
memorandum

DATE: July 24, 2009

Audit Report Number: OAS-L-09-14

REPLY TO

ATTN OF: IG-30 (A08GT010)

SUBJECT: Audit Report on "Controls over the U.S. Department of Energy's Performance Measures"

TO: Administrator, National Nuclear Security Administration
Assistant Secretary, Fossil Energy
Director, Office of Science

INTRODUCTION AND OBJECTIVE

The Government Performance and Results Act of 1993 (Results Act) was enacted to improve program effectiveness and to provide decision makers with objective and reliable performance information. The Department of Energy (Department) establishes its performance goals for the year in its Congressional Budget Justification. For Fiscal Years (FY) up to and including 2006, the Department reported its annual performance results in conjunction with its consolidated financial statements. In FY 2007, the Department began reporting its performance results separately in its Annual Performance Report (APR). Reported performance results generally include quantified information on results achieved as well as a general statement about whether an individual goal was met. The Department's Office of Program Analysis and Evaluation (PA&E) is the organization primarily responsible for gathering and reporting performance information.

The Department's FY 2006 Consolidated Financial Statement Audit disclosed a reportable condition on performance measurement reporting. Specifically, auditors found that documentation did not adequately support the achieved goals for some targets, and that National Nuclear Security Administration (NNSA) program targets were reported without quarterly milestones. The Department generally concurred with the finding related to supporting documentation and pledged to take corrective action. With respect to NNSA program targets, the Director of PA&E, subsequently issued a waiver permitting the reporting practice to continue.

Because of the importance of accurately measuring performance results, we initiated this audit to determine whether the Department's process for accumulating performance results supported accurate, complete and reliable reporting of performance information.

CONCLUSION AND OBSERVATIONS

Our audit revealed that the Department had made a number of improvements and policy changes in its performance monitoring and reporting process. We noted, however, that in spite of specific quality and supporting information standards, certain sites and program elements had not completely resolved problems with documentation used to support reported performance results. For example, tests of a statistical sample of 47 of the Department's 203 annual performance measures disclosed inaccuracies and inconsistencies in the reporting of performance information. Specifically, for 12 of the tested measures, supporting documentation differed from or did not adequately support information reported in the APR. For most of the measures, the differences we noted were individually immaterial and did not have an impact on whether or not an associated goal was achieved. However, given the increasing emphasis on accountability and transparency associated with the *American Recovery and Reinvestment Act of 2009* they do, in aggregate, represent issues that are worthy of correction.

Supporting Documentation

Our review disclosed that for 12 of the Department's performance measures reported in its APR, supporting documentation was inconsistent with the reported results. Information on results achieved in the supporting documents was sometimes greater than and at other times less than the amounts reported in the APR. Through additional evidence gathering and analyses, we were ultimately able to determine that ten of the measures were not reported accurately in the APR while two were reported accurately but were not properly documented. These reporting and documentation discrepancies occurred in three of the seven program offices reviewed: the National Nuclear Security Administration (NNSA), Office of Science (SC), and the Office of Fossil Energy (FE).

For the following two NNSA measures, the differences we noted were sufficient to impact the achievement of the goal:

- NNSA could not support the percentage reported in the APR for the cost-effectiveness of the life-extension program performance measure. Attempts by NNSA official to re-perform the calculations for the production costs resulted in a percentage different than that reported in the APR. The APR had reported the measure as being "not met" whereas the recalculation resulted in a larger decrease in the production costs leading us to believe that the performance measure could possibly have been met.
- NNSA was not able to produce sufficient documentation to support its reporting in the APR that it had met the 24 month test readiness goal. Documentation provided reflected that test readiness could be achieved in a 24 to 36 month timeframe, which indicated that the goal was not met as reported.

Prior to completing our review, we informed each of the responsible program offices/management officials of the issues with the 12 problem measures we identified.

Documentation and Supporting Information

Inaccuracies and inconsistencies occurred because weaknesses in controls at the program level continue to exist. Many of the weaknesses in supporting documentation occurred because program offices did not adhere to existing PA&E requirements to retain original supporting documentation. Other problems occurred because program offices did not verify results before submitting them to PA&E for reporting. Such steps could have eliminated many of the errors we found.

Controls Over Supporting Documentation

We determined that seven inaccuracies occurred because program elements did not always follow the Department's requirements for maintaining original supporting documentation. For these measures, information in the supporting documents did not support the information reported in the FY 2007 APR. In an attempt to satisfy our requests for supporting documents, officials researched currently available information and re-performed calculations but were unable to support the original amounts reported in the APR. Departmental requirements state that maintaining complete and accurate original supporting documentation, including formal, documented methodologies to support metric calculations, is important to ensure reliable and credible reporting in the APR. As such, the Department requires information reported in the APR to reflect actual performance and to be supported by sufficient and relevant documentation.

