Alamos employee falsely requested three checks payable to a fictitious entity totaling \$55,000. The employee, who was also a purchase buyer, personally picked up the checks and deposited them into a personal credit union account. The individual pled guilty in the U.S. District Court for the District of New Mexico to violations of False Statements, False Claims, and Theft. Sentencing is pending. **(I05AL013)**

Department Grantee Employee Pleads Guilty to Mail Fraud

A joint OIG investigation with other law enforcement agencies determined that a grantee employee used a purchase card issued by a Department grantee to make fraudulent purchases totaling approximately \$18,000. The grantee employee subsequently charged these costs to grant programs funded by the Department and the National Science Foundation. The individual then sold 37 of these items (including Apple iPods and a Dell Personal Digital Assistant) on eBay for a profit of \$10,000. The employee pled guilty to one count of mail fraud in Federal District Court in Denver, Colorado, and is currently awaiting sentencing. **(I05DN001)**

Canadian Subject Pleads Guilty to Computer Compromise

A joint OIG investigation with the Royal Canadian Mounted Police and the Federal Bureau of Investigation determined that a Canadian citizen compromised an unclassified Department computer at the Los Alamos National Laboratory, as well as committed bank fraud, wire fraud, and identity theft unrelated to the Department. The subject pled guilty to several Canadian Criminal Code offenses and was sentenced to 12 months probation and 200 hours of community service. **(I05TC006)**

Individual Sentenced in Counterfeit Ring

A joint OIG investigation with other law enforcement agencies found seven individuals engaged in a fraud and forgery criminal enterprise that produced counterfeit business checks and identification documents, including counterfeit payroll checks from the Department's National Renewable Energy Laboratory. One individual was sentenced to 18 years in prison after pleading guilty to Colorado State charges relating to the criminal enterprise. The same individual also pled guilty to Federal charges and was sentenced to 33 months incarceration, 3 years of supervised release, and 500 hours of drug treatment. The two sentences will run concurrently. Another individual pled guilty to theft and was sentenced to six years incarceration. A third individual pled guilty to Colorado Organized Crime Control Act charges and was sentenced to 10 years incarceration and assessed \$5,135.78 in restitution. Action is pending against the remaining individuals. **(I06DN001)**

Department Manager Convicted for Conflict of Interest

An OIG investigation determined that a GS-15 manager at the Bonneville Power Administration used her official position to help her spouse obtain a job with a Bonneville contractor. The spouse earned nearly \$100,000 in salary and commissions, as well as a company-paid trip to Hawaii, while employed for 7 months with the contractor. The manager also failed to submit proper recusal documentation when her spouse was hired. Upon filing the documentation three months later, the subject misstated her spouse's employment start date and continued, as a Federal employee, to participate in meetings and decisions that resulted in additional business for the contractor. The Department suspended the subject's employment in June 2005 and, in lieu of termination, the manager resigned in January 2007. A jury convicted the subject for conflict of interest, wire fraud, and making a false statement. The subject is currently awaiting sentencing. **(I03RL017)**

Concerns Over Subcontractor Quality Assurance Program

An OIG investigation identified systematic weaknesses in the quality assurance program of an NNSA subcontractor who manufactures uranium containment vessels and weapons shipping cylinder assemblies. As a result of an Investigative Report to Management, NNSA evaluated the subcontractor's quality assurance program and found it to be unsatisfactory. NNSA subsequently mandated that a corrective action plan be completed by the subcontractor and provided to the U.S. Nuclear Regulatory Commission. A re-inspection of the weapons assemblies previously received by the Department from the subcontractor did not uncover any quality issues. **(I06OR008)**

Employee Terminated for Violating Terms of Recusal Statement

An OIG investigation determined that a senior level Department manager violated the terms of his recusal statement by approving funds for Departmental sites that were responsible for administering programs and awarding several subcontracts to a company owned by the individual's spouse. The individual also failed to disclose his spouse's involvement with the company on his Office of Government Ethics Form 450, "Confidential Financial Disclosure Report." In response to our report, the senior level official was removed from employment in the Federal Service. **(I04CH005)**

Department Employee Disciplined for Disclosing Source Selection Information

A joint OIG investigation with other law enforcement agencies determined that a Department employee at the Hanford Site violated the Procurement Integrity Act by disclosing on at least two occasions source selection information. As a result of an Investigative Report to Management, the employee was suspended from work for seven calendar days and suspended from procurement activities for a minimum of one year. The employee, who at the time was being considered for a security clearance, was also suspended from consideration for a security clearance for a period of one year. In addition, the employee was required to complete "Ethics in Contracting" training. **(I01RL003)**

