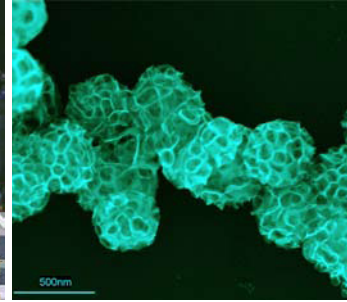




U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL



ANNUAL PERFORMANCE REPORT
FY2007

ANNUAL PERFORMANCE PLAN
FY2008

The seal of the Department of Energy, United States of America, is a circular emblem. It features an eagle with wings spread, perched atop a shield. The shield contains a lightning bolt, a sun, a wind turbine, and a power plant. The words "DEPARTMENT OF ENERGY" are written in a circle around the top, and "UNITED STATES OF AMERICA" around the bottom.

Office of the Inspector General

Gregory H. Friedman
Inspector General

Cover Pictures

(from left to right)

Handford Site - A remotely operated machine moves on tracks and is equipped to take core samples from the concrete floor at the U Plant Canyon Facility as part of the Canyon Disposition Initiative (CDI). This versatile machine can also be equipped with cameras and other sampling equipment. Technology like this is allowing workers to safely perform work previously not possible due to highly contaminated conditions.

A scanning microscope image of platinum-lace nanoballs. Liposomes aggregate, providing a foamline template for a platinum sheet to grow.

FM-5 Target Missile lifts off from Kauai Test Facility's Pad 1.

**ANNUAL PERFORMANCE REPORT
FY 2007**

**ANNUAL PERFORMANCE PLAN
FY 2008**



**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 combined *Fiscal Year 2007 Annual Performance Report and Fiscal Year 2008 Annual Performance Plan*.

This year, the Department of Energy (Department) celebrated the 30th anniversary of its establishment. The implementing legislation, the *Department of Energy Organization Act*, also created the Office of Inspector General. Thus, since 1977, the Office of Inspector General has strived to aid the Department in achieving its missions. Continuing this effort, during Fiscal Year (FY) 2007, we examined a variety of issues that are of vital importance to the Department and the Nation as a whole. As a direct result of our audits and inspections, significant opportunities for programmatic cost savings, operational efficiencies, and enhanced mission accomplishments were identified. During FY 2007, we issued 109 audit and inspection reports. Our performance audit reports contained recommendations for enhancing operations with likely savings of over \$73 million. In addition, we referred 32 criminal cases for prosecution, obtained 46 convictions, and recovered more than \$9 million in fines, restitutions and settlements.

The Office of Inspector General (OIG) is proud to have played a critical role this past year in providing Department of Energy senior management with recommendations for improving the effectiveness of programs and operations. During the course of our work, the OIG places special emphasis on those issues that we annually identify as significant management challenges facing the Department. Consequently, during FY 2007, we issued a number of reports addressing concerns in areas such as safeguards and security, environmental cleanup, stockpile stewardship, cyber security, and contract management.

Let me take a moment to focus on the Department's contract management activities. Employing more than 100,000 contractor personnel, more than any other civilian agency, the Department relies heavily on the efforts and experience of its contractor workforce. In addition to issuing several reports on various programmatic matters related to contract management concerns within the Department, the OIG was asked to testify before Congress on several occasions during the past year on issues related to contract management.

Through our published reports and congressional testimony, we have emphasized the centrality of effective contract administration to the management of the Department's many programs.

MESSAGE FROM THE INSPECTOR GENERAL (CONTINUED)

The Office of Inspector General remains committed to being an instrument for positive change in the Department. We again look forward to serving the American taxpayers in identifying ways that the Department can more effectively and efficiently achieve its vital mission responsibilities.

A handwritten signature in black ink, reading "Greg Friedman". The signature is written in a cursive style with a large, stylized initial "G".

