

U.S. DEPARTMENT OF ENERGY OFFICE OF INSPECTOR GENERAL

ANNUAL PERFORMANCE REPORT
FY 2006

ANNUAL PERFORMANCE PLAN
FY 2007

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FY 2006**

**ANNUAL PERFORMANCE PLAN
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**U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL**

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MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to present the Office of Inspector General's (OIG's) combined *Fiscal Year 2006 Annual Performance Report and Fiscal Year 2007 Annual Performance Plan*.

During Fiscal Year (FY) 2006, we examined a variety of issues of vital importance to the Department of Energy and the Nation. Our efforts identified the need for corrective action on an array of issues ranging from systemic and situational vulnerabilities in Department security to cost and performance irregularities associated with the Nation's nuclear weapons stockpile to the need for improved management oversight in the administration of Department contracts.

To its credit, in FY 2006, the Department, as a strategic goal, emphasized the need for excellence in managing its programs and operations. This has been a focal point of the OIG for a number of years and drives the planning for OIG activities in FY 2007 and beyond. In FY 2006, we issued more than 100 audit and inspection reports containing recommendations for enhancing Departmental operations, with likely savings of over \$250 million. In addition, we referred 50 criminal cases for prosecution; obtained 26 convictions; recovered \$38.6 million in fines, restitutions and settlements; and, addressed 1,632 complaints and concerns from employees, contractors and citizens regarding the Department and its functions.

The OIG is proud to have played a critical role this past year in providing Department of Energy senior management with findings intended to improve the effectiveness of programs and operations. In this vein, the OIG is committed to supporting the Secretary's recently released strategic plan and in working with senior management to advance the Department's mission of addressing U.S. energy challenges and in securing America's future.

A handwritten signature in black ink, reading "Greg Friedman", is positioned above the printed name and title.

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 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, investigations, and inspections 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 the President's Management Agenda; and,
- Addressing Departmental priorities established by the Secretary.

This report highlights the OIG's FY 2006 actual performance and FY 2007 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 2006 investigations, inspections, audit and special requested actions; constant efforts to improve the OIG in alignment with the President's Management Agenda; the relationship between the Department and the OIG; and the plan to fund and accomplish FY 2007 goals. Appendices include the FY 2007 performance plan schedule; OIG responsibilities, authorities and other mandates; the OIG organization 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, investigations, inspections, and other reviews to detect and prevent waste, fraud, abuse, and violations of law.

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MEASURING FY 2006 PERFORMANCE RESULTS

In FY 2006, the OIG continued to make positive contributions to the Department's mission-related priorities. Some highlights of our work in FY 2006 include:

- \$251 million in recommendations that funds be put to better use;
- \$38.6 million in investigative fines, settlements, and recoveries;
- 26 successful prosecutions;
- 43 suspensions and debarments;
- 1,632 hotline complaints and inquiries processed;
- 102 civil or administrative actions taken; and,
- Approximately \$157 million in potential recoveries from 23 open False Claims Act investigations.

The OIG measures its performance against the long-term and annual goals set forth in OIG planning documents. During this reporting period, the OIG successfully achieved its FY 2006 performance goals. In most instances, the OIG exceeded its goals. The following are the specific results:

GOAL 1:

Promote the President's Management Agenda and the Mission Priorities of the Secretary and Congress

Objective 1:

Conduct reviews seeking positive change in the Department relating to the implementation of the initiatives in the President's Management Agenda, the Secretary's Priorities, and the OIG-identified Management Challenges.

Strategy:

Conduct reviews as outlined in the OIG annual plan relating to: (1) the President's Management Agenda initiatives; (2) the Secretary's Mission Priorities; and, (3) OIG-identified Management Challenges. Specifically:

- Complete reviews that address each Presidential, Secretarial, and OIG-identified initiative, priority, and/or challenge as identified in FY 2005, to be completed by 2011.



- Initiate a review within one year of any new Department initiatives and priorities.

Accomplishment: Met Goal

The OIG has completed reviews that address every Presidential, Secretarial, and OIG-identified initiative, priority, and/or challenge as identified in FY 2005. There were no new Department initiatives or priorities established in FY 2006.

During FY 2006, the Office of Audit Services conducted a total of 81 audits that addressed the President's Management Agenda Initiatives, the Secretary's Mission Priorities, and OIG Management Challenges. For example, audits were conducted to determine whether:

- Recently completed radio transition projects were cost-effective and maximized spectrum efficiency.
- The Department was effectively managing the acquisition and maintenance of desktop software across the complex.
- The Department had established, maintained and effectively used the Beryllium Associated Worker Registry to evaluate worker health effects associated with beryllium exposure.
- The assignment of facility contractor employees to the Washington, D.C. area was adequately managed.
- The Department was adequately managing its non-nuclear high explosives materials.

During FY 2006, the Office of Inspections and Special Inquiries completed 36 reviews that addressed the President's Management Agenda initiatives, the Secretary's Mission Priorities, and OIG-identified Management Challenges. For example, the Office conducted reviews to determine if:

- Internal controls for the destruction of Sandia National Laboratory-New Mexico's classified computer hard drives were adequate to assure the protection and control of the classified matter.
- Sandia National Laboratory-New Mexico's and Lawrence Livermore National Laboratory's internal controls were adequate to ensure that, in accordance with applicable policies and procedures: (1) security badges assigned to terminating Laboratory and subcontractor employees were retrieved at the time of their departure; and, (2) security clearances of departing Laboratory and subcontractor employees were terminated in a timely manner.
- The Department appropriately participated in the export license review process to control the export of critical technologies to China.
- Internal controls over sensitive property maintained by the Office of Intelligence at Headquarters were adequate.



- The Office of Civilian Radioactive Waste Management's process for reviewing emails related to Yucca Mountain quality assurance concerns assured that conditions adverse to quality were promptly identified, investigated, reported, and resolved.

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.

Strategies:

- Ensure that every performance review includes an analysis of program accomplishments and the use of metrics to measure results.
- Increase by at least 10 percent the OIG baseline measure of ensuring that at least 50 percent of all performance audits include recommendations leading to demonstrable cost savings, program efficiencies, and/or funds that can be put to better use.
- Complete at least five follow-up reviews annually to determine the status and efficacy of corrective actions.
- Complete an annual risk-based programmatic assessment that considers OIG institutional knowledge; past program performance; funding levels; Presidential, Secretarial, and congressional concerns; and input from Department program managers.
- Ensure that each year at least 80 percent of all planned performance audits address high-risk areas as identified in the OIG annual risk-based programmatic assessments.
- Strive for the Department to accept at least 75 percent of OIG report recommendations.

Accomplishment: Exceeded Goal.

In FY 2006, all of the 52 performance audits completed included an analysis of program accomplishments and the use of metrics to measure results. The OIG was able to assist the Department in analyzing the operation of various programs and determining whether or not those programs were effectively measuring their performance.

For the performance audits issued, 73 percent identified demonstrable cost savings, program efficiencies and/or funds that can be put to better use in excess of \$251 million. For example, the Department agreed to improve the efficiency of its fleet vehicle management as a result of our audit on "*The Department's Utilization of Fleet Vehicles*," DOE/IG-0728. The



Department could potentially save \$9.1 million annually if those vehicles whose underutilization rates were less than 50 percent of the local use standard were disposed of and the remainder of underutilized vehicles were either appropriately reassigned or their retention justified.

Based on our audit of *“Information Technology Support Services at the Department of Energy’s Operating Contractors,”* DOE/IG-0725, there is a potential for significant cost savings at numerous Department contractor-managed sites through better management and control of information technology (IT) support services. For example, reducing IT support services for contractor-managed sites co-located at the Hanford complex near Richland, Washington, could save over \$14 million.

Based on our audit of *“Management of the Department’s Isotope Program,”* DOE/IG-0709, the Department expended about \$4.9 million maintaining unused or underutilized production facilities that could be avoided or better utilized to subsidize research isotope production or to waive the advancement payment policy.

Nine of the performance audits completed were follow-up reviews to determine the status and efficacy of corrective actions.

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. In FY 2006, we completed risk-based programmatic assessments in the energy, science, environmental, national nuclear security, and technology program areas and corporate functions. 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.

In FY 2006, 90 percent of our planned performance audits addressed high-risk and sensitive areas as identified in the OIG annual risk-based programmatic assessments. In addition to our planned audits, we also conducted audits in response to time-sensitive and complex requests from the Secretary or Congress. For example, a Senator requested that the OIG review the composition and conduct of the National Coal Council (Council). Specifically, the Senator raised concerns that the Council’s recent report did not reflect input from a “broad spectrum of diverse interests” and that before doubling of coal consumption could be supported, environmental problems must be solved. Accordingly, our review examined whether the membership and conduct of the Council complied with the requirements set forth in the Federal Advisory Committee Act. During the course of our review, the Department initiated an effort to address issues of fairness by taking steps to broaden council representation as well as initiating an additional study to address environmental concerns.



Finally, there were 99 audit recommendations included in the performance audits conducted in FY 2006. The Department concurred with 100 percent of our recommendations. The following are summaries of positive outcomes resulting from three significant audits:

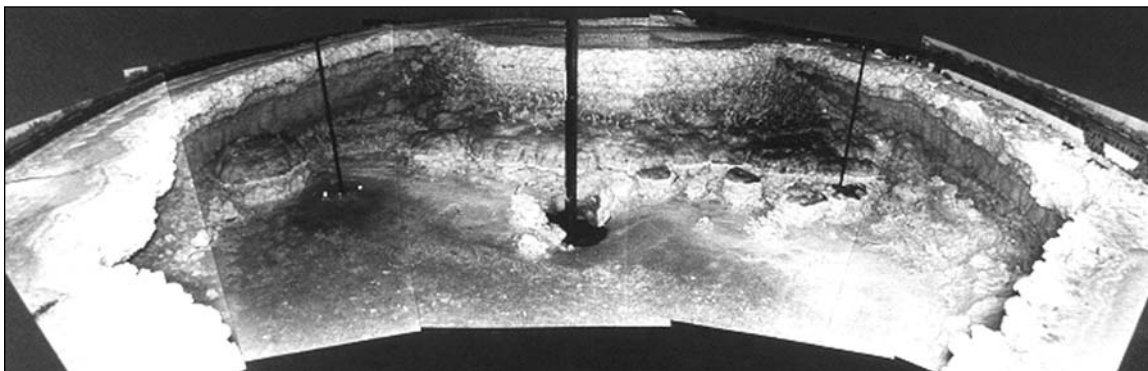
- The Department took action to examine alternative missions for H-canyon operations that may keep it operating well beyond FY 2010. Our report disclosed that there have been delays in developing and implementing a spent nuclear fuel program at Savannah River; and, as a result, H-Canyon will have to be maintained in an idle, but operational mode for at least two



H-Canyon

years. The OIG found that given the commitment the Department made in the Record of Decision and the absence of a fully developed disposition strategy, the two-year gap is projected to cost taxpayers about \$300 million.