Award Fee Reduced for Department Contractor

An OIG investigation determined that a contractor at the Pacific Northwest National Laboratory provided misleading information to the Department when requesting approval of a Cooperative Research and Development Agreement (CRADA) with a company owned and operated by two of the contractor's employees. The two contractor employees continued to work and earn their full-time salaries from the contractor during the three-plus years they held the CRADA. In response to our report, the Department disallowed a total of \$233,038.63 in costs, which included a portion of the employees' salaries during the CRADA. **(I03RL015)**



Other Significant Accomplishments

Administrative Safeguards

Special Report to the Department on Methamphetamine Problem

The OIG issued a special report to the Department discussing the impact of the methamphetamine problem in and around Department facilities. The report highlighted an increasing number of investigations detailing methamphetamine abuse by Federal and contractor employees, in which costly drug habits appeared to be a primary cause of illicit activities. The report presented three proposals for the Department to consider to ensure Department managers are cognizant of the internal and external threats posed by methamphetamine use and trafficking. **(October 2006)**

Chemical Safety Protocols at the Pantex Plant

The Pantex Plant, a nuclear weapons assembly and disassembly facility, uses approximately 3,000 different kinds of hazardous chemicals, including acids, bases, flammable and combustible liquids, compressed gases, toxics, and explosives. The OIG initiated an inspection at Pantex to determine if the site management contractor implemented an effective chemical safety program. Our review revealed that several aspects of the program needed improvement. Specifically, we found that: (1) a compressed gas facility containing numerous flammable chemicals did not have a means to summon the fire department and lacked a fire extinguisher; (2) safety warning signs were not posted outside several facilities containing hazardous chemicals; and (3) an eye wash and a safety shower in a hazardous chemicals storage building were not inspected for four consecutive quarters. We also noted significant discrepancies in the hazardous chemical inventory at Pantex. As a result, we made several recommendations to the Pantex Site Office Manager to ensure that the contractor implemented improvements in its chemical safety program. **(IG-0756)**

Did you know?

The Pantex Plant is the Nation's only nuclear weapons assembly and disassembly facility. Located on the High Plains of the Texas Panhandle, 17 miles northeast of Amarillo, Pantex is centered on a 16,000 acre site.

Alleged Work Package Falsification at Los Alamos National Laboratory

Based upon an allegation that work packages at Los Alamos were being falsified in certain respects, compromising the safety of work activities, the OIG initiated an inspection. Our review identified various work package issues and instances of non-compliance with applicable policies and procedures. For example, we found that work package authorizing signatures and dates were often missing. In addition, we identified several internal and external reviews at Los Alamos that demonstrated similar work package issues have existed since at least 2002, with various corrective actions having failed to resolve these problems. As a result, we made several recommendations to the Los Alamos Site Office to enhance the work package process and, thus, safety and security at the Laboratory. **(IG-0746)**

Procurement Card Irregularities at Sandia National Laboratory-California

As part of an OIG proactive initiative, we conducted an inspection of Sandia National Laboratory-California's (Sandia's) procurement card program. Our inspection revealed that Sandia's internal controls did not ensure that purchases made using procurement cards were in accordance with applicable policies and procedures. Specifically, we found that managers approved transactions that lacked adequate descriptions and restricted items were purchased without the appropriate authorization. We also identified items of questionable allowability, such as catered meals and "souvenirs." Further, we questioned whether the issuance of procurement cards to 44 percent of Sandia employees was consistent with procurement card guidance on limiting the number of procurement card users. As a result, we made several recommendations designed to improve internal controls over Sandia's purchase card program. **(IG-0754)**

Missing I-9 Forms at Pantex

The OIG initiated an inspection based on an allegation that over 400 employees' I-9 forms, which are used to record verification of proof of citizenship, were either lost or stolen from NNSA's Pantex Plant. Concern was expressed that the missing forms, which contained personally identifiable information, such as social security number and date of birth, could be used to steal identities or create false documentation to gain unauthorized access to Pantex. Our review concluded that Pantex had significant internal control weaknesses in the management and retention of I-9 forms. However, we could not reach a definitive conclusion regarding whether I-9 forms were lost or stolen from Pantex. We made several recommendations to the Pantex Site Office Manager to ensure that I-9 forms are appropriately obtained, stored, and retained and that employees are notified in instances of possible loss or theft of these forms. **(INS-L-07-05)**

The Department's Fiscal Year 2006 Consolidated Balance Sheet

An OIG audit revealed that the Department's Office of Chief Financial Officer made substantial progress in correcting a number of financial controls and reporting weaknesses that resulted in a disclaimer of an audit opinion on the FY 2005 financial statements. Except for the effects of not properly accounting for and reporting undelivered orders, the FY 2006 consolidated balance sheet presented fairly in all material respects the financial position of the Department. The weaknesses affecting undelivered orders were associated with controls over the recording of obligations and the de-obligation of funds.