Gregory H. Friedman
Inspector General



TABLE OF CONTENTS

	Page
Overview, Vision and Mission	1
Measuring FY 2007 Performance Results	3
Relationship with the Department of Energy.....	19
FY 2008 Funding Priorities	21
FY 2008 Annual Performance Plan	25
Office of Audit Services	33
Office of Investigations.....	41
Office of Inspections and Special Inquiries	45
Appendix A	
FY 2008 Performance Plan Schedule	47
Appendix B	
OIG Responsibilities and Authorities and Other Mandates.....	55
Appendix C	
OIG Organization	57
Appendix D	
Validation and Verification	59

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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 2007 actual performance and FY 2008 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 2007 audits, investigations, inspections, 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 2008 goals. Appendices include the FY 2008 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 2007 PERFORMANCE RESULTS

In FY 2007, the OIG continued to make positive contributions to the Department's mission-related priorities. Some highlights of our work in FY 2007 include:

- \$73 million in recommendations that funds be put to better use;
- \$9.4 million in investigative fines, settlements, and recoveries;
- 46 criminal convictions;
- 57 suspensions and debarments;
- 1,208 hotline complaints and inquiries processed;
- 68 civil or administrative actions taken; and,
- Approximately \$137 million in potential recoveries from 20 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 2007 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.

Performance Measure:

Conduct reviews as outlined in the OIG annual plan relating to: (1) the President's Management Agenda; (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 completed reviews that addressed every Presidential, Secretarial, and OIG-identified initiative, priority, and/or challenge as identified in FY 2005. Performance audits were initiated on two major Department initiatives – selected aspects of the Energy Policy Act of 2005 and the Loan Guarantees for Innovative Energy Technologies Program.

During FY 2007, the Office of Audit Services conducted a total of 76 audits that addressed the President’s Management Agenda, the Secretary’s Mission Priorities, and OIG-identified Management Challenges. For example, audits were conducted to determine whether:

- The Department had developed a comprehensive cleanup strategy for the remediation of the burial grounds storing nuclear waste at Hanford.
- The weapons surveillance testing backlog at the Department had been resolved.
- The Department was effectively recovering funds to offset operating costs for the proprietary use of the Advanced Photon Source at the Argonne National Laboratory.

During FY 2007, the Office of Inspections and Special Inquiries completed 39 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 whether:

- Los Alamos National Laboratory’s Material Control and Accountability Program was providing timely and accurate information regarding the inventory, transfers, characteristics and location of accountable nuclear materials at the Laboratory.
- Lawrence Livermore National Laboratory (1) excessed unclassified computers and other electronic memory devices in accordance with applicable policies and procedures; and, (2) had adequate internal controls in place to prevent the unauthorized dissemination of unclassified, controlled information.



- Los Alamos National Laboratory (1) falsified work packages, as alleged; and, (2) prepared and approved work packages in accordance with the Integrated Work Management process.

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 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 77 percent of OIG report recommendations.

Accomplishment: Exceeded Goal.

In FY 2007, all of the 51 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, 67 percent identified demonstrable cost savings, program efficiencies and/or funds that can be put to better use in excess of \$86 million. For example, the Department agreed to implement a more rigorous oversight process on the contractor and also conduct a review of the contractor’s procurement system as a result of our audit of “*Quality Assurance Standards for the Integrated Control Network at the Hanford Site’s Waste Treatment Plant*,” DOE/IG-0764. The Department could potentially save more than \$13 million for a control system that was not acceptable for high level waste immobilization operations of the Hanford Waste Treatment Plant.



Reactor process equipment unearthed during remediation of burial grounds in Hanford’s reactor areas along the Columbia River. The contaminated equipment was disposed in the burial ground during reactor operations.

\$2 million was spent to voluntarily separate employees whose skills were needed for the cleanup mission and whose positions were backfilled within six months of the employees being separated.

Based on our audit of “*Follow-up of Depleted Uranium Hexafluoride Conversion*,” DOE/IG-0751, there is a potential that the Department could save \$35 million by adding a fourth conversion line to the Portsmouth facility and reduce the operations schedule by nearly five years.

Nine of the 51 performance audits completed were follow-up reviews to determine the status and efficacy of corrective actions.

Based on our audit of “*Facility Contractor Acquisition and Management of Information Technology Hardware*,” DOE/IG-0768, there is a potential for significant savings of \$16.6 million over the next five years by improving the process for controlling hardware costs and implementing standards for certain equipment.