- After an OIG audit of the Management of the Department's Desktop Computer Software Enterprise License Agreements, the Department agreed that an enterprise-wide asset management system must be implemented to identify an accurate accounting of software used across the complex and had recently initiated proactive steps relative to the recommendations in our report.
- An OIG audit on the accelerated tank waste retrieval activities at the Hanford Site found that, in terms of both schedule and cost, the Department will not meet its Tri-Party Agreement milestone for the retrieval of waste from the single-shell tanks located at the C-Farm. In addition, the likelihood of meeting Departmental schedule or cost goals for completion of retrieval activities in the C-Farm is questionable. Accordingly, the Department agreed with our recommendations to update waste retrieval plans and baselines to show achievable and realistic cleanup commitments.



Salt cake formed in a single shell tank.



In FY 2006, the Office of Inspections and Special Inquiries ensured that all 19 performance-based inspections completed included an analysis of program accomplishments and the use of metrics to measure results (or documented the reason that an analysis was not appropriate or required). For example, an inspection at Lawrence Livermore National Laboratory found that the site's Human Reliability Program (HRP), which was established to address the need for individuals involved in the nuclear weapons program to meet the highest standards of reliability, including physical and mental suitability, did not have specific performance metrics to measure significant aspects of the program. Specifically, although the Laboratory conducted annual reviews of HRP files, this effort was not sufficiently comprehensive to ensure the HRP was being administered in accordance with applicable policy, which, in turn, helps ensure site security.

In FY 2006, the Office of Inspections and Special Inquiries issued 27 inspection reports, which contained a total of 78 recommendations to management. The Department concurred with 92 percent of the inspection recommendations. The following are examples of positive outcomes resulting from inspection recommendations:

- The Department tasked the National Academies of Science to conduct an assessment of scientific and technical issues related to groundwater monitoring and contamination mitigation at Los Alamos National Laboratory to ensure that specific constraints established in Resource Conservation and Recovery Act guidance are adhered to and that radionuclide and groundwater contamination data is reliable.
- The Department's Strategic Petroleum Reserve is implementing Homeland Security Presidential Directive 12, to ensure that appropriate background checks are conducted on current Federal, contractor, and subcontractor personnel, as well as all new-hires.
- To address training concerns related to protective force personnel at the Department's Oak Ridge Reservation, the security contractor installed an automated badge reader system at its Central Training Facility to track the actual time spent in training by Security Police Officers.
- The Pantex Site Office implemented additional processes to improve the receiving and inventorying of property to ensure that all sensitive property is properly tagged and entered into the Pantex Property System database in a timely manner.



Security Training at Oak Ridge National Laboratory



Objective 3:

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

Strategies:

- Issue at least 80 percent of audit reports no later than 60 days following receipt of management comments.
- Complete the field work for at least 75 percent of special inquiries within 60 work days.
- Ensure that the average time required to issue an Investigative Report to Management (IRM) is 60 days or less following resolution of criminal and civil investigations.
- Complete the field work for at least 80 percent of inspections within 90 work days.

Accomplishment: Exceeded Goal.

For the audit reports completed in FY 2006, 88 percent were issued within 60 days following receipt of management comments, providing timely information to Department management.

During FY 2006, the Office of Inspections and Special Inquiries initiated one special inquiry, and it was completed within 60 work days of initiation. The special inquiry involved reviewing the processes and costs of environmental remediation at the Rocky Mountain Oilfield Testing Center (RMOTC). Our review found that entities that conducted research and development activities at RMOTC were not held responsible for environmental remediation associated with their activities. We were advised by RMOTC officials that they had not directly evaluated whether environmental remediation costs should be a consideration in the Cooperative Research and Development Agreements that are negotiated with these entities. To clarify the legal and policy issues involved, we suggested that management seek a legal opinion from the Department's General Counsel.

IRMs were issued, on average, 50 days following final resolution of criminal and/or civil action. The OIG received responses to recommendations made in IRMs during FY 2006, with a 98 percent compliance rate. Department management took administrative action against 44 individuals and obtained 21 debarments of contractors and individuals.

Examples of successes resulting from OIG investigative recommendations to management include the following:

- A GS-14 FERC employee misused Government time and equipment to work on a personal business enterprise. The employee was counseled and reimbursed the Government over \$10,000.



- A Department National Laboratory contractor employee pled guilty to Petit Larceny, paid restitution of \$11,570 to the Government, and was debarred for misusing a Laboratory computer and assigned credit card to purchase automotive parts for a personal vehicle.
- A Department prime contractor agreed to reimburse the Department \$237,724 for unallowable costs associated with the Research Education Foundation Internship Program.
- A former Western Area Power Administration contractor was debarred because it failed to return \$284,151 mistakenly transferred to the contractor's bank account after the contract was terminated for default.

In FY 2006, the Office of Inspections and Special Inquiries completed the fieldwork for 91 percent of its inspections within 90 work days. The following are examples of inspection findings:

- Internal controls for the destruction of Sandia National Laboratory-New Mexico's classified hard drives were not adequate to assure the protection and control of the classified material. Specifically, our inspection confirmed that although classified hard drives were degaussed, they were not destroyed as required by Department policy. In addition, Sandia did not adhere to a number of other policies applicable to the destruction of classified hard drives.
- Surface lead dust contamination in certain areas of a Nevada Test Site building exceeded site threshold levels, and the site prime contractor had not followed Occupational Safety and Health Administration requirements to make these areas "as free as practicable" of lead dust. We also found that the site had not consistently implemented radiological control requirements for managing sealed radioactive sources.
- Internal controls over badge retrieval and security clearance termination at Sandia National Laboratory-New Mexico and Lawrence Livermore National Laboratory were not adequate to ensure that security badges assigned to terminating employees were retrieved at the time of departure or that security clearances were terminated in a timely manner.
- Inadequate controls existed over sensitive property in the Office of Intelligence (IN). Specifically, we found: (1) IN could not locate 18 items of sensitive computer processing equipment and was unable to determine if these items were used to process classified information; (2) IN officials had not reported missing property to the Office of Security, as required by Department policy; and (3) IN maintained items of sensitive property that had not been entered into its property inventory, as required by Department policy.



- The Oak Ridge Reservation protective force contracts did not include incentives for the contractor to reduce overtime; in fact, the contract structure had the opposite effect. Specifically, the contracts provided the contractor with additional profit from the increases in labor hours in the post 9/11 environment, even though the contractor was only supposed to receive its profit through an award fee.

Objective 4:

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

Strategies:

- Complete annually the Department's consolidated financial statement audits to determine whether the financial statements are free from material misstatement.
- Review the Department's classified and unclassified information security system programs in conjunction with the financial statement audit.
- Initiate at least 10 "Statement of Costs Incurred and Claimed" audits annually to assess internal controls over costs claimed by the Department's major contractors.

Accomplishment: Met Goal.

The OIG completed the audit of the Department's FY 2006 consolidated balance sheet and rendered a qualified opinion on November 13, 2006. The qualified opinion was due to the effects of not properly accounting for and reporting undelivered orders. The control deficiencies were caused primarily by unresolved issues associated with the Department's implementation of a new financial accounting system, the Standard Accounting and Reporting System (STARS), in FY 2005.

In conjunction with the financial statement audit, we completed reviews of the Department's unclassified information security systems as required by the Federal Information Security Management Act (FISMA) of 2002. We found that the Department had taken a number of steps to strengthen its cyber security posture. While these steps are positive, we continued to observe deficiencies that exposed its critical systems to an increased risk of compromise. As permitted by FISMA and as designated by the Secretary, the Office of Independent Oversight and Performance Assurance performed the annual review of classified information systems.

Finally, we completed 15 "Statement of Costs Incurred and Claimed" audits to determine whether the Department's integrated contractors were reimbursed for allowable costs consistent with their contracts.



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.

Strategies:

Achieve an annual acceptance rate of at least 70 percent for cases presented for prosecutorial consideration.

Ensure that at least 75 percent of all cases opened focus on key areas of Department vulnerability, specifically procurement and grant fraud, environmental violations, *Qui Tams*, or computer crimes.

Accomplishments: Exceeded Goal.

The OIG achieved a prosecutorial acceptance rate of 76 percent during this fiscal year. In addition, the OIG obtained 52 criminal indictments and 35 convictions, pretrial diversions, and civil judgments. Eighty-three percent of the cases opened in FY 2006 focused on key areas of vulnerability in the Department.

Examples of successes as a result of OIG investigations include:

- An OIG investigation determined that a Department subcontractor did not comply with welding and nondestructive test requirements for valves manufactured under various Government contracts. The subcontractor entered into a \$13.2 million civil settlement with the Department of Justice, Civil Division to settle a civil claim. Additionally, the subcontractor was sentenced to 24 months incarceration and 3 years supervised release and was ordered to pay \$4 million in restitution.
- A Department grant recipient submitted duplicate research results to more than one agency for payment; billed for research reportedly done in-house that was improperly subcontracted to others; and submitted invoices for personal purchases. The subject agreed to pay \$1.4 million pursuant to a global settlement. The subject was also sentenced to 5 years probation and 12 months home confinement and was ordered to pay a \$20,000 fine and a \$200 special assessment fee. The individual was also debarred from Government contracting for a 5-year period.
- A university that manages a consortium of 16 other universities received Department grant funds under a cooperative agreement to further the goal of training a minority workforce in environmental sciences. The university did not use all of the grant funds for their intended purpose and submitted false documentation showing that they had matched the Federal funding. Pursuant to a settlement agreement, the subject agreed to pay \$5.2 million to the Government and implement policies and procedures to ensure compliance with regulations governing the use of grant funds. Also, the consortium principal investigator was removed from his position.



