



U.S. DEPARTMENT OF
ENERGY

Office of Inspector General

Annual Performance Report FY 2010

Annual Performance Plan FY 2011



Annual Performance Report

FY 2010

Annual Performance Plan

FY 2011



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



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Message from the Inspector General



I am pleased to submit the Office of Inspector General's combined Fiscal Year 2010 Annual Performance Report and Fiscal Year 2011 Annual Performance Plan.

Over the past year, much of our work has centered on oversight of the Department of Energy's efforts under the American Recovery and Investment Act of 2009 (Recovery Act). Under the Recovery Act, the Department of Energy received just under \$40 billion for various energy, environmental, and science programs and initiatives. In addition, the Recovery Act also created the Recovery Accountability and Transparency

Board, in recognition of the need for effective oversight to protect taxpayer's interest. Under the statute, the Department of Energy's Inspector General is a member of the Board.

In line with the spirit of the Recovery Act, our goal is to work with Department management to maximize efforts to achieve programmatic accountability and transparency. Moving forward, we plan to continue our focus on helping management achieve the programmatic objectives of the Recovery Act as they apply to the Department of Energy. We also plan to continue our efforts in other vital Department sectors, including areas such as environmental remediation, stockpile stewardship, worker and community safety, cyber security and various aspects of contract and program management.

My staff and I are committed to the many challenges facing the Department and we look forward to working with our Department of Energy colleagues in the interest of the American people.

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Gregory H. Friedman
Inspector General



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Overview, Vision, and Mission

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

- ✦ Fulfilling its program goals effectively;
- ✦ Using its resources efficiently in this pursuit;
- ✦ Operating within the scope of its legislative mandates;
- ✦ Meeting Presidential Reform Initiatives; and,
- ✦ Addressing Departmental mission priorities established by the Secretary.

This report highlights the OIG's Fiscal Year (FY) 2010 actual performance and FY 2011 planned activities. The goals, objectives, and strategies included in this document will be used to plan, measure and report on OIG results. This document includes the results of FY 2010 audits, inspections, investigations, and special requested actions; continued efforts to improve the OIG in alignment with Presidential Reform Initiatives; the relationship between the Department and the OIG; and, the plan to fund and accomplish FY 2011 goals. Appendices include the FY 2011 audit and inspection plans; OIG responsibilities, authorities and other mandates; and, validation and verification of OIG performance activities.

Vision

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

Mission

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



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FY 2010 OIG Performance Results

The OIG continues to make positive contributions to the Department's mission-related priorities. Some highlights of the work we accomplished in FY 2010 include:

Total Reports Issued:	89
<i>Recovery Act Reports</i>	25
<i>Audit Reports</i>	53
<i>Inspection Reports</i>	11
Funds Put to Better Use	\$29.8 million
Fines, Settlements, and Recoveries	\$206.6 million
Criminal Convictions	28
Suspensions and Debarments	17
Potential Recoveries from 13 Open False Claims Act Investigations	\$466.5 million
Civil or Administrative Actions	116
Hotline Complaints and Inquiries	
Received	4,724
Processed	1,991
Recovery Act Whistleblower Complaints and Inquiries	
Received	14
Processed	10



The OIG measures its performance against long-term and annual goals set forth in OIG planning documents. During this reporting period, the OIG successfully achieved its FY 2010 performance goals. In most instances, the OIG exceeded its goals. The following are the specific results:

<h2>GOAL 1</h2> <h3>Promote Presidential Reform Initiatives, Secretarial Mission Priorities, and Congress</h3>		
<h4>OBJECTIVE 1:</h4> <p>Conduct reviews seeking positive change in the Department relating to the implementation of Presidential Reform Initiatives, the Secretary's Mission Priorities, and the OIG-identified Management Challenges.</p>		
Performance Measures:		Accomplishments
1a. By the end of FY 2010, complete reviews that address each Presidential, Secretarial, and OIG initiative, priority, and/or challenge as identified in FY 2010.		Met Goal
1b. At least 30% of inspection reports will address safety or security-related topics.		Met Goal
Audits	Inspections	Investigations
1a. A total of 78 audit reports were issued that addressed the Presidential Reform Initiatives, Secretarial Mission Priorities, and OIG-identified Management Challenges.	A total of 11 reviews were completed that addressed the Presidential Reform Initiatives, Secretarial Mission Priorities, and OIG-identified Management Challenges.	<i>(Not applicable)</i>
1b. <i>(Not applicable)</i>	A total of 45% (5 of 11 reports as of September 30, 2010) were conducted to address safety-related topics.	<i>(Not applicable)</i>



PERFORMANCE HIGHLIGHTS:

Audits

Audits related to OIG-identified Management Challenges include:

- ★ An audit was conducted to determine whether the development of the Product Realization Integrated Digital Enterprise (PRIDE) Program had been managed in a manner that would permit the system to achieve its intended goals and objectives. Our audit revealed that PRIDE had not been well-planned and adequately managed as an information technology investment. In particular, program officials had not always applied sound capital planning and investment control practices as required for an effort of this magnitude and complexity. These weaknesses occurred primarily due to inadequate management guidance and direction and ineffective program monitoring. We made recommendations, which if fully implemented, should (1) help increase the likelihood of accomplishing and sustaining PRIDE's long-term goals; (2) assist the Department in its general efforts to improve contract and project administration; and, (3) advance the President's commitment to promote transparency and accountability. Management generally concurred with our recommendations and stated its intention to initiate corrective actions to address the recommendations.
<http://www.ig.energy.gov/documents/IG-0836.pdf>
- ★ An audit was conducted to determine whether Los Alamos National Laboratory (Los Alamos) had fully implemented the required nuclear safety management regime. Our review disclosed that despite repeated efforts by Los Alamos to address nuclear safety issues, past actions had not been successful in ensuring that all nuclear safety management requirements were fully implemented. We concluded that management had not focused sufficient attention in the past on implementing the nuclear safety Quality Assurance Program throughout Los Alamos. We noted that Los Alamos has recently taken some positive steps designed to address weaknesses in nuclear safety. Yet, it had not developed and approved a corrective action plan establishing milestones and identifying the resources needed to address enhanced processes and procedures. Until Los Alamos corrects weaknesses in the analysis of hazards, establishes compensating internal controls, identifies and addresses all unresolved quality assurance issues and completes implementation of its ongoing initiatives, there is no assurance that safety risks associated with work processes are minimized. Management generally agreed with the report and stated that although the operations at Los Alamos are safe, continued improvement is needed to meet expectations for NNSA's nuclear facilities.
<http://www.ig.energy.gov/documents/IG-0837.pdf>



- ★ We conducted an audit to determine whether the Department had adequately managed the disposition of Uranium-233 (U-233). Our results found that the Department's U-233 disposition project (1) had encountered a number of design delays; (2) may exceed original cost estimates; and, (3) will likely not meet completion milestones. Specifically, our testing disclosed that despite 4 years of effort by the Office of Environmental Management and the expenditure of about \$36 million, project planning and design had yet to be completed and the cost baseline was approved relying on inaccurate assumptions and, thus, unlikely reliable. Management agreed with our recommendations, the interest of which was to control costs and increase the likelihood that the project is completed in a timely and successful manner. <http://www.ig.energy.gov/documents/IG-0834.pdf>.

In addition, to provide oversight of Recovery Act programs, we performed several audits associated with the Department's implementation and execution of its Recovery Act responsibilities.