Based on our audit of “*Voluntary Separation Program at the Idaho Cleanup Project*,” DOE/IG-0765, the Department spent as much as \$10 million more for the contractor’s voluntary separation program than it had on other comparable efforts. Additionally, nearly



Paducah - a cylinder stacking machine used to handle depleted Uranium Hexafluoride cylinders in the cylinder storage yards.

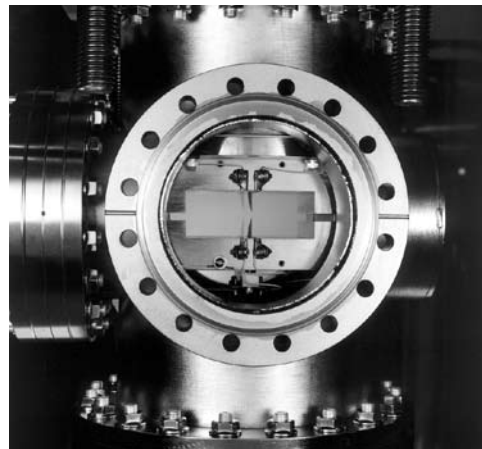


Fundamental to the annual audit planning process is conducting risk assessments and the development of audit profiles. The OIG considers all major contractor sites to be high risk. Other considerations include OIG institutional knowledge; past program performance; funding levels; and Presidential, Secretarial, and congressional concerns. In FY 2007, we completed risk-based programmatic assessments for each Departmental, NNSA and program activity. These risk assessments resulted in the identification of significant auditable entities at various Department locations. Another part of our audit planning process includes input from Department management, other interested parties, and the OIG staff.

In FY 2007, 93 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, in October 2006, the Secretary requested that the OIG examine circumstances surrounding an incident at the Los Alamos National Laboratory concerning a possible compromise of classified data. Our review disclosed that the security framework surrounding the incident was seriously flawed. We found that (i) security policy was non-existent in some areas or inconsistently applied or was not followed in other areas; (ii) critical cyber security internal controls and safeguards were not functioning as intended; and (iii) monitoring by the Department and the contractor was inadequate. We included recommendations to strengthen security policies and procedures at the Department and the Laboratory.

Finally, there were 80 audit recommendations included in the performance audits conducted in FY 2007. The Department concurred with 89 percent of our recommendations. The following are summaries of positive outcomes resulting from three significant audits:

- The Department and the NNSA agreed to develop guidance to correct issues surrounding the effective management of contractors' use of Intergovernmental Personnel Act and Change of Station assignments as a result of our report on "*The Department of Energy's Management of Contractor Intergovernmental Personnel and Change of Station Assignments*," DOE/IG-0761.



Diamond x-ray beam monitor at ANL's Advanced Photon source.



- After an OIG audit of the "*Recovery of Costs for the Proprietary Use of the Advanced Photon Source*," DOE/IG-0753, the Department agreed to adjust its proprietary rates over the next two fiscal years to more closely reflect the proprietary users' actual share of operating costs and improve financial controls.
- The Department agreed to improve continuity of leadership to expedite the completion of materials consolidation based on the results of an audit on "*The Department's Energy, Science, and Environment Sites' Implementation of the Design Basis Threat*," DOE/IG-0749.

The Office of Inspections and Special Inquiries ensured that all 24 performance reviews completed included an analysis of program accomplishments and the use of metrics to measure results or documented that an analysis was not appropriate or required. For example, during an inspection of the Department's workers' compensation program, we found that the Office of Human Resource Services' Employee WorkLife Center did not have performance measures to assess its management of the Headquarters workers' compensation program.

During FY 2007, the Office of Inspections and Special Inquiries initiated one follow-up review to determine whether the Department had effectively implemented the recommendations contained in prior reports concerning managerial oversight and contracting of the protective force at the Oak Ridge Reservation.