- Three individuals knowingly compromised multi-Government agency computers, including an unclassified Department computer in Germantown, Maryland, and copied non-sensitive scientific research data information. One subject was sentenced to 10 months in prison and 3 years supervised release. A second subject was sentenced to 90 days home confinement and 2 years probation. A third subject was sentenced to 60 days in a work related program, 2 years probation, and 100 hours of community service and was ordered to refrain from doing any work related to computer security.

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.

Strategy:

Ensure that at least 25 percent of all cases opened are joint task force investigations with external law enforcement agencies, such as the Federal Bureau of Investigation and other OIGs.

Accomplishments: Exceeded Goal.

The OIG opened 131 cases during FY 2006, 42 percent of which were joint task force investigations with other law enforcement agencies. The following are examples of successes from joint task force investigations:

- A Department contractor submitted false claims and statements by misrepresenting the cost impact of a voluntary accounting system and by improperly allocating various costs on numerous Government contracts. Those costs included general and administrative costs, executive and management bonuses, and computer network costs. The contractor entered into a \$12.5 million civil settlement with the U.S. Government.
- Three employees manufactured and stole various forms of identification, including Department credentials, to facilitate fraudulent activities. Over 100 victims were identified during the investigation. Two subjects pled guilty to various Federal criminal violations. One subject was sentenced to 12 years and 1 month imprisonment and 3 years of supervised release; while the other subject was sentenced to 6 years imprisonment and 3 years supervised release, along with forfeiture of stolen Government property.
- A Department contractor failed to adjust travel costs for credits and/or rebates received from travel vendors. The contractor entered into a \$41.9 million civil settlement with the U.S. Government. As a result of the investigation, four additional Department contractors settled lawsuits concerning false claims allegedly submitted to various agencies in connection with travel reimbursement. One consultant paid \$15 million, while three other companies paid \$3.3, \$4.4 and \$2.7 million, respectively.



Objective 7:

Heighten awareness of potential fraud among internal and external customers.

Strategy:

Provide at least 20 fraud awareness briefings annually to Department and contractor employees and managers.

Accomplishments: Exceeded Goal.

The OIG investigative personnel conducted 45 fraud awareness briefings in FY 2006. These presentations are 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. The following are examples of case success stories resulting from referrals received from Department and contractor employees and managers.

- An OIG investigation determined that a university inappropriately charged expenses to the Government. The university did not meet its cost matching requirements and charged unrelated administrative costs and other university project costs directly to a cooperative agreement held with the Department. As a result of the investigation, the university agreed to repay \$11.5 million and forgo claims against the Department for another \$1.7 million.
- A contractor entered into a \$2.6 million settlement agreement to resolve improper travel claims. The investigation determined that a Department prime contractor allowed employees to claim long-term temporary assignment per diem after they had relocated their personal residences to the temporary assignment location.
- A private citizen residing in Austin, Texas, was sentenced to one year probation and six months incarceration and was ordered to pay \$14,000 in restitution and \$2,025 in fines for improper use of a Government purchase card assigned to a National Laboratory employee.

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.

Strategies:

- Operate the OIG Hotline in a manner that ensures at least 85 percent of Hotline complaints warranting further action begin processing within 7 days of receipt.



- Forward at least 85 percent of the complaints identified for referral to Department or other agency management within 14 days of initiation of the case.

Accomplishment: Exceeded Goal.

Ninety percent of predicated Hotline complaints, which are those determined to warrant further action, began processing within 7 days of receipt, and 99 percent of complaints identified for referral were processed within 14 days of initiation of the case. During the year, the OIG Hotline received 1,632 complaints/allegations; 431 of those items were predicated; and 144 matters were referred to management, of which 67 requested a management response.

Objective 9:

Make the public aware of OIG reports.

Strategy:

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

Accomplishment: Met Goal.

All public reports identified by the OIG for inclusion on the Internet were posted within three working days. In addition, the OIG maintains an early alert system that provides approved subscribers an advance notification of the release of OIG public reports.

Objective 10:

Provide a structure for ensuring a skilled and efficient workforce.

Strategies:

- Establish and maintain an OIG core training program that identifies the education, skills, and core competencies necessary for positions in each OIG discipline.
- Develop and implement an OIG-wide training coordination process to maximize the use of training funds and allocate training funds on an equitable basis.
- Ensure individual development plans that tie to the OIG's training program are developed for all OIG employees.
- Ensure that all auditors meet the training requirements as specified by generally accepted Government Audit Standards.
- Ensure that all investigators meet the training requirements as specified by Federal law enforcement and other related investigative standards.



- Ensure that all inspectors meet the training requirements as specified by the President's Council on Integrity and Efficiency "Quality Standards for Inspections."

Accomplishments: Met Goal.

The Office of Inspector General developed training requirements to ensure that auditors, investigators, and inspectors receive required or otherwise appropriate training for their specialty. These training requirements are stated in each employee's individual development plan. Each organization established a training coordinator position to: (1) monitor the allocation and use of training funds; (2) ensure required training is scheduled and completed; (3) integrate developmental and training requirements into the planning process; and (4) ensure employees have individual development plans. Auditors, inspectors, and investigators all met their statutory training requirements.

Objective 11:

Provide a process to ensure that the most qualified internal and external candidates are referred for positions.

Strategy

- Fully utilize all recruitment resources available.

Accomplishments: Met Goal.

The OIG used all necessary hiring authorities, to include the Federal Career Intern Program and the Student Career Entry Program, to ensure an adequate and diverse pool of candidates for jobs. The OIG uses an automated application process to provide an easy application process for candidates.



FY 2006 PRESIDENT'S MANAGEMENT AGENDA AND OIG-IDENTIFIED MANAGEMENT CHALLENGE ACTIVITIES

The President's Management Agenda

During FY 2006, the OIG made steady progress in implementing the following Management Agenda initiatives:

Strategic Management of Human Capital. A major human capital goal cited under the Department's 2006 Strategic Plan is the challenge to "ensure the DOE workforce is capable of meeting the challenges of the 21st century by attracting, motivating, and retaining a highly skilled and diverse workforce to do the best job."

In the past year, the Department has continued to steadily progress in addressing this critical human capital challenge. During 2006, the OIG was part of the implementation of a new Department-wide performance management policy for non-supervisory employees to provide a more consistent application of performance measurement principles across the Department and more clearly link individual performance to organizational goals. In addition, by the end of FY 2006, the OIG, in partnership with the Department, will convert its automated recruitment system, QuickHire, to a more user friendly web-based system, integrated with the Office of Personnel Management's USAJobs website, and in accordance with DOE's security requirements.

During FY 2006, the OIG continued its efforts to use available recruitment and retention tools to identify, hire, and maintain a knowledgeable, diverse, and high-performing workforce to carry out its mission. The Federal Career Intern Program was utilized to hire 30 entry-level employees for our mission critical positions in auditing, investigations, and inspections. Over 75 percent of these hires were minorities or women. Other examples of recruitment tools currently used by the OIG include: (1) extensive use of career and college fairs; (2) recruitment, relocation, and retention incentives; (3) one-time accelerated promotions for entry-level hires; and, (4) paying for preparation courses for certified public accountants and certified fraud examiners. To address changing work requirements and initiatives, the OIG continued to offer early outs/buy outs in FY 2006 to eligible employees to ensure the OIG has the mission-critical skills and qualifications in place for the future. Additional future flexibilities being considered as funds permit include: (1) payment of costs



associated with job-related credentials and licenses; (2) increased use of telecommuting; and, (3) payment of student loans.

During FY 2007, the OIG will continue to aggressively implement and update, as necessary, its human capital management initiatives contained in its 5-Year Strategic Plan. For example, the OIG will continue to: (1) streamline its operations, redirect positions to the front line, increase spans of control, and reduce the number of managers and organizational layers; (2) make use of all available Federal recruitment flexibilities to effectively staff vacant and critical positions with the right skill mix, including partnering with universities to utilize student and college graduate appointing authorities; (3) refine its succession planning efforts for leadership recruitment, including the identification, development, and succession of potential leaders within the organization, which includes specific objectives, actions, and timetables and an analysis of candidate pools; (4) integrate human capital management initiatives with all planning and budget documents; (5) establish effective learning tools to train, develop, and retain employees; and, (6) expand the use of automated human resources systems. To ensure effective organizational alignment, the OIG will continue to assess the size of its workforce and make decisions on deployment of staff based on changes in the Department's mission and current initiatives at specific sites.

Improved Financial Management. In response to requirements established by the *Government Management Reform Act of 1994*, the OIG engaged an independent public accounting firm (KPMG LLP) to audit the Department's FY 2006 consolidated balance sheet. The contractor was engaged to audit only the balance sheet because a material weakness in financial control and reporting resulted in a disclaimer of opinion on the FY 2005 audit of the Department's consolidated financial statements. Audit work performed by our contract auditor identified control deficiencies in properly accounting for and reporting undelivered orders related to the Department's FY 2006 balance sheet.

These control deficiencies were caused primarily by unresolved issues associated with the Department's implementation of a new financial accounting system, the Standard Accounting and Reporting System (STARS), in FY 2005. During FY 2006, the Department's Office of Chief Financial Officer made substantial progress in correcting a number of financial controls and reporting weaknesses associated with the new system. However, despite these efforts, the Department's accounting controls over obligations and reporting remained insufficient to prevent, detect or correct errors in a timely manner. In particular, significant differences associated with the conversion of data from the legacy accounting systems to STARS had not been resolved. Required reviews of certain obligations and undelivered order balances had either not been performed or were not completely effective, resulting in balances that did not agree with supporting documents, obligations that remained unexpended for extended periods, and obligations with negative balances. In addition, the audit disclosed Departmental weaknesses in its network and information systems and deficiencies in the performance measure reporting process. These weaknesses increased the risk that the Department's financial system and reported



performance information may not be reliable. The Department generally concurred and initiated or agreed to initiate corrective actions.

Expanded Electronic Government. The OIG continues to partner with the Department to implement those Federal electronic Government (e-government) initiatives that support the Management Agenda's e-government goal. During this past year, the OIG made significant progress in implementing these initiatives. For example, the OIG successfully implemented the Department's new e-travel system called GovTrip. The OIG also developed an Intranet website for all its employees and standardized the layout of its public website to conform to the Department's new website design. Additionally, the OIG is in the process of implementing a Government-wide e-Official Personnel Folder (e-OPF) initiative that provides desktop access to employment records via the internet. The OIG scored "green" in all areas of the Department's internal e-government scorecard for all quarters of FY 2006. Those areas include cyber security, enterprise architecture, and capital planning and investment control.