(OAS-FS-07-02)

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 Department reduced the award fee for a contractor at the Pacific Northwest National Laboratory by \$366,660 as a result of three Investigative Reports to Management concerning misleading information provided by the contractor to the Department.
- The Chief Information Officer (CIO) and the Cyber Security Working Group undertook preparation of new, long-term cyber security guidance on the disposal of hard disk drives and other magnetic computer storage media and devices. Further, the CIO issued interim guidance stating that (1) no hard disk drive or other magnetic computer storage media or device should be sold, donated, or transferred to an off-site contractor or other organization for disposal and (2) degaussing should not be used as the sole means to purge data from these items.
- The Office of Intelligence and Counterintelligence has taken action to ensure that NNSA's export control analysts have continued direct access to intelligence-related documents and computer systems. This will allow the analysts to have access to updated and relevant intelligence information when reviewing export license applications and participating in interagency export groups.

- The Secretary of Energy approved the establishment of a Biosurety Executive Team, which will address biosafety and related security issues that are likely to emerge and recommend the establishment of biosurety-related policies, regulations, requirements, and standards. The Team will also serve to elevate the awareness of senior management to issues that could potentially impact the Department's missions of national security and ensuring the health and safety of Department employees and the public.
- Los Alamos National Laboratory has held a series of meetings to re-emphasize the importance of the preparation, review, and approval of Integrated Work Management documentation.
- The Department introduced Enterprise Licensing Agreement (ELA) Programs as a strategic priority for consolidating software services and acquisitions, thereby saving taxpayer money. This strategy was supported by the establishment of an ELA Integrated Project Team. The Department also negotiated several new enterprise agreements, providing significant savings on software costs. Further, the Department continued to extend software standards to additional programs at Headquarters and has committed to implementing a system to track its software inventory to optimize the utilization of existing licenses.
- The Department took action to revise the Arming and Arrest Authority Security Plan for the Portsmouth and Paducah Gaseous Diffusion Plants. The revision includes a requirement for the development of a random drug testing program pursuant to 10 CFR 707, *Workplace Substance Abuse Programs at DOE Sites*.

Congressional Responses

During this reporting period, the OIG provided information at the request of Congress in 15 instances and briefed Committee staff on 11 occasions. In addition, the OIG testified at two congressional hearings: (1) on January 30, 2007, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, entitled "Continuing Security Concerns at the Los Alamos National Laboratory"; and (2) on March 20, 2007, before the Subcommittee on Government Management, Organization, and Procurement, House Committee on Oversight and Government Reform, entitled "Financial Management Hearing."

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, 581 complaints were processed. The OIG Hotline System can be reached by calling 1-800-541-1625 or 1-202-586-4073.

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 90 complaints to Department management and other Government agencies during this reporting period and specifically requested Department management to respond concerning the actions taken on 45 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:

- In response to a referral based on an allegation that a subcontractor employee was using Government communications equipment to harass a member of the public, management determined that the employee improperly used both Government time and equipment. As a result, the subcontractor was required to reimburse the prime contractor for the misuse of resources, and the subcontractor terminated the offending employee.
- In response to a referral based on an allegation that outside individuals could mimic the Department's website by exploiting a cross-scripting vulnerability, the program office immediately fixed the vulnerability and reviewed other applications to see if they were also vulnerable to this sort of attack.

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 20 *Qui Tam* lawsuits involving alleged fraud against the Government in the amount of approximately \$140 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.

Did you know?

The False Claims 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.

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 contrary to Executive order or Presidential directive were reported during this period.

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 34 legislative and regulatory items during the reporting period.