In FY 2007, the Office of Inspections and Special Inquiries issued 33 inspection reports, which contained a total of 80 recommendations to management. The Department concurred with 91 percent of the inspection recommendations. The following are examples of positive outcomes resulting from inspection recommendations:

- The Department included provisions related to unexpected overtime in the new protective force contracts at Oak Ridge. These provisions will allow the Department to better control the profit paid to the contractor in times of heightened security.
- The Department initiated a complex-wide policy for the training, use, health, welfare, and performance testing of dogs performing security tasks. Further, the Office of Health, Safety and Security developed and incorporated specific canine-related lines of inquiry into the conduct of all security inspections. These actions are aimed at ensuring the Canine Program provides an adequate level of protection for the Department's personnel and facilities.
- The Chief Information Officer (CIO) and the Cyber Security Working Group undertook preparation of new, long-term cyber security guidance on the disposal



of hard disk drives and other magnetic computer storage media and devices. Further, the CIO issued interim guidance stating that (1) no hard disk drive or other magnetic computer storage media or device should be sold, donated, or transferred to an off-site contractor or other organization for disposal and (2) degaussing should not be used as the sole means to purge data from these items.

- The Office of Intelligence and Counterintelligence has taken action to ensure that NNSA's export control analysts have continued direct access to intelligence-related documents and computer systems. This will allow the analysts to have access to updated and relevant intelligence information when reviewing export license applications and participating in interagency export groups.

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 required to issue Investigative Reports to Management (IRM) 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.

Accomplishment: Exceeded Goal.

For the audit reports completed in FY 2007, 96 percent were issued within 60 days following receipt of management comments, providing timely information to Department management.

During FY 2007, 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 allegations that the MK-19, 40 millimeter Grenade Launcher (MK-19) was being utilized by Pantex Plant protective force officers who lacked adequate training on the weapon and had limited access to a training simulation system due to manufacturing issues. Our inspection substantiated the allegations and identified concerns with equipment, training, and qualification regarding the MK-19 at Pantex.



IRMs were issued, on average, 31 days following final resolution of criminal and/or civil action. The OIG received responses to recommendations made in IRMs during FY 2007, with a 100 percent compliance rate. Department management took administrative action against 48 individuals and obtained 28 debarments of contractors and individuals.

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

- A senior-level Department manager violated the terms of his recusal statement by approving funds for Departmental sites that were responsible for administering programs and awarding several subcontracts to a company owned by the individual's spouse. The individual also failed to disclose his spouse's involvement with the company on his Annual Financial Disclosure Report. The manager was removed from employment in the Federal service.
- A National Laboratory contractor provided inaccurate and potentially misleading information to the Department in response to a Departmental inquiry into the award of a subcontract. As a result of the OIG report, there was a reduction in award fee. The contractor also took a variety of actions, including the return of \$250,000 to the Department.
- A Department prime contractor failed to comply with its internal, Department approved, procedures regarding general liability insurance requirements. This resulted in a reduction of \$408,000 in award fees along with a disallowance of \$341,000 in legal and settlement cost.
- A National Laboratory contractor provided misleading information to the Department when requesting approval of a Cooperative Research and Development Agreement (CRADA) with a company owned and operated by two of the contractor's employees. The employees worked and continued to earn full-time salaries from the contractor during the term of the CRADA. The Department disallowed \$233,038 in costs to the contractor.

In FY 2007, the Office of Inspections and Special Inquiries completed the fieldwork for 84 percent of its inspections within 90 work days. The following are examples of inspection findings:

- The Office of Secure Transportation (OST) did not: (1) categorize and control ammunition as sensitive property; (2) follow requirements for requesting ammunition for activities other than organized, approved training and execute required documentation for the issuance and receipt of ammunition; (3) ensure that ammunition transported on board NNSA aircraft by OST personnel



was declared; (4) ensure that ammunition in the possession of Federal Agents was properly controlled; and, (5) ensure the accountability of armor piercing ammunition.

- The Canine Programs at three Department sites were inadequate in a number of respects. Specifically, we found that half of the canine teams failed the explosives detection evaluation. Also, each of the canines we observed in suspect apprehension demonstrations failed to respond to at least one of the handler's commands. In addition, the canines were not receiving the minimum number of hours of weekly training for explosives detection.
- NNSA delayed for 2 ½ years having Lawrence Livermore National Laboratory implement Department policy, first issued in February 2004, on clearing, sanitizing, and destroying memory devices. Due to the delay in implementing the Department policy, the Laboratory did not establish certain site-wide procedures and internal controls necessary to ensure the proper clearing, sanitization, and destruction of memory devices.
- Internal controls for Sandia National Laboratory-California's procurement card program did not ensure that purchases made using procurement cards were in accordance with applicable policies and procedures. Specifically, managers approved transactions that lacked adequate descriptions, and restricted items were purchased without the appropriate authorization. We also identified items of questionable allowability, such as catered meals and "souvenirs." Further, we questioned whether the issuance of procurement cards to 44 percent of Sandia employees was consistent with procurement card guidance on limiting the number of procurement card users.