Cyber Security. The OIG submitted timely input to the Department's FY 2006 Federal Information Security Management Performance Metrics Report. This report forms the basis for the Department's annual report to the Office of Management and Budget (OMB). We did not identify any significant problems with OIG cyber security operations. Other accomplishments include migrating our in-house management information system to a more secure and reliable operating platform; aggressive implementation of additional security measures to protect sensitive and personally identifiable information (PII), including establishing office-wide policy and procedures and installation of higher encryption on laptops and two-factor authentication for remote access to PII; and the continued maintenance of an accurate inventory of all OIG IT systems. Furthermore, the OIG reported all known cyber security incidents to the Department within established due dates.

Enterprise Architecture, Capital Planning, and other E-Government Initiatives. The Office continued to participate in the Department's Common Operating Environment program for all desktop, network and application hosting services. This is a major Department initiative that combines all aspects of common IT systems and services throughout the Department under one umbrella. The OIG also continues to assist the Department in meeting its goals for maintaining a complete and mature enterprise architecture. The Department's enterprise architecture goal aims to ensure that IT is most effectively supporting the Department's business environment while providing a framework that drives its IT investment decisions. Moreover, a sound enterprise architecture should help eliminate redundant Department-wide IT systems. The OIG continued its participation in the ongoing enterprise architecture effort and met all OMB A-11, "Preparation, Submission, and Execution of the Budget," IT reporting requirements.

Budget and Performance Integration. The OIG aligns budget priorities with its overarching strategic goal and the Department's mission priorities. The linkage to



performance ensures that the OIG meets its mandates in an effective and cost-efficient manner. The OIG is committed to achieving this important initiative and will continue to refine and strengthen the integration of its budget and performance goals.

OIG-Identified Management Challenges

Pursuant to the *Reports Consolidation Act of 2000*, the OIG annually identifies the most significant management challenges facing the Department. This effort focuses on those areas that are, in our judgment, the most difficult to manage as well as those with the most significant demonstrated performance problems. These challenges are associated with mission-related activities and also with weaknesses in the Department's internal control structure. The following are the OIG-identified Management Challenges for FY 2007:

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

Safeguards and Security, Environmental Cleanup, and Stockpile Stewardship represent risks that are inherent to the Department's complex operations. These challenges are likely to persist well into the future, in part, because they involve factors that are outside the Department's direct control. The remaining challenges represent risks related to weaknesses in the Department's management processes. As a whole, these challenges are not amenable to simple, near-term resolution and can only be addressed by a concerted, persistent effort, resulting in progress over a long period of time.



RELATIONSHIP WITH THE DEPARTMENT OF ENERGY

The Department's Strategic Plan contains five strategic themes whose results will ensure energy and national security, science-driven technology, and a singular Departmental focus.

Strategic Themes

Energy Security: Promoting America's energy security through reliable, clean, and affordable energy

Goal 1.1 – Energy Diversity: Increase U.S. energy options and reduce dependence on oil, thereby reducing vulnerability to disruptions and increasing the flexibility of the market to meet U.S. needs.

Goal 1.2 – Environmental Impacts of Energy: Improve the quality of the environment by reducing greenhouse gas emissions and environmental impacts to land, water, and air from energy production and use.

Goal 1.3 – Energy Infrastructure: Create a more flexible, more reliable, and higher capacity U.S. energy infrastructure.

Goal 1.4 – Energy Productivity: Cost-effectively improve the energy efficiency of the U.S. economy.

Nuclear Security: Ensuring America's nuclear security

Goal 2.1 – Nuclear Deterrent: Transform the Nation's nuclear weapons stockpile and supporting infrastructure to be more responsive to the threats of the 21st Century.

Goal 2.2 – Weapons of Mass Destruction: Prevent the acquisition of nuclear and radiological materials for use in weapons of mass destruction and in other acts of terrorism.

Goal 2.3 – Nuclear Propulsion Plants: Provide safe, militarily-effective nuclear propulsion plants to the U.S. Navy.



Scientific Discovery and Innovation: Strengthening U.S. scientific discovery, economic competitiveness, and improving quality of life through innovations in science and technology

Goal 3.1 - Scientific Breakthroughs: Achieve the major scientific discoveries that will drive U.S. competitiveness; inspire America; and revolutionize our approaches to the Nation's energy, national security, and environmental quality challenges.

Goal 3.2 - Foundations of Science: Deliver the scientific facilities, train the next generation of scientists and engineers, and provide the laboratory capabilities and infrastructure required for U.S. scientific primacy.

Goal 3.3 - Research Integration: Integrate basic and applied research to accelerate innovation and to create transformational solutions for U.S. energy needs.

Environmental Responsibility: Protecting the environment by providing a responsible resolution to the environmental legacy of nuclear weapons production

Goal 4.1 – Environmental Cleanup: Complete cleanup of the contaminated nuclear weapons manufacturing and testing sites across the United States.

Goal 4.2 – Managing the Legacy: Manage the Department's post-closure environmental responsibilities and ensure the future protection of human health and the environment.

Management Excellence: Enabling the mission through sound management

Goal 5.1 – Integrated Management: Institute an integrated business management approach throughout DOE with clear roles and responsibilities and accountability, to include effective line management oversight by both Federal and contractor organizations.

Goal 5.2 – Human Capital: Ensure that the Department's workforce is capable of meeting the challenges of the 21st Century by attracting, motivating, and retaining a highly skilled and diverse workforce to do the best job.

Goal 5.3 - Infrastructure: Build, modernize and maintain facilities and infrastructure to achieve mission goals and ensure a safe and secure workplace.



Goal 5.4 – Resources: Institutionalize a fully integrated resource management strategy that supports mission needs and postures the Department for continuous business process improvement.

Secretary Bodman stated the following in explaining the Department’s FY 2007 Budget Request before the Senate Committee on Energy and Natural Resources:

“Over the last five years America has faced and overcome many challenges. From the U.S./Canada Power Blackout of August 2003, to the devastation caused by hurricanes Katrina and Rita, now more than ever, American families understand the key relationship between our Nation’s energy security and America’s economic security.”

Secretary Bodman then listed three notable items in the budget:

- Strategic Investments to Reduce America’s Dependence on Foreign Oil and Develop Clean Energy Technologies
- Strategic Investments to Enable Nuclear Energy Expansion in a Cleaner, Safer Manner
- Strengthening America’s National Security Commitments

The OIG directly supports the strategic themes and priorities of the Department. The OIG identifies opportunities for cost savings and operational efficiencies; identifies programs that are not meeting performance expectations; returns hard dollars to the Department and the U.S. Treasury as a result of civil and criminal prosecutions; and identifies ways to make departmental programs safer and more secure. Further, the OIG helps assure the Department that those attempting to defraud the Government are apprehended and brought to justice.

OIG Strategic Goal

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 the President’s Management Agenda; (2) resolve management challenges; (3) execute the Secretary’s 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.

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FY 2007 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 the President's Management Agenda.

Strategic Goal	FY 2006 Appropriated	FY 2007 Requested	FY 2007 Pre-conference
<i>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 the President's Management Agenda; (2) resolve management challenges; (3) execute the Secretary's 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.</i>	\$41.5 million	\$45.5 million	\$45.5 million

The OIG's current FY 2007 budget appropriation request is \$45.5 million. This funding will help to ensure that the OIG continues to successfully conduct independent audits, investigations, inspections, and other reviews of the Department's programs.



Mission Priorities	Outcomes
National Security	<ul style="list-style-type: none">■ Promote the safety and reliability of the nuclear stockpile.■ Promote security and safety within Department programs.■ Assess the Department’s cyber security programs to protect the integrity, reliability, availability, and confidentiality of important information.■ Assess the Department’s progress in addressing and resolving the threat from weapons of mass destruction.■ Promote effective intelligence and counterintelligence programs.
Energy/Science	<ul style="list-style-type: none">■ Contribute to the protection of the critical energy infrastructure.■ Promote the implementation of the President’s National Energy Plan.■ Assist in directing research and development that directly relate to and support the missions of the Department and aid in ensuring greater application of mature technologies.■ Promote the advancement of energy, science and technology to achieve energy solutions.
Environmental Management	<ul style="list-style-type: none">■ Promote implementing environmental cleanup faster and cheaper.■ Contribute to the success of the Department’s licensing and construction of a permanent repository for nuclear waste at Yucca Mountain and the acceptance of waste by 2010.■ Assess the Department’s management of uranium enrichment and civilian nuclear power development.
Corporate Management	<ul style="list-style-type: none">■ Contribute to the effectiveness of the Department’s financial management (audit of the Department’s financial statements).■ Assure the American public that the Department is fiscally responsible in carrying out its mission.■ Promote effective contract management.■ Contribute to the Department’s efficient and economic management of real property assets.■ Foster responsiveness to complaints and allegations from Department and OIG customers.■ Ensure the Department has metrics in place and uses them to manage its programs and activities effectively.■ Promote worker and community safety.



Critical Outside Influences

Each year, the OIG is requested to conduct quick turnaround, unplanned, and resource-intensive reviews. These requirements directly impact the OIG's workloads, formulating budgets, evaluating procedures, and establishing priorities. Examples include:

Secretarial/Congressional Priorities. Emerging mission-related priorities require the Secretary to request the OIG to conduct related reviews. Also, the OIG regularly receives requests from various members of Congress and their staffs to provide information and to participate in briefings and hearings. These requests are usually unanticipated and require immediate attention. Satisfying these requests often affects the OIG's progress in achieving its strategic planning goals.

New Statutory Requirements. New legislative mandates and unfunded audit, investigative, inspection, or special inquiry requirements divert resources away from other critical areas, including evaluating the performance of the Department's programs and operations as they relate to the Management Agenda, the Secretary's mission priorities, and the most serious management challenges facing the Department.

OMB Circular No. A-123, Management Accountability and Control. OMB has not finalized the circular; therefore, the requirement to audit implementation may change. The cost of auditing the Department's FY 2007 Financial Statement increases by \$431,000 in FY07 and will increase by more than \$2 million when the requirement to audit Management Accountability and Controls begins in FY 2009.

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FY 2007 ANNUAL PERFORMANCE PLAN

Our work is important to the Department's success in fulfilling its mission-related goals. The OIG must ensure that its resources and activities cover issues and concerns most critical to the Department. This Performance Plan identifies the FY 2007 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 2007. These projects and activities will include an increased focus on national/homeland security, information technology security, environmental cleanup, procurement, and contract management. In FY 2007, OIG audits, inspections, and special inquiries will continue to identify opportunities for cost savings and operational efficiencies, and OIG investigations will continue to return hard dollars to the Department and the U.S. Treasury.