Reports Issued

Audit Reports Issued – October 1, 2006 to March 31, 2007

| Report Number | Title | Date of Issue | Savings | Questioned Costs |
|---------------|---|---------------|--------------|------------------|
| IG-0743 | <i>Remediation of the Waste Burial Grounds at the Hanford Site</i> | 10-18-06 | | |
| IG-0744 | <i>Follow-Up Audit on Stockpile Surveillance Testing</i> | 10-30-06 | | |
| IG-0747 | <i>The Department of Energy's Use of the Strategic Petroleum Reserve in Response to Hurricanes Katrina and Rita</i> | 12-05-06 | | |
| IG-0748 | <i>Management Challenges at the Department of Energy</i> | 12-13-06 | | |
| IG-0749 | <i>The Department's Energy, Science, and Environment Sites' Implementation of the Design Basis Threat</i> | 12-14-06 | | |
| IG-0750 | <i>The Federal Energy Regulatory Commission's Program to Oversee Hydroelectric Dams</i> | 12-18-06 | | |
| IG-0751 | <i>Follow-up of Depleted Uranium Hexafluoride Conversion</i> | 12-26-06 | \$35,000,000 | |
| IG-0752 | <i>Certification and Accreditation of Unclassified Information Systems</i> | 01-03-07 | | |
| IG-0753 | <i>Recovery of Costs for the Proprietary Use of the Advanced Photon Source</i> | 01-11-07 | \$4,300,000 | |
| IG-0758* | <i>The National Nuclear Security Administration's Implementation of the Federal Information Security Management Act</i> | 02-22-07 | | |

| Report Number | Title | Date of Issue | Savings | Questioned Costs |
|----------------------|--|----------------------|----------------|-------------------------|
| IG-0760 | <i>The Department's Wildland Fire Planning and Preparation Efforts</i> | 03-06-07 | | |
| IG-0761 | <i>The Department of Energy's Management of Contractor Intergovernmental Personnel and Change of Station Assignments</i> | 03-26-07 | \$11,902,000 | \$289,000 |
| IG-0763 | <i>The Department's Efforts to Implement Common Information Technology Services at Headquarters</i> | 03-30-07 | \$706,500 | |
| OAS-M-07-01 | <i>Management Controls over the Department of Energy's Superconductivity Partnerships</i> | 01-18-07 | \$5,000,000 | |
| OAS-M-07-02 | <i>Management Controls over the National Nuclear Security Administration's Ability to Maintain Capability of the TA-18 Mission</i> | 02-20-07 | | |
| OAS-L-07-01 | <i>Bonneville Power Administration's Conservation and Renewables Discount and Conservation Rate Credit Programs</i> | 10-12-06 | | |
| OAS-L-07-02 | <i>Emergency Response Training at Lawrence Livermore National Laboratory</i> | 10-18-06 | | |
| OAS-L-07-03 | <i>Department of Energy's Carbon Sequestration Program</i> | 11-28-06 | | |
| OAS-L-07-04 | <i>Inquiry to the Hotline Complaint on Possible Design Mistakes and Cost Overruns of the Linac Coherent Light Source Project at Stanford Linear Accelerator Center</i> | 12-18-06 | | |
| OAS-L-07-05 | <i>The Department of Energy's Implementation of Revised OMB Circular No. A-123</i> | 01-26-07 | | |
| OAS-L-07-06* | <i>Office of Science's Implementation of the Federal Information Security Management Act</i> | 01-31-07 | | |

| Report Number | Title | Date of Issue | Savings | Questioned Costs |
|----------------------|---|----------------------|----------------|-------------------------|
| OAS-L-07-07 | <i>Device Assembly Facility Utilization</i> | 02-21-07 | | |
| OAS-L-07-08 | <i>Design of the Engineered Barrier System at the Yucca Mountain Site</i> | 02-27-07 | | |
| OAS-L-07-09 | <i>Federal Managers' Financial Integrity Act</i> | 03-13-07 | | |
| OAS-C-07-01 | <i>Agreed Upon Procedures for Princeton University's Property Management for National Aeronautics and Space Administration Grant No. NNC04GA60G</i> | 10-19-06 | | |
| OAS-V-07-01 | <i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to BWXT Y-12, LLC under Department of Energy Contract No. DE-AC05-00OR22800</i> | 10-20-06 | | |
| OAS-V-07-02 | <i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Battelle Energy Alliance, LLC under Department of Energy Contract No. DE-AC07-05ID14517</i> | 10-25-06 | | |
| OAS-V-07-03 | <i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to BWXT Pantex, LLC under Department of Energy Contract No. DE-AC04-00AL66620</i> | 12-07-06 | | |