- ★ An audit was conducted to determine whether the Department's quality assurance process over data reported by all recipients was effective and whether the Department's prime contractors were prepared to track and report on Recovery Act activities. Our review revealed that the Department had taken a number of actions designed to ensure the accuracy and transparency of reported Recovery Act results. However, opportunities exist to strengthen the process, thus reducing the risk of material errors and improving the transparency of publicly reported Recovery Act information. We also observed that the Department had taken prompt action to ensure that its prime facility management contractors could properly report Recovery Act information. We made recommendations which should help enhance the Department's ability to ensure that its responsibilities under the Recovery Act are met. Management agreed with our recommendations and indicated that it had taken corrective actions. <http://www.ig.energy.gov/documents/OAS-RA-10-06.pdf>.
- ★ An audit was conducted to determine whether the Department had implemented actions it had announced in 2007 to strengthen the ENERGY STAR Program. Our audit disclosed that the Department had not (1) developed a formal quality assurance program to help ensure that product specifications were adhered to; (2) effectively monitored the use of the ENERGY STAR label to ensure that only qualifying products were labeled as compliant; and, (3) formalized procedures for establishing and revising product specifications and for documenting decisions regarding those specifications. The delay in the Department's planned improvements in its management of the ENERGY STAR Program could reduce consumer confidence in the integrity of the ENERGY STAR label, thus reducing energy savings, increasing consumer risk, and diminishing the value of the recent infusion of \$300 million for ENERGY STAR rebates under the Recovery Act. Management generally agreed with



our audit finding and recommendations and noted that the Department's recently updated Memorandum of Understanding with the Environmental Protection Agency addressed the issues raised in our report. <http://www.ig.energy.gov/documents/IG-0827.pdf>

- ★ We conducted an audit to determine whether the Performance and Accountability for Grants in Energy (PAGE) System was developed and implemented in accordance with Department and Federal cyber security and project management requirements. Our audit revealed that although PAGE had been partially deployed and was being used by the Office of Energy Efficiency and Renewable Energy (EERE) and grant recipients, it did not satisfy a number of important cyber security requirements. In addition, the development of the system was not conducted in accordance with Federal requirements. EERE's decisions to not perform cyber security and project management tasks placed the PAGE system and the network on which it resides at increased risk that the confidentiality, integrity, and availability of the Department's information systems and data could be compromised. We made several recommendations, which if fully implemented, should help improve future system development efforts and enhance the Department's cyber security posture. Management generally concurred with the recommendations in the report and indicated that corrective actions were underway. <http://www.ig.energy.gov/documents/OAS-RA-10-14.pdf>
- ★ An audit was initiated to evaluate the Department's progress in implementing the Energy Efficiency and Conservation Block Program (Program) and the Recovery Act. Our review disclosed that as of August 2010, grant recipients had expended only about 8.4 percent of the \$3.2 billion authorized for the Program. To their credit, both the Department and grant recipients had taken a number of positive actions to implement the Program. However, rapid spending of Program funds was hampered by numerous administrative and regulatory challenges associated with implementing a new program at multiple levels of government, including Federal, state and local governmental entities. We believe that our findings in this area suggest lessons learned and best practices which will prove useful in implementing similar grant programs in the future or in continuing this Program should it be reauthorized. Management fundamentally disagreed with the report's conclusion that the Program has not achieved its economic stimulus and job creation goals. Specifically, management stated that obligations by the grant recipients are a better measure of the Program's economic impact than spending since the obligation of funds shows that the recipients have contracts in place upon which contractors based their hiring decisions. In our view, although funds obligated by grant recipients is a "leading indicator" of the Program's future stimulative effect, we concluded that the amount of funds actually spent is a sound measure of the economic activity created by the Program to date. <http://www.ig.energy.gov/documents/OAS-RA-10-16.pdf>



Inspections

Inspections and reviews related to the Presidential Reform Initiatives, the Secretary's Mission Priorities, and the OIG-identified Management Challenges were as follows:

- ★ We conducted an inspection at Sandia National Laboratories–New Mexico (Sandia) to determine whether Sandia made appropriate adjustments to its security posture in response to the removal of the Categories I and II Special Nuclear Material (SNM). Our inspection revealed that Sandia did adjust its security posture in response to the removal of Categories I and II SNM. However, some highly enriched uranium in a complex material configuration was not removed from Sandia. This material was designated as Category III material using a methodology for assessing the attractiveness of complex materials that was not specifically addressed in any current Department directive. Management agreed with our recommendations to formalize this methodology in the Department directives system and disseminate it throughout the Department of Energy complex.
<http://www.ig.energy.gov/documents/IG-0833.pdf>
- ★ An inspection was conducted at the Savannah River Site (Savannah River) to review the facts and circumstances regarding a complaint which alleged that former contractor employees had received severance payments under the 2007 Savannah River workforce restructuring and that these employees were subsequently rehired to perform in the same or similar functional job areas but were not required to repay appropriate severance money. We found that 37 former contractor employees who participated in the 2007 workforce restructuring inappropriately received approximately \$1.1 million in severance payments. Specifically, 21 former Westinghouse Savannah River Company employees were subsequently rehired and not required to repay approximately \$300,000 and an additional 16 employees received \$780,000 in severance payments despite the Site's established need for retaining employees in critical positions. Management agreed with our recommendations to determine if severance money paid to these employees should be deemed a disallowed cost.
<http://www.ig.energy.gov/documents/INS-O-10-02.pdf>
- ★ We conducted an inspection at selected Department sites to review a complaint alleging the need for improvements and clarifications in both the Department and NNSA site-specific policies and procedures regarding visitor access to nuclear weapons data and displays within certain NNSA national security vaults. We found that DOE Order 5610.2, issued in 1980, should be updated to address current procedures, responsibilities and authorities with regard to controlling and granting access to nuclear weapons data within the nuclear weapons complex. We also found that site-specific procedures concerning access could be improved to strengthen management internal controls and help ensure only those who have a



need-to-know are allowed access to nuclear weapons data in the national security vaults. Management agreed with our suggestions for improving policies and procedures used for approving access to nuclear weapons data in national security vaults.

<http://www.ig.energy.gov/documents/INS-L-10-02.pdf>

- ★ An inspection was conducted at Oak Ridge National Laboratory (Oak Ridge) to determine whether Oak Ridge had adequate internal controls to track and control internal computer hard drives and whether internal computer hard drives at Oak Ridge were being removed contrary to Oak Ridge's cyber security policies and procedures. We concluded that Oak Ridge had not implemented controls to encrypt, or track and control hard drives, that may contain sensitive unclassified information. Management agreed with our recommendations to implement Department requirements to protect the hard drives by approved encryption, or tracking and control hard drives until purged or destroyed.

<http://www.ig.energy.gov/documents/INS-O-10-03.pdf>

- ★ We conducted an inspection at a Department site to review a complaint alleging that the Department's contractor managing the site violated the minimum staffing requirements of the site Security Incident Response Plan (SIRP). We determined that site contractor did violate the minimum staffing requirements contained in the site's SIRP. Specifically, site security officials reassigned Security Police Officers from SIRP related duties to other responsibilities contrary to the minimum SIRP staffing requirements in existence at that time. Management agreed with our suggestions to improve oversight of staffing levels for daily shift assignments to ensure they are consistently met under the new SIRP requirements.

<http://www.ig.energy.gov/documents/INS-L-10-01.pdf>



GOAL 2

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

OBJECTIVE 2:

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

Performance Measures:	Accomplishments
2a. Ensure that every performance review includes an analysis of program accomplishments and the use of metrics to measure results.	Met Goal
2b. Ensure that 57% of all performance audits include recommendations leading to demonstrable cost savings, program efficiencies, and/or funds put to better use.	Exceeded Goal
2c. Complete five follow-up reviews annually to determine the status and efficacy of corrective actions.	Exceeded Goal
2d. By June 30, 2010, complete an annual risk-based programmatic assessment that considers OIG institutional knowledge; past program performance; funding levels; Presidential, Secretarial, and congressional concerns; Recovery Act initiatives; and, input from Department program managers.	Met Goal
2e. Ensure 80% of all planned performance audits address high-risk areas as identified in the OIG annual risk-based programmatic assessments.	Exceeded Goal
2f. Strive for the Department to accept at least 79% of OIG report recommendations.	Exceeded Goal
2g. Ensure that 10% of all planned inspections address Recovery Act-funded activities.	Exceeded Goal



Audits	Inspections	Investigations
2a. All 65 performance audits completed included an analysis of program accomplishments and the use of metrics to measure results.	All performance reviews completed during the reporting period included an analysis of program accomplishments and the use of metrics to measure results or documented that an analysis was not appropriate or required.	<i>(Not applicable)</i>
2b. 86 percent of all performance audits issued included demonstrable cost savings, program efficiencies and/or funds that can be put to better use in excess of \$29.8 million.	<i>(Not applicable)</i>	<i>(Not applicable)</i>
2c. Six of the 65 performance audits completed were follow-up reviews to determine the status and efficacy of corrective actions.	Of the 11 performance reviews completed, 1 was a follow-up review to determine the status and efficiency of corrective actions.	<i>(Not applicable)</i>
2d. 52 risk-based programmatic assessments for the Department, NNSA, and program activities were completed by June 30, 2010.	Risk-based assessment were conducted for all inspections.	<i>(Not applicable)</i>
2e. 87 percent of our planned performance audits addressed high-risk and sensitive areas identified in the OIG annual risk-based programmatic assessments.	<i>(Not applicable)</i>	<i>(Not applicable)</i>
2f. There were 108 audit recommendations included in the 65 performance audits conducted in FY 2010. The Department concurred with 95 percent of our recommendations.	All recommendations (a total of 13) were accepted as of September 30, 2010.	<i>(Not applicable)</i>
2g. <i>(Not applicable)</i>	16 percent of planned inspections addressed Recovery Act-funded activities.	<i>(Not applicable)</i>



PERFORMANCE HIGHLIGHTS:

Audits

For the performance audits issued, 86 percent identified demonstrable cost savings, program efficiencies, and/or funds that can be put to better use in excess of \$29.8 million.