FY 2007 Performance Measures

For FY 2007, the OIG will measure its accomplishments against the following performance measures:

GOAL 1:

Promote the President's Management Agenda and the Mission Priorities of the Secretary and Congress

Objective 1:

Conduct reviews seeking positive change in the Department relating to the implementation of the initiatives in the President's Management Agenda, the Secretary's Priorities, and the OIG-identified Management Challenges.

Performance Measures:

- Conduct reviews as outlined in the OIG annual plan relating to: (1) the President's Management Agenda initiatives; (2) the Secretary's Mission Priorities; and, (3) the OIG-identified Management Challenges. Specifically:
 - Complete reviews that address each Presidential, Secretarial, and OIG-identified initiative, priority, and/or challenge as identified in FY 2005, to be completed by FY 2011.
 - Initiate a review within one year of any new Department initiatives and priorities.



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:

- Ensure that every performance review includes an analysis of program accomplishments and the use of metrics to measure results.
- Ensure that at least 55 percent of all performance audits include recommendations leading to demonstrable cost savings, program efficiencies, and/or funds put to better use.
- Complete at least five follow-up reviews annually to determine the status and efficacy of corrective actions.
- Complete an annual risk-based programmatic assessment that considers OIG institutional knowledge; past program performance; funding levels; Presidential, Secretarial, and congressional concerns; and input from Department program managers.
- Ensure that each year at least 80 percent of all planned performance audits address high-risk areas as identified in the OIG annual risk-based programmatic assessments.
- Strive for the Department to accept at least 77 percent of OIG report recommendations.

Objective 3:

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

Performance Measures:

- Issue at least 80 percent of audit reports no later than 60 days following receipt of management comments.
- Complete the field work for at least 75 percent of special inquiries within 60 work days.
- Ensure that the average time to issue Investigative Reports to Management is 60 days or less following final resolution of criminal and civil investigations.
- Complete the field work for at least 80 percent of inspections within 90 work days.

**Objective 4:**

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

Performance Measures:

- 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.
- Review the Department's classified and unclassified information security system programs in conjunction with the financial statement audit by the statutory due date.
- Initiate at least 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:

- Achieve an annual acceptance rate of at least 70 percent for cases presented for prosecutorial consideration.
- Ensure that at least 75 percent of all cases opened focus on key areas of Department vulnerability, specifically procurement and grant fraud, environmental violations, *Qui Tams*, or computer 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 Measure:

- Ensure at least 25 percent of all cases opened are joint agency/task force investigations with external law enforcement agencies, such as the Federal Bureau of Investigation and other OIGs.



Objective 7:

Heighten awareness of potential fraud among internal and external customers.

Performance Measure:

- Provide at least 20 fraud awareness briefings annually to Department and contractor employees and managers.

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:

- Operate the OIG Hotline in a manner that ensures at least 85 percent of Hotline complaints warranting further action begin processing within 7 days of receipt.
- Forward at least 85 percent of the complaints identified for referral to Department or other agency management within 14 days of initiation of the case.

Objective 9:

Make the public aware of OIG reports.

Performance Measure:

- 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.

Objective 10:

Provide a structure for ensuring a skilled and efficient workforce.

Performance Measures:

- Establish and maintain an OIG core training program that identifies the education, skills, and core competencies necessary for positions in each OIG discipline.
- Develop and implement an OIG-wide training coordination process to maximize the use of training funds and allocate training funds on an equitable basis.
- Ensure individual development plans that tie to the OIG's training program are developed for all OIG employees.



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

Objective 11:

Provide a process to ensure that the most qualified internal and external candidates are referred for positions.

Performance Measures:

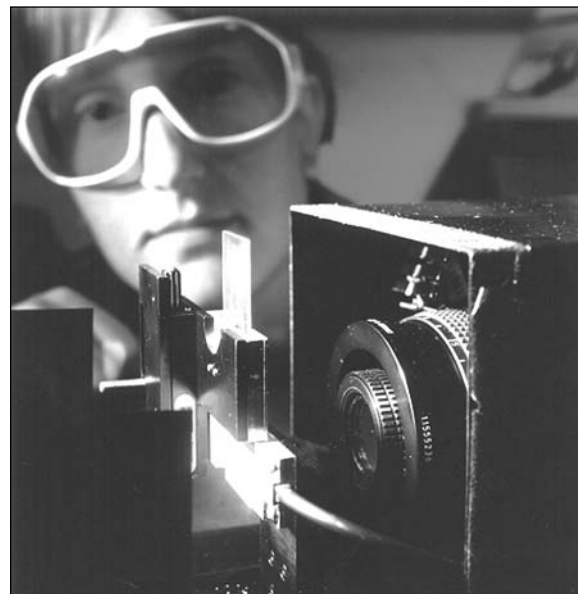
- Ensure a diverse, skilled talent pool for selection of new hires through the use of appropriate recruitment resources.

Mission Priorities

The OIG will focus its resources and planned activities toward the following priorities supporting the Department’s Strategic Themes:

National Security

One of the primary responsibilities of the Department is to enhance national security through the application of nuclear technology. The Department oversees the maintenance of the U.S. nuclear weapons stockpile; the development of responsive infrastructure that can adapt quickly to stockpile changes while drawing down the stockpile of weapons excess to defense needs; the security of the nuclear complex and strengthening of international nuclear nonproliferation controls; the reduction in global danger from weapons of mass destruction; the provision to the U.S. Navy of safe, effective nuclear propulsion systems; and operation of its national laboratories.



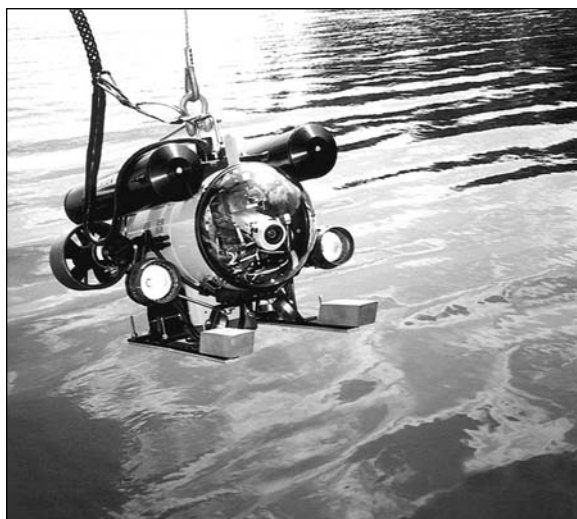
Portable reader being developed to detect airborne pathogens.



In coordination with the Department of Defense and other agencies, the Department helps to ensure that we live in a safe and secure world. The 21st century presents the prospect of a national security environment in which threats may evolve more quickly, be more variable in nature, and be less predictable than in the past. In our current threat environment, nuclear weapons will continue to play a critical role in the overall U.S. security posture. Annually, NNSA certifies the readiness of the strategically deployed nuclear weapons. The Department has adopted a science-based Stockpile Stewardship Program that focuses on the development and application of improved technical capabilities to assess the safety, security, and reliability of existing nuclear warheads without the use of nuclear testing. Drawing from its world class scientific and technical expertise, the Department leverages existing nonproliferation programs to identify and prioritize vulnerable materials, remove or secure such materials, convert research and test reactors from highly enriched uranium to low enriched uranium, and take any other necessary steps to meet changing threats.

Environmental Management

The Department's environmental mission has become more important since the end of the Cold War. Over 50 years of nuclear defense work and energy research resulted in large volumes of solid and liquid radioactive waste along with significant areas of contaminated soil and water. The Department is committed to safely cleaning up the contamination from these operations and disposing of the waste in a manner that protects the environment, the workers, and the public. The cleanup program is focused on reducing risk, cleaning up more efficiently and cost effectively, and working collaboratively with regulators and stakeholders in developing strategies for site closure.



Submersible detection for monitoring special environments.

Following site closure, the Office of Legacy Management is responsible for ensuring the protection of human health and the environment through long-term stewardship of facilities, structures, land and records, as well as the oversight of the Department's post-closure responsibilities for former contractor employees.

At the Department, the Office of Civilian Radioactive Waste Management is responsible for managing and disposing of commercial and defense spent nuclear fuel and other highly radioactive wastes that are stored in temporary facilities at over 125

sites in 39 states. The ultimate consolidation and disposal of nuclear waste at Yucca Mountain for high-level radioactive waste and spent nuclear fuel will support national and



energy security, reduce the number of locations where nuclear materials are stored, and maintain the viability of the Navy’s nuclear powered fleet by providing a disposal path for the Navy’s spent nuclear fuel.

Energy/Science

The demand for energy in the U.S. is rising faster than the projected increase in domestic energy production. The projected shortfall between domestic energy demand and domestic supply is projected to increase nearly 50 percent by 2020. To make up for the projected shortfall, various options – import more energy, improve energy conservation and efficiency, and/or increase domestic supply – were considered. In the development of the National Energy Policy (NEP), it was concluded that increased dependence on oil imports would jeopardize U.S. national and economic security. For this reason, the Department is taking steps to improve energy conservation and efficiency and increase domestic energy production in order to avoid increased dependence on imports.

Consistent with the priorities in the NEP, in August 2005, the President signed the Energy Policy Act into law. This law encourages energy efficiency and conservation; promotes alternative and renewable energy sources; reduces U.S. dependence on foreign sources of energy; increases domestic production; modernizes the electricity grid; and encourages the expansion of nuclear energy. Science and technology are the Department’s principal tools for achieving the goals for the NEP and the Energy Policy Act. The Department invests in high-risk, high-value energy research and development that the private sector alone would not or could not develop in a market driven economy. These technologies will allow renewable energy to play a more important role in the future of our Nation.



The Star Detector at Brookhaven’s Relativistic Heavy Ion Collider.

A very important component of the Department’s science activities is its operation and management of 10 national laboratories and 27 major scientific user facilities. Its goals are to deliver the basic scientific research and knowledge for the Department’s applied technology programs through strategic investments that advance discoveries in biology, chemistry, plasma science, materials sciences, plant sciences, computation, and environmental studies and to provide world-class research facilities and scientific human capital to the Nation’s overall science enterprise.