| Report Number | Title | Date of Issue | Savings | Questioned Costs |
|----------------------|---|----------------------|----------------|-------------------------|
| OAS-V-07-04 | <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 & Technologies, LLC under Department of Energy Contract No. DE-AC04-01AL66850</i> | 01-04-07 | | |
| OAS-V-07-05 | <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> | 01-16-07 | \$2,836,181 | |
| OAS-V-07-06 | <i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Lawrence Berkeley National Laboratory under Department of Energy Contract No. DE-AC03-76SF00098</i> | 02-21-07 | \$300,000 | |
| OAS-V-07-07 | <i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Argonne National Laboratory under Department of Energy Contract No. W-31-109-ENG-38</i> | 03-06-07 | \$100,000 | |
| OAS-FS-07-01 | <i>Federal Energy Regulatory Commission's Fiscal Year 2006 Financial Statement Audit</i> | 11-07-06 | | |
| OAS-FS-07-02 | <i>The Department of Energy's Fiscal Year 2006 Consolidated Balance Sheet</i> | 11-13-06 | | |

| Report Number | Title | Date of Issue | Savings | Questioned Costs |
|----------------------|--|----------------------|----------------|-------------------------|
| OAS-FS-07-03 | <i>Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2006</i> | 12-21-06 | | |
| OAS-FS-07-04 | <i>Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2006</i> | 01-04-07 | | |
| OAS-SR-07-01* | <i>Selected Controls over Classified Information at the Los Alamos National Laboratory</i> | 11-27-06 | | |

*Report contains Official Use Only information.

Inspection Reports Issued – October 1, 2006 to March 31, 2007*

| Report Number | Title | Date of Issue |
|----------------------|--|----------------------|
| IG-0741 | <i>Concerns With Security Barriers at the Y-12 National Security Complex</i> | 10-10-06 |
| IG-0742 | <i>Protective Force Property Management at Lawrence Livermore National Laboratory</i> | 10-11-06 |
| INS-L-07-01 | <i>Drug Testing for Security Positions at DOE's Portsmouth and Paducah Sites</i> | 10-18-06 |
| INS-L-07-02 | <i>Concerns with the Storage and Transportation of Depleted Uranium Hexafluoride Cylinders at the East Tennessee Technology Park</i> | 10-20-06 |
| INS-L-07-03 | <i>Alleged Waste of Funds Involving Excess Property at Rocky Flats</i> | 11-15-06 |
| IG-0745 | <i>Material Control and Accountability at Lawrence Livermore National Laboratory</i> | 11-15-06 |
| IG-0746 | <i>Work Packages for Site Support Services at Los Alamos National Laboratory</i> | 11-29-06 |
| INS-L-07-04 | <i>Quality Assurance and Inventory Control Issues at Los Alamos National Laboratory</i> | 01-08-07 |
| IG-0754 | <i>Sandia National Laboratory-California Procurement Card Program</i> | 01-18-07 |
| IG-0755 | <i>Review of the Department of Energy's Canine Program at Selected Sites</i> | 01-23-07 |
| INS-L-07-05 | <i>Alleged Loss or Theft of Personally Identifiable Information at Pantex</i> | 02-02-07 |
| IG-0756 | <i>Chemical Safety Protocols at the Pantex Plant</i> | 02-02-07 |
| INS-L-07-06 | <i>Lawrence Livermore National Laboratory Protective Force Issues</i> | 02-16-07 |
| IG-0757 | <i>Excessing of Computers Used for Unclassified Controlled Information at the Idaho National Laboratory</i> | 02-16-07 |
| IG-0759 | <i>Excessing of Computers Used for Unclassified Controlled Information at Lawrence Livermore National Laboratory</i> | 03-05-07 |
| IG-0762 | <i>Internal Controls Over Computer Property at the Department's Counterintelligence Directorate</i> | 03-28-07 |

*Does not include non-public reports



Statistical Information

Audit Report Statistics – October 1, 2006 to March 31, 2007

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:

| | Total Number | One Time Savings | Recurring Savings | Total Savings |
|---|-------------------------|-----------------------------|------------------------------|--------------------------|
| Those issued before the reporting period for which no management decision has been made:* | 7 | \$1,198,131,073 | \$6,000,000 | \$1,204,131,073 |
| Those issued during the reporting period: | 35 | \$57,297,500 | \$0 | \$57,297,500 |
| Those for which a management decision was made during the reporting period:* | 18 | \$477,474,900 | \$0 | \$477,474,900 |
| Agreed to by management: | | \$267,077,400 | \$0 | \$267,077,400 |
| Not agreed to by management: | | \$7,400,000 | \$0 | \$7,400,000 |
| Those for which a management decision is not required: | 19 | \$0 | \$0 | \$0 |
| Those for which no management decision has been made at the end of the reporting period:* | 5 | \$980,951,173 | \$6,000,000 | \$986,951,173 |