For example:

- ★ Based on our audit of *“Waste Processing and Recovery Act Acceleration Efforts for Contact-Handled Transuranic Waste at the Hanford Site,”* the Department risks spending up to \$25 million more and would fail to achieve the previously anticipated reductions in volume associated with the original plan to process the waste. <http://www.ig.energy.gov/documents/OAS-RA-10-10.pdf>
- ★ Based on our audit of *“The Department of Energy’s Opportunity for Energy Savings Through Improved Management of Facility Lighting,”* there is a possibility that the Department could save over \$2.2 million in electric utility operating costs annually, equating to the amount of electricity used to power over 3,200 homes per year. <http://www.ig.energy.gov/documents/IG-0835.pdf>
- ★ Based on our audit of *“The Office of Science’s Management of Information Technology Resources,”* there is the potential for savings of more than \$3.3 million over the next three years by better controlling hardware costs and implementing standards for certain equipment. <http://www.ig.energy.gov/documents/IG-0831.pdf>

Fundamental to the annual audit planning process is conducting risk assessments and the development of audit profiles. The OIG considers all major contractor sites to be high risk. Other considerations, include OIG institutional knowledge; past program performance; funding levels; and, Presidential, Secretarial, and congressional concerns. By June 30, 2010, we completed risk-based programmatic assessments for each Department, NNSA, and program activity. These risk assessments resulted in the identification of significant auditable entities at various Department locations. Another part of our audit planning process includes input from Department management, other interested parties, and the OIG staff.

We also performed audits in response to congressional requests. For example, our audit of *“Former Uranium Enrichment Workers: Questions Regarding Equity in Pension Benefits,”* was performed in response to a request from a California Congressman, soliciting our opinion on matters related to legislation being considered that would provide increases in annuities equal to those received by Oak Ridge contractor employees. We concluded that the Department’s decision to not provide a portion of the surplus assets to the United States Enrichment Corporation (USEC) plan



was not unreasonable. Under the circumstances, however, the concern of the USEC retirees is understandable. We also opined that if Congress were to enact special legislation, the Department appears capable of administering any lump sum payments.

<http://www.ig.energy.gov/documents/OAS-L-10-06.pdf>

INSPECTIONS

For the inspection reports issued, two identified potential monetary benefits and program efficiencies. For example:

- ★ Based on our inspection of *“Protective Force Overtime Pay at Lawrence Livermore National Laboratory,”* we recommended that Livermore improve overtime justification documentation, that responsible supervisors verify eligibility for overtime payments, and that the Department oversight authority for the Livermore contract review the allowability of overtime costs questioned as part of our review. Department management concurred with our recommendations and stated in a December 10, 2009, memorandum that all recommendations had been completed, and that the amount of \$581,194 was an unallowable cost which the site contractor had agreed to repay to the Government as a result of our inspection effort. <http://www.ig.energy.gov/documents/INS-O-07-03.pdf>
- ★ Based on our inspection of *“Severance Payments at the Savannah River Site,”* we recommended that Savannah River determine if approximately \$1.1 million in severance money paid to employees who were in critical positions, or who subsequently returned to work, should be deemed a disallowed cost. Management agreed with the recommendation. <http://www.ig.energy.gov/documents/INS-O-10-02.pdf>

A vital piece in evaluating the Department’s programs and operations is the Office of Inspections and Special Inquiries’ (OISI) risk-based assessments. These assessments assist the OISI with developing inspection topics for its annual inspection plan that is implemented each fiscal year. The inspection topics are developed based on past program performance, stakeholder interest (i.e. Congress and the Secretary of Energy) and input from Department management and OIG personnel.

Of the 11 reports issued by OISI, the Department concurred with all 13 recommendations. OISI also made six suggestions to improve program operations for which the Department indicated that it would implement corrective actions. The following are examples of positive outcomes resulting from inspection recommendations:



- ✦ The Office of Environmental Management (EM) issued a letter to all site managers with EM cleanup work highlighting the issue of compliance with Federal requirements concerning verification of employment status. In addition, the Savannah River Operations Office issued letters to the appropriate contractors informing and emphasizing their obligation to ensure compliance with all applicable employment laws and regulations, including employment and citizenship verification. <http://www.ig.energy.gov/documents/INS-O-10-01.pdf>
- ✦ The Office of Health, Safety and Security, Office of Security Policy, is pursuing a policy change that will include additional guidance on the use of the “weight percent criteria” to properly categorize special nuclear materials in certain configurations, including reactor fuel for the Annular Core Research Reactor at Sandia National Laboratories – New Mexico. <http://www.ig.energy.gov/documents/IG-0833.pdf>
- ✦ The Oak Ridge National Laboratory established a Six Sigma Team to address the disposition and disposal of hard drives. The Team is currently working on a method to track hard drives when they are removed from computers, as well as employee awareness. Awareness bulletins have been issued and the site plans to continue this effort on a routine basis. <http://www.ig.energy.gov/documents/INS-O-10-03.pdf>
- ✦ The Savannah River Operations Office, Acquisition Operations Division, Contractor Industrial Relations Team, along with a Contract Specialist from the Contracts Management Division, is coordinating with the Office of Inspector General to review records and determine whether severance money totaling approximately \$1.1 million should be identified as a disallowed cost and repaid to the Federal government. <http://www.ig.energy.gov/documents/INS-O-10-02.pdf>



OBJECTIVE 3:

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

Performance Measures:		Accomplishments
3a.	Issue 80% of audit reports no later than 60 days following receipt of management comments.	Exceeded Goal
3b.	Ensure that the average time to issue Investigative Reports to Management (IRMs) is 50 days or less following final resolution of criminal, civil, and administrative investigations.	Exceeded Goal
3c.	Issue 70% of inspection reports (on average) within 60 days of receiving management comments.	Met Goal
Audits	Inspections	Investigations
3a.	(Not applicable)	(Not applicable)
3b.	(Not applicable)	IRMs were issued in 10 days, on average, following final resolution of criminal and/or civil action.
3c.	(Not applicable)	(Not applicable)
	70 percent of the inspection reports (on average) were issued within 60 days of receiving management comments.	



OBJECTIVE 4:

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

Performance Measures:		Accomplishments	
4a.	Complete annually, by the established due date, the Department's Consolidated Financial Statement audits to determine whether the financial statements are free from material misstatement.	Met Goal	
4b.	By September 30, 2010, review the Department's classified and unclassified information security system programs in accordance with the Federal Information Security Management Act of 2002.	Exceeded Goal	
4c.	Initiate 10 "Statement of Costs Incurred and Claimed" audits annually to assess internal controls over costs claimed by the Department's major contractors.	Goal Not Met	
Audits		Inspections	Investigations
4a.	The Department's FY 2010 Consolidated Financial Statement were issued on November 12, 2010, and resulted in an unqualified opinion.	<i>(Not applicable)</i>	<i>(Not applicable)</i>
4b.	We completed reviews of the Department's unclassified information security systems in accordance with the Federal Information Security Management Act of 2002. The reviews were completed in October 2010, well ahead of the OMB's revised reporting date of November 15, 2010.	<i>(Not applicable)</i>	<i>(Not applicable)</i>
4c.	We completed 17 and initiated 9 Statement of Costs Incurred and Claimed audits to determine whether the Department's integrated contractors were reimbursed for allowable costs consistent with their contracts.	<i>(Not applicable)</i>	<i>(Not applicable)</i>



Performance Highlights:

The audit of the Department's Consolidated Financial Statements did not identify any deficiencies in internal control over financial reporting that would be considered material weaknesses. However, the audit found significant deficiencies in the Department's internal controls over unclassified network and information systems security. While the Department has made progress in addressing previously identified cyber security weaknesses, network vulnerabilities and weaknesses in access and other security controls over unclassified computer information systems continued to exist.