Corporate Management

The Department manages a diverse portfolio of program missions, facilities, and contractor resources over a nationwide complex that includes Headquarters organizations, operations offices, field/site offices, national laboratories, power marketing administrations, and sites dedicated to environmental cleanup. The offices that support the corporate management framework are responsible for supporting the Secretary's initiatives to improve management and accountability while ensuring the safety, security, and health of the workforce and public.

Some of the challenges the Department faces include:

- Financial Management
- Project Management
- Oversight of Contractors
- Performance Management
- Information Technology Management
- Worker and Community Safety



OFFICE OF AUDIT SERVICES

The Office of Audit Services (OAS) provides internal and contracted audit activities for Department programs and operations, including NNSA. The Office strives to provide reliable, credible financial and performance information to senior management, the Congress, and the taxpayers. The Office is organizationally aligned with the Department's programmatic lines in national security; energy, science and environmental quality; and, financial, technology, and corporate. This organizational structure helps to ensure that audit work provides comprehensive coverage over Department organizations, programs, and operations, while meeting the Department's evolving needs.

The Office uses a risk-based process for identifying areas for audit coverage. Specific areas with the greatest vulnerability and those with significant dollar amounts are identified. This process leads to conducting program performance reviews that focus on the most serious management challenges facing the Department, the President's Management Agenda and the Secretary's priorities. A significant portion of audit resources is directed toward meeting OIG statutory audit responsibilities. In the past, these responsibilities were mostly financial in nature and crosscut all of the challenge areas, the President's key management initiatives and the Secretary's priorities. OIG statutory audit responsibilities continue to increase with the addition of financial and information technology security responsibilities.

The OAS has scheduled 88 performance audits to start in FY 2007. Many non-discretionary taskings from external sources impact on OAS workload demands, and it is sometimes necessary to delay, postpone, or cancel planned audits to accommodate these demands. Following is a summary of audits scheduled to begin in FY 2007, grouped by the Department's Business Lines. The planned audit workload is summarized later in this plan.

National Security

To protect our national security by applying advanced science and nuclear technology to the Nation's defense, the following audits will determine whether:

- Nonconforming parts have been placed into the nuclear weapon stockpile (A07AL001)
- The National Training Center has the necessary capabilities to support changes in protective force training and weaponry (A07AL002)
- Vendor supplied parts meet the Department's established standards (A07AL003)
- Sandia's Test Capability Revitalization Program meets programmatic, cost, scope and schedule goals (A07AL004)



- Sandia National Laboratories has an effective method of accounting for all weapons on-site (A07AL005)
- The Department's consolidation plan covering special nuclear materials at NNSA sites is feasible and cost effective (A07LV017)
- The Department's Nuclear Weapons Incident Response program has sufficient resources to meet its goals and objectives (A07LV018)
- NNSA's plutonium experiment programs are meeting their expected scope and schedules (A07LL013)
- The Dual Axis Radiographic Hydrodynamic Test II Axis Recovery and Commissioning Project has successfully re-designed and refurbished the accelerator and injector cells to correct the high-voltage breakdown problems (A07LA008)
- The Satellite Base Nuclear Detonation project is meeting its goals and objectives (A07LA010)
- Y-12's proposed lithium disposition plan is the most beneficial alternative for the Department (A07YT024)
- Bonneville and Western Area Power Administrations have performed key steps to ensure emergency preparedness (A07DN010)
- The Department has accurately accounted for and controlled all U.S. origin highly enriched uranium provided to foreign countries (A07SR035)
- There is a mission need for the proposed Plutonium Vitrification Project at the Savannah River Site (A07SR036)
- The Department adequately and effectively implemented access controls to its facilities and information in accordance with Homeland Security Presidential Directive-12 (A07GT008)
- FERC has an effective safety and security inspection program for liquefied natural gas (A07GT011)
- The Department is adequately controlling, protecting and accounting for Nuclear Explosive-Like Assemblies (A07PT021)
- The Department has accurately accounted for all domestic loaned nuclear materials and promptly recovered unneeded materials from licensees (A07PT022)
- Sandia National Laboratories has corrected identified problems in its management of high explosives (A07PT024)



Environmental 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 Office of Civilian Radioactive Waste Management's plans for developing and deciding on a canister model are feasible and cost effective (A07LV019)
- Los Alamos and the Department are meeting the Consent Order interim milestones (A07LA007)
- The Department is on track to clean and remediate the Moab, Utah, former uranium-ore processing site (A07DN008)
- The Department is performing decontamination and decommissioning activities in a manner to reduce health, safety, and environmental risks (A0ET011)
- The Department is pursuing alternative uses for the depleted uranium hexafluoride oxide (A07ET012)
- The Office of Environmental Management is reusing and recycling potentially contaminated scrap metal (A07ET013)
- Operating both the Central Characterization Capability and the mobile characterization units is cost effective for the Transuranic Waste Program (A07ID014)
- The Department is achieving its goals for disposal of contact handled transuranic waste (A07ID017)
- The Department's plans for its surplus un-irradiated nuclear fuel are consistent with current national energy policy (A07ID018)
- The Department is meeting the goals of the Plant Life Extension Program for the Advanced Test Reactor at the Idaho National Laboratory (A07ID019)
- The Brookhaven Environmental Management Completion Program is meeting milestones and cost goals for environmental cleanup (A07PR026)
- Waste disposed of at the Environmental Restoration Disposal Facility at the Hanford Site meets the waste acceptance criteria (A07RL030)
- The Department's Hanford Environmental Information System is providing reliable information for cleanup decisions (A07RL031)
- The Department will have the capability to process solid waste to meet schedule requirements (A07RL032)
- The Integrated Disposal Facility at the Hanford Site is necessary (A07RL033)



- The Department is processing transuranic waste in the most economical and efficient manner (A07SR037)

Energy/Science

To contribute to the protection of the U.S.'s national and economic security by (1) promoting a diverse supply and delivery of reliable, affordable, and environmentally sound energy and, (2) providing world-class scientific research capacity and advancing scientific knowledge, the following audits will determine whether:

- The Department's user facilities are being fully utilized and proprietary usage costs are being covered (A07CH001)
- The Department is meeting its commitments and deadlines for U.S. participation in the International Thermonuclear Experimental Reactor project (A07OR003)
- The Office of Science will achieve the goals contained within its facilities plan (A07CH004)
- Vehicle Technologies projects are meeting programmatic goals (A07DN007)
- The Department is effectively implementing the Energy Policy Act of 2005 (A07OR021)
- The High Flux Isotope Reactor at the Oak Ridge National Laboratory is achieving its operational goals (A07OR022)
- The Department has implemented lessons learned from Hurricanes Katrina and Rita at the Strategic Petroleum Reserve (A07OR023)
- The Spallation Neutron Source project met performance and cost expectations when it was designed as an operating facility (A07OR024)
- The Climate Change Research Program funds are being used to accomplish quantifiable goals (A07PR025)
- Weatherization Assistance grant funds were used for intended purpose and the Program is meeting its goals (A07PR028)
- FERC appropriately identifies and investigates potential energy market abuses in a timely manner (A07GT015)
- The Department has effective programs and plans in place to ensure the efficient use of energy and water (A07PT019)



Corporate Management

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

- Audit of the Department's Consolidated Financial Statements as of and for the year ended September 30, 2006. (A07FN001)
- Audit of the FERC's Financial Statements as of and for the year ended September 30, 2006. (A07FN002)
- Audit of the Isotope Production Distribution Financial Statements as of and for the year ended September 30, 2006. (A07FN003)
- Audit of the Decommissioning and Decontamination Financial Statements as of and for the year ended September 30, 2006. (A07FN004)

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

- The Office of Civilian Radioactive Waste Management's Quality Assurance function possesses the appropriate staff skill sets required to oversee the Quality Assurance program at Yucca Mountain (A07LV020)
- The Office of Civilian Radioactive Waste Management has ensured that newly enacted health and safety rules have been implemented; managers and workers have received training; controls have been established to monitor effectiveness; and incidents have been reported and addressed satisfactorily (A07LV021)
- Lawrence Livermore National Laboratory is decontaminating, decommissioning, and disposing of excess facilities in a manner that minimizes the risk to the employees and surrounding communities (A07LL011)
- Safety recommendations are adequately resolved and closed out at the Lawrence Livermore National Laboratory (A07LL012)
- The Y-12 National Security Complex has identified Complex functions that could be subcontracted to small business concerns (A07LL014)
- The Department and NNSA are ensuring that their management and operating contractors are expanding subcontracting opportunities with small businesses to the maximum extent possible (A07LL015)



- Contract transition and closeout plans and activities at the Lawrence Livermore National Laboratory are adequate and whether costs incurred for contract transition and closeout charged to the Department contract are allowable, allocable, and reasonable (A07LL016)
- The funding for the Cerro Grande Project was expended in accordance with the direction from Congress (A07LA006)
- Los Alamos National Laboratory has established an effective internal oversight process (A07LA009)
- The Department effectively controls the level of effort, cost, and product of wage rate workers at the Y-12 National Security Complex (A07YT022)
- Federal courier agents received the training and firearms instruction to possess the required proficiency level (A07YT023)
- NNSA maintains sufficient Federal human capital to fulfill its mission (A07YT025)
- NNSA maintains sufficient contractor human capital to fulfill its mission (A07YT026)
- The Argonne National Laboratory has identified functions that could be subcontracted to small business concerns (A07CH002)
- Bonneville Fish and Wildlife projects are being conducted in the most efficient and effective manner (A07DN005)
- Bonneville Power Administration can account for its personal property items (A07DN006)
- Power Marketing Administration spectrum relocation projects are being conducted in a timely and cost-effective manner (A07DN009)
- The pricing of scope of work changes to the Idaho Cleanup Project is reasonable (A07ID015)
- The Department is efficiently utilizing facilities at the Idaho National Laboratory (A07ID016)
- The Department's contractors at the Idaho National Laboratory are following worker safety requirements (A07ID020)
- Planned construction projects at the Pacific Northwest National Laboratory meet mission needs (A07RL029)
- The Department is properly managing procurements of material for the construction of the Waste Treatment Plant (A07RL034)
- The Department has an efficient and effective aviation management program (A07GT009)



- The Department's program offices, field organization and facility contractors are properly implementing Federal policies and informal requirements (A07PT012)
- The Department is adequately managing its directed funds (A07GT013)
- Department facilities have effective safety management programs (A07GT014)
- The Department is effectively managing its inventory of precious metals (A07PT016)
- The Department and its contractors are properly managing protective force equipment (A07PT017)
- The Department and its contractors have developed an effective Electrical Safety Management Program (A07PT018)
- The Department and its contractors are implementing and effectively managing an industrial hygiene program (A07PT020)
- The Department utilizes the most effective and efficient methods to obtain security services at its Departmental elements (A07PT023)
- The Department was efficiently developing the eContent Management System to meet mission needs (A07TG025)
- The Department has effectively applied the use of Earned Value Management to information technology projects (A07TG026)
- The Integrated Planning, Accountability, and Budgeting System is meeting Department goals and user information needs (A07TG027)
- The Department has adequately secured its information systems from unauthorized remote access (A07TG028)
- The Department's E-Procurement initiative is satisfying Federal and Department system development requirements, goals and mission needs (A07TG029)
- The Department has implemented adequate guidance and security controls over the deployment and use of portable handheld devices (A07TG030)
- The E-Department of Energy Integrated Security System is being implemented in a cost effective and timely manner that will enable the Department to meet Federal requirements while keeping data secure (A07TG031)
- The Department was adequately controlling access to unclassified information systems by foreign nationals (A07TG032)
- The Department is effectively transitioning to Internet Protocol Version 6 (A07TG033)
- The Department has effectively managed its telecommunications infrastructure (A07TG034)

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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 Department programs and operations by issuing reports that recommend positive change. OI's accomplishments are measured by cases accepted by management, 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.