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

Audit Report Statistics – October 1, 2006 to March 31, 2007

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:* | 0 | \$5,310,071 | \$0 |
| Those issued during the reporting period: | 2 | \$3,136,181 | \$0 |
| Those for which a management decision was made during the reporting period:* | 2 | \$4,063,534 | \$0 |
| Value of disallowed costs: | | \$98,170 | \$0 |
| Value of costs not disallowed: | | \$829,183 | \$0 |
| Those for which a management decision is not required: | 0 | \$0 | \$0 |
| Those for which no management decision has been made at the end of the reporting period:* | 0 | \$7,518,899 | \$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 is the only audit report over six months old that was issued before the beginning of the reporting period for which no management decision had been made by the end of the reporting period. The reason a management decision had not been made and the estimated date for achieving a management decision is described below.

■ Management Audit

IG-0669: Use and Management of Mobile Communications Services, December 14, 2004 – *The management decision in response to this report requires additional action. The nature of the recommendations, which spans the Department's major programs, field sites, and facility contractors, requires more extensive work with the affected entities to insure that the Inspector General's recommendations are implemented*

and corrective actions are undertaken in a manner that is consistent with Department and organizational missions and objectives, as redefined by the implementation of new policies and procedures applicable to the corporate-wide delivery of information technology support services. These recommendations and corrective actions should be implemented by December 31, 2007.

Prior Significant Recommendations Not Implemented

As of March 2007, closure actions on recommendations in 43 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 176 recommendations in the last 6 months. Management updates the Departmental Audit Report Tracking System on a quarterly basis, most recently in March 2007. 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, 2006 to March 31, 2007

| | |
|--|-----|
| Inspections/Special Inquiries open at the start of this reporting period | 107 |
| Inspections/Special Inquiries opened during this reporting period | 17 |
| Inspections/Special Inquiries closed during this reporting period | 20 |
| Inspections open at the end of this reporting period | 104 |
| Reports issued (includes non-public reports) | 18 |
| Report Recommendations* | |
| <i>Issued this reporting period</i> | 49 |
| <i>Accepted by management this reporting period</i> | 46 |
| <i>Implemented by management this reporting period</i> | 23 |
| Complaints referred to Department management/others | 90 |
| <i>Referrals to Department management requesting a response for OIG evaluation</i> | 45 |

*Includes non-public report recommendations

Hotline Statistics – October 1, 2006 to March 31, 2007

| | |
|--|------|
| Hotline calls, emails, letters, and other complaints | 581* |
| Hotline calls, emails, letters, and other complaints predicated | 180 |
| Unresolved Hotline predications from previous reporting period | 10 |
| <i>Total Hotline predications</i> | 190 |
| Hotline predications transferred to the Management Referral System | 107 |
| Hotline predications closed based upon preliminary OIG activity | 68 |
| Hotline predications pending disposition | 15 |
| <i>Total predications processed</i> | 190 |

*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, 2006 to March 31, 2007

| | |
|--|----------------|
| Investigations open at the start of this reporting period | 273 |
| Investigations opened during this reporting period | 56 |
| Investigations closed during this reporting period | 67 |
| Investigations open at the end of this reporting period | 262 |
| <i>Qui Tam</i> investigations opened | 1 |
| <i>Total open Qui Tam investigations as of 3/31/07</i> | 20 |
| Multi-agency task force investigations opened | 20 |
| <i>Total open multi-agency task force investigations as of 3/31/07</i> | 125 |
| Investigative reports to prosecutors and Department management | 22 |
| Recommendations to management for positive change and other actions | 55 |
| Administrative discipline and other management actions | 60 |
| Suspensions/Debarments | 19 |
| Investigations referred for prosecution | 19 |
| <i>Accepted*</i> | 18 |
| <i>Indictments</i> | 21 |
| <i>Criminal convictions</i> | 28 |
| <i>Pretrial diversions</i> | 1 |
| <i>Civil actions</i> | 1 |
| Fines, settlements, recoveries** | \$3,230,616.55 |

*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 April 2007 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: Fatima Pashaei

Name: _____

Daytime Telephone Number: _____

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



U.S. Department of Energy
Office of Inspector General