Also, as a result of our review of the unclassified information security systems, we found that the Department had taken steps to improve its cyber security program by resolving remote system management issues; establishing procedures and practices for minimizing risks from configuration management vulnerabilities; establishing a Cyber Security Governance Council and Cyber Security Advisory Group to lead cyber security reform initiatives; working toward updating Department cyber security directives; and, initiating actions to transform its risk management framework to automate and standardize reporting requirements and deploy continuous monitoring tools. While the Department is taking steps to improve its cyber security program, additional action is required to reduce the risk of compromise, loss, modification, and non-availability to its information systems and data. We have identified areas for improvement, related to configuration and vulnerability management, access controls, and security planning and testing.

While we completed 17 Statement of Costs Incurred and Claimed Audits, nine Statement of Incurred and Claimed Audits – the goal was to initiate ten such audits. Due to higher priority work driven by audits required by the American Recovery and Reinvestment Act and Congressional requests, especially in the area of health and safety, we were unable to initiate an additional audit to meet this goal.



OBJECTIVE 5:

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

Performance Measures:		Accomplishments
5a.	Achieve an annual acceptance rate of 72% for cases presented for prosecutorial consideration, with an enhanced focus on Recovery Act cases.	Exceeded Goal
5b.	Ensure 75% of all cases opened focus on key areas of Department vulnerability, specifically procurement and grant fraud, environmental violations, Qui Tams, or computer crimes.	Exceeded Goal
Audits	Inspections	Investigations
5a.	<i>(Not applicable)</i>	The OIG achieved a prosecutorial acceptance rate of 90%.
5b.	<i>(Not applicable)</i>	Of the cases opened in FY 2010, 77% focused on key areas vulnerability in the Department.

Performance Highlights:

An OIG investigation determined that a former NNSA subcontractor employee made false statements to support his eligibility to receive long term temporary assignment benefits (per diem) while working as an NNSA subcontractor employee on the Mixed Oxide Fuel Fabrication Facility project. The false statements resulted in the individual fraudulently receiving \$87,646 in benefits to which he was not entitled. The individual resigned from his employment and subsequently pled guilty to one count of False Statements in Federal District Court, District of South Carolina. The individual was sentenced to 6 months home detention, 5 years probation, \$51,259 in restitution and a \$100 special assessment fee.

An OIG investigation determined that a security services contractor at Savannah River fraudulently certified five incurred cost submissions which included expressly unallowable costs. The contractor entered into a civil settlement for \$650,000 related to violations of the False Claims Act (FCA) and Federal Acquisition Regulations (FAR). The settle agreement included \$122,597 in single FCA damages and \$527,402 in FAR penalties, all of which will be returned to the Department.



An OIG investigation determined that a Department mid-level manager improperly directed Government furniture and other contracts to companies affiliated with her spouse. The manager resigned her position with the Department. She subsequently pled guilty in the U.S. District Court, District of Maryland to a Financial Conflict of Interest and her spouse pled guilty to providing a False Statement. Both were sentenced to 36 months probation, 50 hours of community service, and a \$5,000 fine. They were also ordered not to obtain Government employment or Government business for 3 years.

OBJECTIVE 6:

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

Performance Measures:		Accomplishments
6a. Ensure 25% of all cases opened were joint agency/task force investigations with external law enforcement agencies, such as the Federal Bureau of Investigation and other OIGs including other agencies with Recovery Act funding.		Exceeded Goal
Audits	Inspections	Investigations
6a. (Not applicable)	(Not applicable)	The OIG opened 153 cases during FY 2010; 34% were joint agency task force investigations.

Performance Highlights:

A joint investigation with several law enforcement agencies determined that multiple contractors received or provided benefits such as rebates, influence fees, referral fees, discounts, and/or development funds as a result of alliance agreements. To date, the investigation resulted in 3 defendant companies agreeing to civil settlements totaling \$101.2 million. This investigation is ongoing.

A joint investigation found that a Department subcontractor and its president falsified purity levels of peptides sold to hundreds of public and private research institutions across the United States. The corporate president pled guilty to 1 count of making a False Statement, and was sentenced to 8 months incarceration, 36 months supervised released, and was ordered to pay a total of \$100,000 in fines and restitution. The company was ordered to pay a \$20,000 fine.



A joint investigation found that a subcontractor employee at a Department National Laboratory misused his Government computer by viewing child pornography images on a personal thumb drive and used his Government computer to communicate with a known child molester. The subcontractor employee was suspended and later terminated from employment. He was indicted and subsequently pled guilty to one count of Possession of Child Pornography in the U.S. District Court for the District of New Mexico. He was sentenced to 128 months incarceration, followed by a life-time of supervised release.

OBJECTIVE 7:		
Heighten awareness of potential fraud among internal and external customers.		
Performance Measures:		Accomplishments
7a. Provide 35 fraud awareness briefings annually to Department and contractor employees and managers, with special emphasis on Recovery Act-related fraud.		Exceeded Goal
Audits	Inspections	Investigations
7a. <i>(Not applicable)</i>	<i>(Not applicable)</i>	The OIG investigative personnel conducted 95 fraud awareness briefings in FY 2010.

Performance Highlights:

Our fraud awareness briefings were presented to over 3,000 Federal employees, contractor officials, and fund recipients. While these briefings were designed to discuss the process for reporting fraud, waste and abuse to the OIG and to highlight priorities and initiatives of the Office of Investigations, emphasis was placed with our operations and oversight of Recovery Act Funds. In FY 2011, the OIG will continue to concentrate efforts on educating the community to potential fraud indicators as a means of determining fraud, waste and abuse.



GOAL 3

Support the Taxpayer

OBJECTIVE 8:

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

Performance Measures:		Accomplishments
8a.	Operate the OIG Hotline in a manner that ensures 90% of Hotline complaints warranting further action begin processing within 7 days of receipt.	Exceeded Goal
8b.	Forward 90% of the complaints identified for referral to Department or other agency management within 14 days of initiation of the case.	Goal Not Met ¹
8c.	Complete Whistleblower complaints within 180 days.	N/A ²
Audits	Inspections	Investigations
8a. (Not applicable)	99 percent complaints began processing within 7 days of receipt.	(Not applicable)
8b. (Not applicable)	59 percent complaints were referred to the Department within 14 days. ¹	(Not applicable)
8c. (Not applicable)	A total of 10 Whistleblower complaints were received during this period; however, the due dates for completion occur after September 30, 2010. ²	(Not applicable)

¹This goal was not met due to various and unavoidable resource constraints.

²No Whistleblower complaints were required to be completed by the end of this reporting period.



OBJECTIVE 9:

Make the public aware of OIG report.

Performance Measures:			Accomplishments
9a. Ensure that all OIG public reports that were identified for inclusion on the Internet are posted within three working days of submission to the Secretary, unless otherwise specified by the Inspector General.			Met Goal
Audits	Inspections	Investigations	Resource Management
9a. (Not applicable)	(Not applicable)	(Not applicable)	All public reports were posted within three work days and an early alert system provided approved subscribers advance notifications of the release of the reports.

OBJECTIVE 10:

Provide a structure for ensuring a skilled and efficient workforce.

Performance Measures:			Accomplishments
10a. Ensure that all auditors meet the training requirements as specified by generally accepted Government Auditing Standards.			Met Goal
10b. Ensure that all investigators meet the training requirements as specified by Federal law enforcement and other related investigative standards.			Met Goal
10c. Ensure that all inspectors meet the training requirements as specified by the President's Council on Integrity and Efficiency "Quality Standards for Inspections."			Met Goal
Audits	Inspections	Investigations	
10a-c. 100% of the Auditors met the statutory requirement for continuing education in FY 2010.	100% of the inspections staff exceeded the CIGIE training standards.	100% of the Investigators met their training requirements including those prescribed by statute.	



Relationship with the Department of Energy

The work of the OIG continues to focus on the vital areas stated in the Department's strategic plan. The Department's strategic themes of energy security, nuclear security, scientific discovery and innovation, environmental responsibility, and management excellence are key areas for OIG reviews and investigations. The OIG aligns its reviews along the same themes, with emphasis on key challenges facing the Department. The OIG identification of key challenges brings an even sharper delineation of issues for Departmental focus. The following are the OIG-identified Management Challenges for FY 2011:

- ✦ Contract and Financial Assistance Award Management
- ✦ Cyber Security
- ✦ Energy Supply
- ✦ Environmental Cleanup
- ✦ Human Capital Management
- ✦ Safeguards and Security
- ✦ Stockpile Stewardship

In addition, we have designated a "watch list," which consists of the following significant issues that do not meet the threshold of being classified as management challenges, yet warrant continued attention by Department officials:

- ✦ Infrastructure Modernization
- ✦ Nuclear Waste Disposal
- ✦ Worker and Community Safety

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

OIG Strategic Goal

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

1. Presidential Reform Initiatives;
2. Secretarial Mission Priorities; and,
3. OIG-identified Management Challenges.

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



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FY 2011 Funding Priorities

OIG Funding by Strategic Goal

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

Strategic Goal	FY 2010 Appropriated	FY 2011 Requested	FY 2011 Appropriated
The OIG's Strategic Goal is to operate a robust review program and provide timely performance information and recommendations to facilitate the Department's efforts to: (1) implement Presidential Reform Initiatives; (2) resolve management challenges; (3) execute Secretarial Mission Priorities; and, (4) ensure the integrity of the Federal and contractor workforce, while ensuring that the OIG completes statutory mandates, recovers monies, and provides opportunities for savings.	\$51.9 million	\$ 42.8 million	*

*FY 2011 began under a 2-month continuing resolution. The OIG expects to receive its full FY 2011 request.