The statutory law enforcement authority granted as a provision of the *Homeland Security Act of 2002* includes a requirement for periodic peer review of the office's investigative functions. During FY 2005, the office experienced its first peer review, which resulted in a full compliance evaluation. During FY 2006, OI conducted its first peer review of another investigative organization. The results of the review concluded that the organization was in full compliance with applicable President's Council on Integrity and Efficiency (PCIE) quality standards. The next PCIE Peer Review of OI is scheduled for the first quarter in FY 2008.

National Program Area Initiative

The work performed by OI is primarily reactive in nature and has the potential of reaching into any Department major program area, including NNSA. 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 as identified in the 2006 Strategic Plan. 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 2007, work on the National Program Area Initiative will continue to move forward as plans are implemented and expanded.

CONTRACT AND GRANT FRAUD

During FY 2006, 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. During this reporting period, one major success in this area involved a Department contractor who entered into a \$41.9 million civil settlement with the U.S. Government for submitting false claims. Given the continuing potential for significant fraud, in FY 2007, OI will continue to: (1) expand fraud awareness briefings throughout DOE, including NNSA; (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 Special Inquiries; and (5) identify and pursue contract and grant fraud investigations proactively.

ENVIRONMENT, SAFETY, AND HEALTH

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 one of three Department FY 2007 management challenges 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 2007, 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 TAM

As a rule, *Qui Tam* related allegations are complex and staff-hour intensive. As of September 30, 2006, OI had 23 open *Qui Tam* investigations with claims alleging fraud of \$157 million. As a result of our efforts, the Government recovered \$17 million in FY 2006 in connection with *Qui Tam* investigations. 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. One such investigation resulted in \$12.5 million returned to the Government for improperly allocating cost on numerous Government contracts. In FY 2007, 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 2006. 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 2006, TCS investigations led to several criminal convictions against individuals who hacked into Department computer networks. TCS also provided technical expertise on standard fraud cases.

During FY 2007, 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.

Other

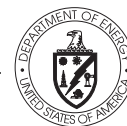
In FY 2006, OI issued new performance plans to its investigative staff in compliance with the Office of Personnel Management requirements in conjunction with Department mandates. The revised plans provide a clearer, more comprehensive description of performance elements and requirements. Both quantity and quality of work is addressed. Additionally, the plans place emphasis on the goals and objectives established by OI. In that regard, special agents will be required to perform at a level that will result in the organization achieving its goals and objectives.



Proactive Work

Historically, OI's response to allegations of wrongdoing has been reactive in nature. However, OI has 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, the Secretary, the Congress, and the public. Partnerships with other established law enforcement agencies, Department managers, and employees will be expanded, and productive sources of information will be further cultivated.



OFFICE OF INSPECTIONS AND SPECIAL INQUIRIES

The Office of Inspections and Special Inquiries conducts performance and allegation-based inspections, as well as special inquiries in response to concerns raised by Congress, senior managers of the Department, and others. The Office also manages the OIG Hotline and Management Referral Systems. The Office facilitates management reform in the Department by evaluating and providing recommendations to improve program performance.

Although the Office plans a portion of its annual inspection work, it retains flexibility in order to be able to promptly address concerns and allegations received during the course of the year. The Office of Inspections and Special Inquiries initiated an annual average of 16 allegation-based inspections over the last 4 years. When planning its performance inspection work, the Office identifies and prioritizes topics responsive to the President's Management Agenda, 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 current heightened concerns over homeland security, the Office is focusing its resources to address critical safety and security issues affecting programs and operations throughout the Department. The office is carrying 36 active inspections into the new fiscal year, and the following are planned inspections for FY 2007:

National Security

- Internal Controls over Sensitive Compartmented Information Clearances
- Internal Controls over Access to Selected Field Intelligence Elements
- Quarterly Intelligence Oversight Reviews
- Justifications for Obtaining Personnel Security Clearances
- Truck Access to a Selected Department Site
- Adequacy of Security Police Officer Refresher Training
- Security of Heavy Water Surplus at a Department Facility
- Basis for Making DOE/NNSA Security Clearance Determinations

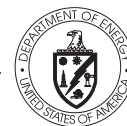


Environmental Management

- Adequacy of the Characterization of Waste
- Internal Controls over Low-level Radioactive Waste at a Department Site

Corporate Management

- Implementation of DOE's Pandemic Influenza Plan
- Adequacy of Lock-Out/Tag-Out Processes at a Department Site
- Adequacy of Nuclear Safety Policies and Procedures at a Department Facility
- Implementation of Maintenance and Safety Requirements at a Department Site
- Internal Controls over Purchase Card Use
- Utilization of Exhibitor Fees from DOE Sponsored Conferences
- Meeting the Naval Petroleum Reserve 3 Objective



Appendix A

FY 2007 PERFORMANCE PLAN SCHEDULE

Office of Audit Services

AUDIT NUMBER	TITLE
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PLANNED FISCAL YEAR 2007 PERFORMANCE AUDITS

National Security

A07AL001	<i>Controls over Nonconforming Nuclear Weapon Parts</i>
A07AL002	<i>National Training Center</i>
A07AL003	<i>Quality Assurance over Vendor Supplied Parts</i>
A07AL004	<i>Sandia National Laboratories Test Capabilities Revitalization Project</i>
A07AL005	<i>Weapons Accountability at Sandia National Laboratories</i>
A07DN010	<i>Emergency Preparedness at the Bonneville and Western Area Power Administrations</i>
A07GT008	<i>Implementation of Homeland Security Presidential Directive-12</i>
A07LA008	<i>Follow-up of the Dual Axis Radiographic Hydrodynamic Test Facility</i>
A07LA010	<i>Satellite Base Nuclear Detonation Project at Los Alamos</i>
A07LL013	<i>Management of NNSA's Plutonium Experiments</i>
A07LV017	<i>Consolidation of Special Nuclear Materials at NNSA Sites</i>
A07LV018	<i>Follow-up of NNSA's Nuclear Weapons Incident Response Resources</i>
A07PT021	<i>Security over Nuclear Explosive Like Assemblies</i>
A07PT022	<i>Management of Nuclear Materials Provided to Domestic Licenses</i>



A07PT024	<i>Sandia National Laboratories Management of Non-Nuclear High Explosives</i>
A07SR035	<i>Follow-up of Recovery of Highly Enriched Uranium Provided to Foreign Countries</i>
A07SR036	<i>Plutonium Vitrification Project at the Savannah River Site</i>
A07YT024	<i>Lithium Disposition at the Y-12 National Security Complex</i>

Environmental Management

A07DN008	<i>Remediation of Former Moab Uranium Processing Site</i>
A07ET011	<i>Decontamination and Decommissioning Projects</i>
A07ET012	<i>DUF6 Research and Development Activities</i>
A07ET013	<i>Environmental Management Disposition of Potentially Contaminated Scrap Metal</i>
A07ID014	<i>Central Characterization Capability at the Waste Isolation Pilot Plant</i>
A07ID017	<i>Waste Shipments to the Waste Isolation Pilot Plant</i>
A07ID018	<i>Disposition of the Department's Surplus Un-irradiated Nuclear Fuel</i>
A07ID019	<i>Advance Test Reactor's Life Extension Program</i>
A07LA007	<i>Environmental Cleanup at the Los Alamos National Laboratory</i>
A07LV019	<i>Office of Civilian Radioactive Waste Management's Canister Based Approach for Repository Design</i>
A07PR026	<i>Brookhaven National Laboratory's Environmental Management Completion Program</i>
A07RL030	<i>Environmental Restoration Disposal Facility at the Hanford Site</i>
A07RL031	<i>Hanford Environmental Information System</i>
A07RL032	<i>Hanford Site Solid Waste Disposal Facility</i>
A07RL033	<i>Integrated Disposal Facility at the Hanford Site</i>
A07SR037	<i>Transuranic Waste Program at the Savannah River Site</i>

Energy/Science

A07CH001	<i>Beam Access and Proprietary Usage at the Office of Science's User Facilities</i>
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A07CH004	<i>Office of Science's Facilities Plan</i>
A07DN007	<i>Vehicle Technologies Program</i>
A07GT011	<i>Federal Energy Regulatory Commission's Liquefied Natural Gas Terminal</i>
A07GT015	<i>Federal Energy Regulatory Commission's Oversight and Investigations Program</i>
A07OR003	<i>International Thermonuclear Experimental Reactor Project</i>
A07OR021	<i>Implementation of the Energy Policy Act of 2005</i>
A07OR022	<i>Operations at the Oak Ridge High Flux Isotope Reactor</i>
A07OR023	<i>Lessons Learned in Response to Hurricanes Katrina and Rita</i>
A07OR024	<i>Operational Start-up of the Spallation Neutron Source</i>
A07PR025	<i>Office of Science's Climate Change Research Program</i>
A07PR028	<i>Weatherization Assistance Program</i>
A07PT019	<i>Energy Use Management at Department Facilities</i>