Testing also identified five other instances where internal controls over reviewing and verifying performance measure data were not completely effective. The results for three measures – one SC measure and two NNSA measures (Second Line of Defense Sites and the W76-1 Life Extension Program) – were reported incorrectly in the APR because, according to program officials, human errors were made in submission of data. For another NNSA measure which determines the number of Highly Enriched Uranium reactors that are converted or shutdown, program official acknowledged that the results were reported correctly in the APR but that supporting documentation provided by the program office was not updated and did not agree with the APR because changes in reporting requirements were not communicated. For another NNSA measure, the total number of federal agents employed for the fiscal year was not reported correctly because field office officials providing the information did not completely understand the Department Headquarters' request for the information. The Department requires programmatic review and approval of all performance information prior to submission to PA&E for reporting. Had these procedures been followed, these reporting and documentation discrepancies could likely have been resolved.

SUGGESTED ACTIONS

With the large influx of money provided under the *American Recovery and Reinvestment Act of 2009*, and the high visibility and public interest in demonstrated results, it is vital for the Department to have a reliable performance management system. To improve the

quality and usefulness of this system, we suggested that NNSA, SC, and FE take steps to ensure the accuracy and consistency of reported performance information by:

1. Reinforcing existing requirements for:
 - Maintaining original supporting documentation to provide evidence as to the validity of all performance measures presented in the Department's APR;
 - Documenting methodology for data extractions, analyses, and calculations of numerical results; and,
 - Management review and approval of the data collection, calculation and reporting process to increase clarity and reliability of all performance data.
2. Improving coordination and communication between appropriate program officials at Department Headquarters and field offices so that information requests are clearly understood.

MANAGEMENT COMMENTS

Management generally concurred with the report and agreed to implement the recommendations. The NNSA agreed to enhance the effectiveness of internal controls over the reporting of its performance measures. Offices of Fossil Energy and Science did not have any comments on the factual accuracy of this report. The Office of PA&E was in overall agreement with the accuracy of this report. It plans to put in place initiatives to reinforce the Department's requirements for supporting documentation, internal controls, including communication, at both headquarters and field offices, over the Department's performance measures.

AUDITOR COMMENTS

Management's comments and corrective actions taken or initiated are generally responsive to our recommendations.

We appreciate the cooperation of the various Departmental elements that provided assistance during this effort.



Rickey R. Hass
Deputy Inspector General
for Audit Services
Office of Inspector General

Attachment

cc: Director, Program Analysis and Evaluation, CF-20
Principal Deputy, Office of the Deputy for Science Programs, SC-2
Director, Office of Strategic Planning and Analysis, EM-32
Director, Budget and Planning, NE-42
Director, Office of Planning, Budget and Analysis, EE-3B
Director, Policy and Internal Controls Management, NA-66
Director, Office of Integration and Assessments, NA-65
Team Leader, Audit Liaison Team, CF-1.2
Dianne Williams, Office of Internal Review, CF-1.2
J. Parker, National Nuclear Security Administration, NA-66
Team Leader, Office of Planning and Environmental Analysis, FE-26
Audit Liaison, Office of Science, SC-41
Audit Liaison, Office of Environmental Management, EM-33
Audit Liaison, Office of Nuclear Energy, NE-42
Audit Liaison, Office of Energy Efficiency and Renewable Energy, EE-3A
Audit Liaison, Office of Fossil Energy, FE-3

SCOPE AND METHODOLOGY

This audit was performed between May 2008 and June 2009 at the Department of Energy (Department) Headquarters. To accomplish our objective, we:

- Reviewed the Government Performance and Results Act of 1993, Office of Management and Budget Circular A-11, the President's Management Agenda, the Department's performance measure guidance, and the Fiscal Year (FY) 2006 Financial Statement Audit Report;
- Reviewed the Department's FY 2007 final performance targets and reported performance results in the Department's FY 2007 Annual Performance Report, the JOULE database, and the Congressional Budget Justification;
- Reviewed documentation supporting the reported performance results; and,
- Held discussions with and obtained supporting information from Headquarters officials from the Offices of Program Analysis and Evaluation, Science, Energy Efficiency and Renewable Energy, Environmental Management, Fossil Energy, Civilian Radioactive Waste Management and Nuclear Energy, and the National Nuclear Security Administration (NNSA).

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives. Because our review was limited, it would not necessarily have disclosed all internal deficiencies that may have existed at the time of our audit. This review of all of the Department's performance measures included certain aspects of compliance with the Government Performance and Results Act of 1993 as necessary to accomplish the objective. We assessed the reliability of computer-processed data critical to our audit objectives and found it to be generally reliable. We discussed the contents of this report with Offices of Program Analysis and Evaluation, Science and the NNSA representatives on July 24, 2009.