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FY 2011 Performance Plan

Our work is important to the Department's success in fulfilling its Strategic Plan to address the energy, environmental, and nuclear security challenges and mission-related goals. The OIG must ensure that its resources and activities cover the issues and concerns most critical to the Department. This Performance Plan identifies the FY 2011 goals, objectives, and measures that will help the OIG to better plan its priorities and continue to assist the Department in identifying and taking corrective action to improve areas most vulnerable to waste, fraud, and mismanagement. This Performance Plan also describes the specific projects and activities the OIG plans to undertake during FY 2011 to continue identifying opportunities for cost savings and operational efficiencies, and to continue to return hard dollars to the Department and the U.S. Treasury.

FY 2011 Performance Measures

For FY 2011, the OIG will measure its accomplishments against the following performance measures:

GOAL1

Promote Presidential Reform Initiatives, Secretarial Mission Priorities, and Congress.

Objective 1:

Conduct reviews seeking positive change in the Department relating to the implementation of Presidential Reform Initiatives, Secretarial Missions Priorities, and the OIG-identified Management Challenges.

Performance Measures:

- 1a. By the end of FY 2011, complete reviews that address each Presidential, Secretarial, and OIG initiative, priority, and/or challenge as identified in FY 2011.
- 1b. At least 30% of inspection reports will address safety or security-related topics.



GOAL2

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

Objective 2:

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

Performance Measures:

- 2a. Ensure that every performance review includes an analysis of program accomplishments and the use of metrics to measure results.
- 2b. Ensure that 57% of all performance audits include recommendations leading to demonstrable cost savings, program efficiencies, and/or funds put to better use.
- 2c. Complete five follow-up reviews annually to determine the status and efficacy of corrective actions.
- 2d. By June, 2011, complete an annual risk-based programmatic assessment that considers OIG institutional knowledge; past program performance; funding levels; Presidential, Secretarial, and congressional concerns; Recovery Act initiatives; and, input from Department program managers.
- 2e. Ensure 80% of all planned performance audits and inspections address high-risk areas as identified in the OIG annual risk-based assessments.
- 2f. Ensure that 10% of all planned inspections address Recovery Act-funded activities

Objective 3:

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

Performance Measures:

- 3a. Issue 80% of audit and inspection reports no later than 60 days following receipt of management comments.
- 3b. Ensure that the average time to issue Investigative Reports to Management is 48 days or less following final resolution of criminal, civil, and administrative investigations.



Objective 4:

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

Performance Measures:

- 4a. Complete annually, by the established due date, the Department's Consolidated Financial Statement audits to determine whether the financial statements are free from material misstatement.
- 4b. By September 30, 2011, review the Department's classified and unclassified information security system programs in accordance with the Federal Information Security Management Act of 2002.
- 4c. Initiate 10 "Statement of Costs Incurred and Claimed" audits annually to assess internal controls over costs claimed by the Department's major contractors.

Objective 5:

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

Performance Measures:

- 5a. Achieve an annual acceptance rate of 74% for cases presented for prosecutorial consideration, with an enhanced focus on Recovery Act cases.
- 5b. Ensure 75% of all cases opened focus on key areas of Department vulnerability, specifically contract and grant fraud, environmental violations, Qui Tams, or technology crimes.

Objective 6:

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

Performance Measures:

- 6a. Ensure 25% of all cases opened were joint agency/task force investigations with external law enforcement agencies, such as the Federal Bureau of Investigation and other OIGs including other agencies with Recovery Act funding.



Objective 7:

Heighten awareness of potential fraud among internal and external customers.

Performance Measures:

- 7a. Provide 40 fraud awareness briefings annually to Department and contractor employees and managers, with special emphasis on Recovery Act-related fraud.

GOAL3

Support the Taxpayer

Objective 8:

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

Performance Measures:

- 8a. Operate the OIG Hotline in a manner that ensures 90% of Hotline complaints warranting further action begin processing within 7 days of receipt.
- 8b. Forward 90% of the complaints identified for referral to Department or other agency management within 14 days.
- 8c. Complete Whistleblower complaints within 180 days absent extenuating circumstances.

Objective 9:

Make the public aware of OIG reports.

Performance Measures:

- 9a. Ensure that all OIG public reports that are identified for inclusion on the Internet are posted within three working days of submission to the Secretary, unless otherwise specified by the Inspector General.



Objective 10:

Provide a structure for ensuring a skilled and efficient workforce.

Performance Measures:

- 10a. Ensure that all auditors meet the training requirements as specified by generally accepted Government Auditing Standards.
- 10b. Ensure that all investigators meet the training requirements as specified by Federal law enforcement and other related investigative standards.
- 10c. Ensure that all inspectors meet the training requirements as specified by the President's Council on Integrity and Efficiency "Quality Standards for Inspections."



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Our Organization

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

- ✦ Office of Audit Services
- ✦ Office of Investigations
- ✦ Office of Inspections and Special Inquiries
- ✦ Office of Resource Management

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



OFFICE OF AUDIT SERVICES

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



With the passage of the Recovery Act, the oversight responsibilities of OAS dramatically increased. The Department received approximately \$37 billion in Recovery Act funding for various energy, environmental, and science programs and initiatives. To protect the interests of the American taxpayers and ensure accountability and transparency, OAS will devote a significant amount of audit resources to fulfill its Recovery Act oversight responsibilities.

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

The OAS plans to start 78 performance audits in FY 2011. Many non-discretionary taskings from external sources impact the OAS workload and may require postponement or cancellation of planned audits to accommodate these demands. Following is a summary of the audits' objectives that are scheduled to begin in FY 2011, grouped by the Department's Business Lines. The planned audit workload is summarized later in this plan.

National Security and Science

To protect our national security by applying advanced science and nuclear technology to the Nation's defense, and to contribute to the protection of the U.S. national and economic security by providing world-class scientific research capacity and advancing scientific knowledge, the following audits will determine whether the:

- ✦ Department is effectively utilizing its protective force training facilities (A11LL008)
- ✦ Stockpile Surveillance Transformation Project has met cost, scope, and schedule milestones for implementation of the project, including necessary support from the Enhanced Surveillance Campaign (A11AL001)
- ✦ NNSA is effectively managing the Megaports Initiative and whether host governments are assuming full operational responsibility for the equipment (A11AL002)
- ✦ Department is effectively managing its helium-3 inventory (A11CH007)
- ✦ NNSA's goal of having the JASPER facility back up and operational by the summer of 2011 is proceeding as planned (A11LV010)
- ✦ Office of Science achieved the cost and schedule objectives of the Dark Energy Survey Project (A11CH006)



- ✦ Department is effectively managing the Chemistry and Metallurgy Research Building Replacement Project at the Los Alamos National Laboratory (A11AL004)
- ✦ NNSA has the capability to meet increased dismantlement requirements (A11LV009)
- ✦ Global Threat Reduction program is effectively managing its small business and foreign contracts (A11AL003)
- ✦ Department is on track to develop a reliable domestic production capability for moly-99 isotopes (A11YT013)
- ✦ Global Threat Reduction Initiative's (GTRI) Remove and Protect programs are achieving their goals and supporting the GTRI mission (A11LV011)
- ✦ Recovery Act projects at Lawrence Berkeley National Laboratory are meeting program goals and objectives; and, are within cost and schedule (A11RA003)
- ✦ Department has successfully implemented the Graded Security Protection policy (A11YT012)
- ✦ Office of Science's Atmospheric System Research program is meeting its goals and objectives (A11RA002)
- ✦ Department has effectively managed its international offices and foreign assignments (A11CH005)
- ✦ Contract and grant recipients are using State Energy Program funds for their intended purpose and the use of funds is transparent to the public (A11RA001, A11RA004, and A11RA005).