Corporate Management

A07CH002	<i>Small Business Opportunities at the Argonne National Laboratory</i>
A07DN005	<i>Bonneville Power Administration's Fish and Wildlife Program</i>
A07DN006	<i>Personal Property Accountability at the Bonneville Power Administration</i>
A07DN009	<i>Power Marketing Administration Spectrum Relocation Projects</i>
A07GT009	<i>Follow-up on the Department's Aviation Management Program</i>
A07GT012	<i>Development and Implementation of Department Policy and Contractor Requirements</i>
A07GT013	<i>Management of Directed Funding</i>
A07GT014	<i>Safety Management within the Department of Energy</i>
A07ID015	<i>Management of Major Changes to the Baseline Work under the Idaho Cleanup Contract</i>
A07ID016	<i>Facility Utilization at the Idaho National Laboratory</i>
A07ID020	<i>Department's Worker Safety Requirements</i>
A07LA006	<i>Cerro Grande Project Costs at the Los Alamos National Laboratory</i>



A07LA009	<i>NNSA's Pilot Oversight Model at the Los Alamos National Laboratory</i>
A07LL011	<i>Decontamination and Decommissioning Program at the Livermore National Laboratory</i>
A07LL012	<i>Livermore National Laboratory's Resolution of Safety Recommendations</i>
A07LL014	<i>Small Business Opportunities at the Y-12 National Security Complex</i>
A07LL015	<i>Small Business Opportunities at the Department and NNSA</i>
A07LL016	<i>University of California Contract Closeout for the Livermore National Laboratory</i>
A07LV020	<i>Office of Civilian Radioactive Waste Management's Quality Assurance Function</i>
A07LV021	<i>Worker Safety Program at the Office of Civilian Radioactive Waste Management</i>
A07PT012	<i>Development and Implementation of Department Policy and Contractor Requirements</i>
A07PT016	<i>Management of Precious Metals</i>
A07PT017	<i>Controls over Protective Force Equipment</i>
A07PT018	<i>Electrical Safety Program</i>
A07PT020	<i>Industrial Hygiene Program</i>
A07RL029	<i>Battelle Memorial Institute's Planned Construction</i>
A07RL034	<i>Waste Treatment Plan Procurements of Material</i>
A07TG025	<i>I-MANAGE eContent Management System Project</i>
A07TG026	<i>Application of Earned Value Management to Information Technology</i>
A07TG027	<i>Follow-up on the Department's Integrated Planning, Accounting, and Budgeting System</i>
A07TG028	<i>Follow-up on Remote Access to the Department's Unclassified Systems</i>
A07TG029	<i>E-Procurement Initiative, Strategic Integrated Procurement Enterprise System</i>
A07TG030	<i>Security over Portable Handheld Devices</i>
A07TG031	<i>Implementation of e-DOE Integrated Security System (e-DISS+)</i>
A07TG032	<i>Foreign National Access to Unclassified Cyber Systems</i>
A07TG033	<i>Implementation of the Department's Internet Protocol Version 6 (IPv6)</i>



A07TG034	<i>Follow-up on the Department's Telecommunications Infrastructure</i>
A07PT023	<i>Methods for Providing Security Services at the Department</i>
A07YT022	<i>Work Authorization System at the Y-12 National Security Complex</i>
A07YT023	<i>Training of the Secure Transportation Asset Agents</i>
A07YT025	<i>NNSA Federal Human Capital</i>
A07YT026	<i>NNSA Contractor Human Capital</i>

PLANNED FISCAL YEAR 2007 GMRA AUDITS

A07FN001	<i>DOE FY 2006 GMRA</i>
A07FN002	<i>FERC FY 2006 GMRA</i>
A07FN003	<i>Isotope Production Distribution FY 2006 GMRA</i>
A07FN004	<i>Decommissioning and Decontamination FY 2006 GMRA</i>

OTHER PLANNED FISCAL YEAR 2006 FINANCIAL AUDITS

A07AL027	<i>Sandia FY 2006 SCIC</i>
A07CH038	<i>Argonne University FY 2006 SCIC</i>
A07CH039	<i>Iowa State University (Ames) FY 2004-2006 SCIC</i>
A07ID040	<i>Bechtel BWXT Idaho FY 2005-2006 SCIC</i>
A07ID041	<i>Battelle Energy Alliance FY 2005-2006 SCIC</i>
A07ET042	<i>Bechtel Jacobs FY 2006 SCIC</i>
A07GT010	<i>Implementation of Revised OMB Circular A-123 for 2007</i>
A07LA028	<i>Los Alamos (UC) FY 2005 SCIC</i>
A07LA029	<i>Los Alamos National Security LLC FY 2006 SCIC</i>
A07LA030	<i>Los Alamos (UC) FY 2006 SCIC</i>
A07LL031	<i>Livermore FY 2006 SCIC</i>
A07LL032	<i>Stanford FY 2004-2006 SCIC</i>
A07LV033	<i>Bechtel Nevada FY 2006 SCIC</i>
A07OR043	<i>UT Battelle FY 2006 SCIC</i>



A07OR044	<i>Oak Ridge Associate University FY 2004-2006 SCIC</i>
A07PR028	<i>Thomas Jefferson National Accelerator Facilities Costs and Central Office Expenses</i>
A07RL045	<i>Battelle Memorial (PNNL) FY 2005-2006 SCIC</i>
A07SR046	<i>Westinghouse Savannah River Company FY 2006 SCIC</i>
A07YT034	<i>Honeywell FY 2006 SCIC</i>
A07YT035	<i>BWXT Y-12 FY 2006 SCIC</i>

Office of Inspections and Special Inquiries

Title

National Security

Internal Controls over Sensitive Compartmented Information Clearances
Internal Controls over Access to Selected Field Intelligence Elements
Quarterly Intelligence Oversight Reviews
Justifications for Obtaining Personnel Security Clearances
Truck Access to a Department Site
Adequacy of Security Police Officer Refresher Training
Security of Heavy Water Surplus at a Department Facility
Basis for Making DOE/NNSA Security Clearance Determinations

Environmental Management

Adequacy of the Characterization of Waste
Internal Controls over Low-level Radioactive Waste at a Department Site

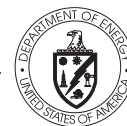
Corporate Management

Implementation of DOE's Pandemic Influenza Plan
Adequacy of Lock-Out/Tag-Out Processes at a Department Site



Adequacy of Nuclear Safety Policies and Procedures at a Department Facility
Implementation of Maintenance and Safety Requirements at a Department Site
Internal Controls over Purchase Card Use
Utilization of Exhibitor Fees from DOE Sponsored Conferences
Meeting the Naval Petroleum Reserve 3 Objective

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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. This effort currently requires approximately 24 percent of the OIG's resources, including contractual assistance from an external audit firm.
- ***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.
- ***OMB Circular No. A-123, Management Accountability and Control.*** New and expanded audit requirements are anticipated.
- ***Department of Energy Orders.*** Audits of statements of costs incurred and claimed by the Department's integrated contractors.

Appendix C

OIG 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.



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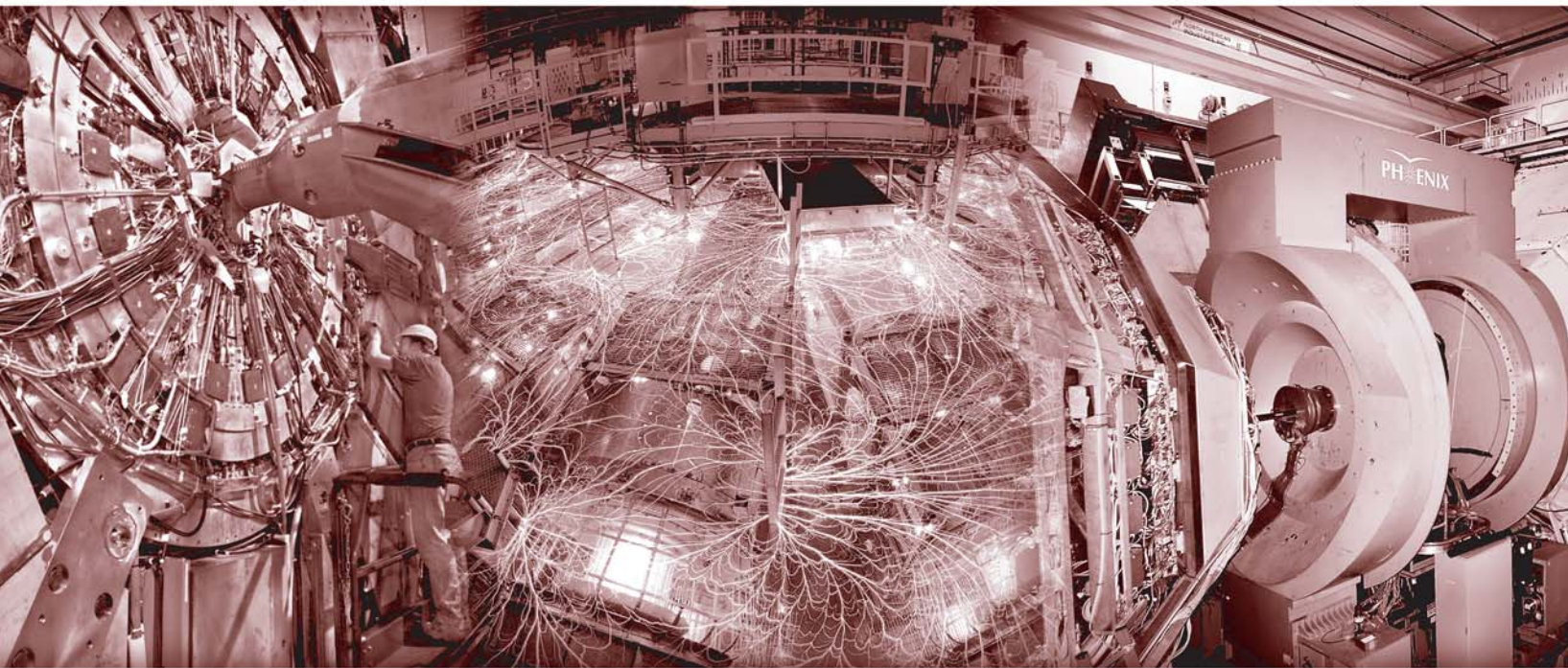


Appendix D

VALIDATION AND VERIFICATION

The chart below represents how the OIG validates and verifies its performance activities.

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
OFFICE OF INSPECTOR GENERAL