Energy

To contribute to the protection of the nation's economic security by promoting a diverse supply and delivery of reliable, clean, and affordable energy, the following audits will determine whether the:

- ✦ Department is effectively utilizing and managing Utility Energy Service Contracts to achieve energy savings (A11GT002)
- ✦ Department is effectively and efficiently managing its Appliance and Commercial Equipment Energy Efficiency Standards Program (A11HQ005)
- ✦ Department has an effective renewable energy program to achieve the Federal requirements through on-site projects (A11OR006)
- ✦ Department established effective controls over the cooperative agreements and contracts under the Concentrating Solar Power Program (A11RA012)
- ✦ Department utilizes commissioning (retro-commissioning for existing buildings) and advanced metering to the maximum extent practicable in its facilities (A11HQ003)



- ✦ Department's Pollution Prevention Program is meeting its Department-wide and site-specific goals and verify that corrective actions were taken in response to our previous report (A11PT007)
- ✦ Internal controls were in place and operating as intended over the Smart Grid Investment Grant and Demonstration programs (A11RA016)
- ✦ Department's Advanced Technology Vehicle Manufacturing Loan Program has internal controls in place to minimize the risk of loss to the Government (A11HQ004)
- ✦ Department has purchased qualified Renewable Energy Certificates that meet the requirements of the Energy Policy Act of 2005 (A11DN001)
- ✦ Department has implemented effective management controls over the Interconnection Transmission Planning Program (A11RA015)
- ✦ Department implemented controls over the Appliance Rebate Program to ensure that Recovery Act goals are met (A11RA011)
- ✦ Department's Weatherization Assistance Program is performing efficiently and effectively (A11RA009)
- ✦ Department is monitoring grants and enforcing award conditions while ensuring the objectives of the Advanced Battery and Hybrid Components program are achieved (A11RA020)
- ✦ Department and grant recipients have internal controls in place to provide assurance that the goals of the Energy Efficiency and Conservation Block Grant Program and Recovery Act are being met and being accomplished efficiently and effectively (A11RA006, A11RA017, and A11RA021)
- ✦ Department ensured that Fossil Energy Research and Development cooperative agreements were managed in accordance with the Recovery Act (A11RA018)
- ✦ Contract and grant recipients are using Weatherization Assistance Program funds for their intended purpose (A11RA007, A11RA008, A11RA010, A11RA013, A11RA014, A11RA019, A11RA022, and A11RA023).

Environment, Technology, Corporate and Financial Management

To protect the environment by providing a responsible resolution to the environmental legacy of the Cold War and by providing for the permanent disposal of the Nation's high-level radioactive waste, the following audits will determine whether the:

- ✦ Environmental Management's small site Recovery Act projects are being effectively managed to meet programmatic and Recovery Act goals (A11RA028)
- ✦ Department effectively used performance measures and fees to appropriately reward contractor performance at the Idaho National Laboratory (A11ID006)



- * Office of Environmental Management is effectively and efficiently using the Consolidated Business Center to accomplish mission essential services (A11SR017)
- * Department has a comprehensive remediation strategy for miscellaneous waste tanks at the Hanford Site (A11RL014)
- * Portsmouth and Paducah Recovery Act projects are being effectively managed to meet programmatic and Recovery Act goals (A11RA027)
- * Appropriate requirements were imposed on equipment in the black cells at the Waste Treatment Plant (A11RL011)
- * Office of Nuclear Energy effectively manages its cooperative agreements and grants (A11ID009)
- * Department has planned the construction and operation of the Environmental Management Waste Management Facility to maximize its resources (A11ET005)
- * K-33 Recovery Act project is being effectively managed to meet programmatic and Recovery Act goals (A11RA026)
- * Technology Transfer programs at select sites are operating within contractual spending limits and whether royalties due from licensing activities are being tracked and collected (A11ID010)
- * Department is making progress in meeting its goals of consolidating Special Nuclear Materials within the complex (A11SR016)
- * Environmental Molecular Science Laboratory is being effectively administered and managed (A11RL012)
- * Department has efficiently managed the Decontamination and Decommissioning program (A11ID008)
- * Department has designated disposition pathways for surplus nuclear materials (A11SR015)
- * Department will complete remediation of the 618-10 and 618-11 burials grounds by 2015 (A11RL013)
- * NNSA has completed the design of the Advanced Recovery and Integrated Extraction System and the facility in which it will be housed to meet the product needs of the MOX Fuel Fabrication Facility (A11ET004)
- * Department is effectively managing the storage and transfer of spent nuclear fuel (A11ID007)
- * States are using State Energy Program funds for their intended purpose and Recovery Act goals are being met (A11RA029, A11RA030, and A11RA031).



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

- ✦ Department is adequately managing the expanding use of cloud computing services (A11TG021)
- ✦ Department has effectively implemented the recommendation made in the prior audit and whether adequate controls are in place for the management and oversight of term contractor employees assigned throughout the Department (A11CP003)
- ✦ Department adequately protected its national security information systems at Los Alamos National Laboratory (A11TG019)
- ✦ Department is making small business awards as required under the Recovery Act and whether the awards are being adequately managed (A11RA025)
- ✦ NNSA's Nuclear Emergency Support Team is being effectively managed and if its information technology equipment is being tested and maintained (A11TG025)
- ✦ Department considers prior performance when making new non-facilities contract, grant and financial assistance awards (A11CP001)
- ✦ Contractor assurance information systems have been effectively implemented and utilized at the Department's field sites (A11TG022)
- ✦ Department has developed an effective plan to transition its Recovery Act workforce as Recovery Act funds are expended (A11RA024)
- ✦ Department implemented an effective configuration management process over high-risk and mission essential contractor systems (A11TG024)
- ✦ Department is managing its Data Centers in an energy-efficient manner (A11TG023)
- ✦ Bonneville Power Administration effectively and efficiently implemented its Information Technology program (A11TG020)
- ✦ Department is effectively managing its External Independent Review process over project management for the acquisition of capital assets (A11CP002)
- ✦ Department adequately managed the development and implementation of the Smart Grid to ensure operational effectiveness and whether cyber security controls were in place (A11TG018).



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

- ✦ A11FN001 – Department of Energy's Consolidated Financial Statement Audit FY 2011
- ✦ A11FN002 – FERC's Financial Statement Audit FY 2011
- ✦ A11FN003 – Decommissioning and Decontamination Fund FY 2011 GMRA
- ✦ A11FN004 – Isotope Production and Applications Program Financial Statement Audit FY 2011
- ✦ A11FN005 – Southwestern Power Administration Financial Statement Audit FY 2011
- ✦ A11FN006 – IT Management Letter FY 2011
- ✦ A11FN007 – Financial Management Letter FY 2011

Office of Inspections and Special Inquiries

The Office of Inspections and Special Inquiries (OISI) conducts performance, allegation-based and ad-hoc inspections, as well as special inquiries in response to concerns raised by Congress, senior Department managers, and others. OISI also manages the OIG Hotline Operation, the Management Referral System and the Recovery Act Whistleblower Program. Although OISI plans a significant portion of its annual inspection work, it retains flexibility so that it can promptly address concerns and allegations received during the course of the year. When planning its performance inspection work, OISI identifies and prioritizes topics responsive to Presidential Reform Initiatives, the Secretary's Mission Priorities, and the Department's Management Challenges as identified by the OIG. Inspections are initiated with consideration given to their significance and potential impact on Department programs and operations.

In light of the considerable oversight requirements specified by the Recovery Act and the heightened concerns over homeland security, OISI is focusing its resources to address projects concerning Recovery Act, corporate management, and critical safety and security issues affecting Department programs and operations. Following is a summary of the inspections' objectives that are scheduled to begin in FY 2011, grouped by the Department's Business Lines.



Safety

To protect the safety of Federal and contractor employees, as well as the public, the following inspections will determine whether:

- ✱ Federally regulated chemical agents at selected sites are being handled, stored and tracked appropriately to ensure that such chemicals are not being misused.
- ✱ A selected site is appropriately managing the Radiation Protection Program.
- ✱ Low-level radioactive waste, class C explosives, cyanide and classified materials at a Department site are being properly monitored, accounted for and disposed of.
- ✱ Radiological waste operations at a selected site are being conducted in a safe manner.

Security

To strengthen the national security of the United States of America and the security of Department site operations, the following inspections will determine whether:

- ✱ The National Nuclear Security Administration's Megaports Initiative is being effectively managed.
- ✱ The effectiveness and efficiency of the Department's Continuity of Operations (COOP) plans and Intelligence Readiness
- ✱ The National Nuclear Security Administration's Global Threat Reduction Initiative Radiological Source Program is meeting the program milestones.
- ✱ Tactical Response Force planning at selected Department Sites are adequate.

Corporate Management

To promote excellence through sound management and contracting practices, the following inspections will determine whether:

- ✱ Government furnished property is disposed of within a timely manner to ensure that the property is properly managed and accounted for at selected Department sites.
- ✱ Department funds are being appropriately used at a selected site by awarding contracts for work that can be performed by site employees.
- ✱ Department funds are being appropriately used at a selected site.
- ✱ The site's worker's compensation program is appropriately managed to prevent overpayment and facilitate timely resolution of all claims of injury.



Recovery Act

To aid in the prevention and detection of waste, fraud, and abuse, and assist in providing transparency for distributing and using Recovery Act-related funds, the following inspections will determine whether:

- ✦ The Department is providing sufficient opportunities for small businesses to compete for contracts awarded under the Recovery Act.
- ✦ Decommissioning and Demolition Projects (funded by the Recovery Act) at a Department site are effectively completed.
- ✦ Medical certifications for contractors (funded by the Recovery Act) at a selected site are adequate to ensure the safety of the individual and the public.

Implementation Reviews

To assure Department management is taking corrective actions to improve programs, processes, and operations, we will conduct reviews to determine whether the Department has effectively implemented recommendations in the following prior inspection reports:

- ✦ Inspection on Oversight of Shock Sensitive Chemicals at a Department Site (DOE/IG-0615)
- ✦ Inspection on Emergency Communications Network Equipment (ECN) (DOE/IG-0663)
- ✦ Inspection on Recording Telephone Conversations at a Department Site (DOE/IG-0717)

Office of Investigations

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



National Program Area Initiative

The work performed by OI is primarily reactive in nature and has the potential of reaching into any Departmental major program area, including NNSA and FERC. The establishment of the National Program Area Initiative has afforded OI the opportunity to identify program areas in the Department most vulnerable to fraud, waste, and abuse and to proactively dedicate a significant portion of investigative resources, to include special agent training, liaison development, and specialized studies, to those program areas. OI's National Program Area Initiative concentrates on four areas, which are also tied into the Department's strategic themes. The four areas are: (1) contract and grant fraud; (2) environment, safety, and health (ES&H) violations; (3) Qui Tams; and, (4) technology crimes. One of OI's goals is to have 75 percent of its open investigations address at least one of the four areas. In FY 2011, work on the National Program Area Initiative will continue to move forward as plans are implemented and expanded.

Contract and Grant Fraud

During FY 2010, OI continued to identify and interact with key Department and NNSA procurement personnel, as well as conduct fraud awareness briefings with special emphasis on procurement and grant fraud. A majority of the Department's budget is expended on contracts and grants; therefore, the opportunity for fraud to occur or exist within various Department programs is significant. Given the continuing potential for significant fraud, to include potential fraud in the Department's Loan Guarantee Program, and the Department's responsibility to oversee the \$25 billion Advanced Technology Vehicle Loan Program, in FY 2011, OI will continue to: (1) expand fraud awareness briefings throughout the Department, including NNSA, with special emphasis on Recovery Act matters; (2) prioritize contract and grant fraud investigations, placing emphasis on cases with a potential high dollar recovery to the Department; (3) work with established contract and grant task forces, and identify opportunities to establish new task forces with DOJ involvement; (4) coordinate and pursue leads referred by the OIG Offices of Audit Services and Inspections; and, (5) identify and pursue contract and grant fraud investigations proactively, with a focus on Recovery Act matters.

Environment, Safety, and Health (ES&H)

The Department's program for cleaning up the environmental contamination caused by nuclear weapons research, production, and testing is estimated to cost over \$200 billion over the next several decades. With the end of the Cold War, the mission to clean up the environment has become more essential as a result of more than 50 years of nuclear defense work and energy research. The OIG has identified environmental cleanup as a Department Management Challenge that is likely to persist well into the future. OI's ES&H program area supports the Department's Environmental Responsibility strategic theme. Ensuring the safety and health of the public and the Department's workers is a top priority. In FY 2011, OI will continue to: (1) work with established ES&H task forces; (2) identify opportunities to establish new task forces; and, (3) develop and maintain ES&H contacts in the Department, NNSA, and other Government agencies.



Qui Tams

As a rule, Qui Tam-related allegations are complex and staff-hour intensive. As of September 30, 2010, OI had 13 open Qui Tam investigations with claims alleging fraud of \$391 million. These investigations often have a major impact on the Department and generally involve significant allegations of fraud involving millions of dollars and multiple Federal agencies. OI continues to work closely with the DOJ's Commercial Litigation Branch in the investigation and analysis of Qui Tam cases. In FY 2011, OI will continue to: (1) assist DOJ in investigating and providing analysis of Qui Tam cases; (2) adjust resources appropriately to ensure priority Qui Tam cases are being resolved in a timely manner; and, (3) identify specific Qui Tam training for OI personnel.

Technology Crimes

Information Technology, another of the Department's major issue areas, received a significant amount of OI's resources and attention during FY 2010. OI's Technology Crimes Section (TCS) is staffed by investigators with the specialized skills necessary to proactively and reactively investigate the expanding number of complex technology crimes that are occurring within many of the Department's programs. TCS further strengthens OI's support to the Department, including NNSA, in detecting, preventing, and investigating illegal network intrusions. Utilization of such a group is critical because of the risks and vulnerabilities on the rise (i.e., security breaches, computer systems intrusions, virus attacks, and employee misuse). In FY 2010, TCS provided technical expertise on standard fraud cases. Additionally, TCS investigations also led to several criminal convictions against individuals who compromised Government computers or misused them by accessing or storing sexually explicit material to include child pornography.

During FY 2011, TCS will: (1) continue to proactively contribute to and support fraud investigations through consultations and forensic media analysis; (2) investigate incidents of technology crimes and non-compliance with applicable regulations involving protection of the information infrastructure throughout the Department; (3) clarify and extend OI's role in technology incident response and investigations in the Department; (4) ensure all TCS special agents continue to receive required technical training; and, (5) refine and provide technology crimes awareness briefings throughout the Department complex.

Proactive Work

Historically, OI's response to allegations of wrongdoing has been reactive in nature. However, OI succeeded in implementing a process that streamlined and formalized proactive case development with a targeted approach designed to ensure more efficient and effective use of resources. OI will continue its pursuit of proactive initiatives designed to effect positive change within the Department and enhance OI's ability to meet organizational goals and objectives. Close attention will be paid to OI's infrastructure needs to ensure adequate skills, tools, and processes are in place to respond promptly and appropriately to emerging priority issues identified by the President, Secretary, Congress, and public. Partnerships with other established law enforcement agencies, Department managers, and employees will be expanded, and productive sources of information will be further cultivated.



Appendix A

PLANNED FISCAL YEAR 2011 AUDITS

Audit Number	Title
National Security and Science	
A11AL001	Implementation of the Stockpile Surveillance Transformation Project
A11AL002	NNSA's Megaports Initiative
A11AL003	GTRI Contract Administration
A11AL004	CMRR Project at Los Alamos National Laboratory
A11CH005	DOE International Offices and Foreign Assignments
A11CH006	Fermi's Contribution to the Dark Energy Survey Project
A11CH007	Helium-3 Inventory
A11LL008	Protective Force Training Facilities
A11LV009	NNSA Dismantlement Activities
A11LV010	JASPER Facility at the Nevada Test Site
A11LV011	GTRI Removal and Protection Programs
A11YT012	Graded Security Protection Policy
A11YT013	Moly-99 Program
Energy	
A11DN001	WAPA Renewable Energy Credits
A11GT002	Utility Energy Service Contracts
A11HQ003	Energy Savings Through Commissioning and Advanced Metering of DOE Facilities
A11HQ004	Advanced Technology Vehicle Manufacturing Loan Program
A11HQ005	Management of Minimum Energy Efficiency Standard Setting Activities
A11OR006	Renewable Energy Projects
A11PT007	Follow-up on the Pollution Prevention Program
Environment, Technology and Corporate	
A11CP001	Non-Facilities Contractor Prior Performance
A11CP002	External Independent Review Process over Project Management
A11CP003	Follow-up on Term Assignments of Contractors
A11ET004	Advanced Recovery and Integrated Extraction System
A11ET005	Environmental Management Waste Management Facility
A11ID006	Battelle Energy Alliance Performance Evaluation Management Plan Follow-up



A11ID007	Management of the Spent Nuclear Fuel Program
A11ID008	Management of Decontamination and Decommissioning Activities
A11ID009	Nuclear Energy's Management of Cooperative Agreements and Grants
A11ID010	Technology Transfer Follow-up
A11RL011	Equipment in the Black Cells at the Waste Treatment Plant
A11RL012	Management and Administration of the Environmental Molecular Science Laboratory
A11RL013	Remediation of the 618-10 and 618-11 Burial Grounds
A11RL014	Hanford's Miscellaneous Waste Tanks
A11SR015	Disposition of Orphaned Surplus Nuclear Materials
A11SR016	Special Nuclear Materials Storage Consolidation
A11SR017	Environmental Management's Consolidated Business Center
A11TG018	Cyber Security and Operational Controls Over Smart Grid Technologies
A11TG019	Protection of National Security Information Systems at Los Alamos National Laboratory
A11TG020	Management of BPA's IT Program
A11TG021	Management of Cloud Computing Services
A11TG022	Utilization of Contractor Assurance Information Systems
A11TG023	Efforts to Ensure Energy-Efficient Data Center Management
A11TG024	Configuration Management of High Risk and Mission Essential Contractor Systems
A11TG025	NNSA's Nuclear Emergency Support Team Operations
A11TG026	Department of Energy's Implementation of FISMA
A11TG027	FERC's Implementation of FISMA

Planned Fiscal Year 2011 GMRA Audits

A11FN001	Department of Energy's Consolidated Financial Statement Audit FY 2011
A11FN002	FERC's Financial Statement Audit FY2011
A11FN003	Decommissioning and Decontamination Fund FY 2011 GMRA
A11FN004	Isotope Production and Applications Program Financial Statement Audit FY 2011
A11FN005	Southwestern Power Administration Financial Statement Audit FY 2011
A11FN006	IT Management Letter FY 2011
A11FN007	Financial Management Letter FY 2011



Planned Fiscal Year 2011 Statement of Costs Incurred and Claimed Audits

A11AL014	Sandia 2009-2010 SCIC
A11AL015	Los Alamos National Security, LLC 2010 SCIC
A11CH016	University of Chicago, Argonne, LLC 2010 SCIC
A11CH017	Brookhaven Science Associates, LLC 2008-2010 SCIC
A11CH018	Jefferson Science Associates, LLC 2006-2009 SCIC
A11CH019	Princeton Plasma Physics Laboratory 2009-2010 SCIC
A11ID028	Battelle Energy Alliance, LLC 2009 SCIC
A11LL020	Lawrence Livermore National Security, LLC 2009-2010 SCIC
A11LL021	University of California at Berkeley 2009-2010 SCIC
A11PT008	Naval Reactors – Knolls and Bettis Laboratories 2009-2010 SCIC
A11RL029	Battelle Memorial Institute at Pacific Northwest National Laboratory 2009 SCIC
A11SR030	Savannah River Nuclear Solutions 2010 SCIC
A11YT022	Babcock & Wilcox Y-12 LLC 2010 SCIC
A11YT023	UT Battelle, LLC 2010 SCIC

Planned Fiscal Year 2011 American Recovery and Reinvestment Act Audits

A11RA001	State Energy Program
A11RA002	Office of Science's Climate Program
A11RA003	Recovery Act Projects at Lawrence Berkeley National Laboratory
A11RA004	State Energy Program
A11RA005	State Energy Program
A11RA006	Energy Efficiency and Conservation Block Grant Program
A11RA007	Weatherization Assistance Program
A11RA008	Weatherization Assistance Program
A11RA009	Quality of Workmanship in the Weatherization Assistance Program
A11RA010	Weatherization Assistance Program
A11RA011	Management Controls over the Appliance Rebate Program
A11RA012	Implementation of the Concentrating Solar Power Program
A11RA013	Weatherization Assistance Program
A11RA014	Weatherization Assistance Program



Planned Fiscal Year 2011 American Recovery and Reinvestment Act Audits (con't)

A11RA015	Management of the Interconnection Transmission Planning Program
A11RA016	Smart Grid Investment Grant and Demonstration Programs
A11RA017	Energy Efficiency and Conservation Block Grant Program
A11RA018	Management of the FutureGen Cooperative Agreement
A11RA019	Weatherization Assistance Program
A11RA020	Follow-up of the Advanced Battery and Hybrid Components Program
A11RA021	Energy Efficiency and Conservation Block Grant Program
A11RA022	Weatherization Assistance Program
A11RA023	Weatherization Assistance Program
A11RA024	Managing Post-Recovery Act Workforce and Operational Activities
A11RA025	Small Business Awards under the Recovery Act
A11RA026	Demolition and Disposition of the K-33 Building
A11RA027	Recovery Act Activities at Portsmouth and Paducah
A11RA028	Small Site Environmental Management Recovery Act Projects
A11RA029	State Energy Program
A11RA030	State Energy Program
A11RA031	State Energy Program



PLANNED FISCAL YEAR 2011 INSPECTIONS

Safety

- Handling, Storing and Tracking Regulated Chemicals at a Department Site
- Radiation Protection Program at a Department Site
- Low Level Radioactive Waste Disposal at a Department Site
- Radiological Waste Operations at a Department Site

Security

- National Nuclear Security Administration's (NNSA'S) Megaport Initiative
- Continuity of Operations (COOP) and Intelligence Readiness
- NNSA's Global Threat Reduction Initiative (GTRI) Radiological Source Program
- Tactical Response Force Planning at Selected Department Sites

Corporate Management

- Disposal of Government Furnished Property Issued to Contractors at Power Administration Sites
- Use of Consulting Contracts at a Department Site
- Water Conservation Test Bed at a Department Site
- Worker's Compensation Program at a Department Site

Recovery Act

- Department's Efforts to Utilize Small Business Contracts During Recovery Act Implementation
- Safety of Decommissioning and Demolition Projects at Department Sites
- American Recovery and Reinvestment Act Medical Screening at a Department Site

Implementation Reviews

- Follow-up Inspection on Oversight of Shock Sensitive Chemicals at a Department Site
- Follow-up Inspection on Emergency Communications Network Equipment (ECN)
- Follow-up Inspection on Recording Telephone Conversations at a Department Site
- Follow-up Review of the Department of Energy's Canine Program at Selected Department Sites



Appendix B

OIG RESPONSIBILITIES AND AUTHORITIES

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

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

OTHER MANDATES

- * **Government Performance and Results Act (GPRA) of 1993.** Continuous review of the Department's implementation.
- * **Executive Order 12863, "President's Foreign Intelligence Advisory Board," 1993.** Reports to the Intelligence Oversight Board as required quarterly and "as necessary or appropriate." This includes reviews to ensure the Department's intelligence activities are conducted in accordance with existing requirements of Executive Order 12333, "United States Intelligence Activities."
- * **Government Management Reform Act (GMRA) of 1994.** Annual audit of Department-wide and designated component financial statements.
- * **National Defense Authorization Act of 2000.** Annual review of Department policies and procedures with respect to the export of sensitive U.S. military technologies and information to countries and entities of concern.
- * **Reports Consolidation Act of 2000.** Annual audit to identify the most significant management and performance challenges facing the Department.
- * **Federal Information Systems Management Act (FISMA) of 2002.** Annual review of Department information security systems.
- * **Section 522 of the Consolidated Appropriations Act of 2005.** Biennial review of the actions of the Department's Chief Privacy Officer.
- * **American Recovery and Reinvestment Act of 2009.** Oversight of the Department's programs, grants, and activities funded by the Act.
- * **Department of Energy Orders.** Audits of statements of costs incurred and claimed by the Department's integrated contractors.



Appendix C

Validation and Verification

The OIG validates and verifies its performance activities by:

Data Sources:	OIG Semiannual Reports to Congress; Inspector General Act of 1978, as amended; Government Management Reform Act; Government Performance and Results Act; Government Information Security Reform Act; False Claims Act; Executive Order 12863, "President's Foreign Intelligence Advisory Board"; and, Executive Order 12333, "United States Intelligence Activities."
Frequency:	Biennially/Annually/Semiannually/Quarterly.
Data Storage:	OIG Energy Inspector General Project Tracking System.
Verification:	OIG policies and procedures; Yellow Book Standards; President's Council on Integrity and Efficiency Quality Standards for Investigations and Inspections; and, internal and external peer reviews.



U.S. DEPARTMENT OF
ENERGY

DEPARTMENT OF ENERGY, OFFICE OF INSPECTOR GENERAL