Hanford patrol K-9 dogs like Nitro, shown here with handler Pat Krzan, are trained to detect contraband or prohibited substances.

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 unclassified information security system programs in accordance with the Federal Information Security Management Act (FISMA) of 2002, by September 30, 2007.
- 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: Exceeded Goal.

The OIG’s audit of the Department’s FY 2007 Consolidated Financial Statements resulted in an unqualified opinion that was issued on November 9, 2007. Two significant internal control deficiencies were discovered during the audit: accounting for environmental liabilities and unclassified network security. Neither of the significant deficiencies was considered to be material weaknesses.

In conjunction with the financial statement audit, we completed reviews of the Department’s unclassified information security systems as required by FISMA. We found that the Department had taken steps to improve cyber security practices and continued to maintain strong network perimeter defenses against malicious intruders and other external threats. While the Department is taking steps to improve its cyber security posture, additional action is needed to reduce the risk of compromise to information systems and data. We have identified areas for improvement, including certification and accreditation of systems, information systems inventory, contingency planning processes, and protection of personal information.

Finally, we completed 12 “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.

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.

Accomplishments: Exceeded Goal.

The OIG achieved a prosecutorial acceptance rate of 86 percent during this fiscal year. In addition, the OIG obtained 33 criminal indictments and 46 convictions, 3 pretrial diversions, and 6 civil judgments. Seventy-nine percent of the cases opened in FY 2007 focused on key areas of vulnerability in the Department.

Examples of successes as a result of OIG investigations include:

- A Department subcontractor submitted fraudulent test certifications and substandard metals to various Government agencies and their contractors. Five individuals pled guilty to multiple counts of false statements, false claims, and conspiracy. Two owners were sentenced to a total of 51 months incarceration, 4 years of supervised release, and assessed \$397,360 in restitution and fines. One employee was sentenced to two years probation, and three months of house arrest. Another employee was sentenced to 18 months probation and ordered to pay \$7,288 in restitution and fines. The last employee was sentenced to a total of 48 months in prison, 4 years supervised release, and ordered to pay \$269,788 in restitution.
- A Department subcontractor double-billed costs such as depreciation and lease expenses to both direct and overhead accounts. The contractor entered into a \$1.2 million civil settlement with the Government.
- A contractor employee who maintained child pornography on his Government computer and engaged in sexual activity with a mentally handicapped adult was sentenced to 16 years in prison.
- A former National Laboratory small purchase buyer improperly requested three checks payable to a fictitious company totaling \$55,000. The former employee was sentenced to four months incarceration, four months home confinement, three years supervised released, and was ordered to pay \$35,789 in restitution and fines.
- A former Department grantee employee made fraudulent purchases with a Government purchase card. The employee was sentenced to 16 months in Federal prison, 3 years of supervised release, and was ordered to pay \$18,000 in restitution.



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 that 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.

Accomplishments: Exceeded Goal.

The OIG opened 101 cases during FY 2007; 41 percent of which were joint agency task force investigations. The following are examples of successes from joint agency task force investigations:

- A joint OIG investigation with the Royal Canadian Mounted Police and the Federal Bureau of Investigation determined that a Canadian citizen compromised an unclassified Department computer at the Los Alamos National Laboratory, as well as committed bank fraud, wire fraud, and identity theft unrelated to the Department. The Canadian citizen pled guilty to several Canadian Criminal Code offenses and was sentenced to 12 months probation and 200 hours of community service.
- A Department courier attempted to and sold Department equipment restricted for use by Government, law enforcement, and military personnel. The courier pled guilty to 1 count of Wire Fraud and 1 count of Possession of Unregistered Firearm and was sentenced to 30 months of incarceration for each of the 2 counts, to be served concurrently, and 3 years of supervised release. The courier was also assessed \$18,689 in restitution and fines.
- A former Department subcontractor devised a scheme to launder money obtained from Department contracts using various businesses owned by the subcontractor company President, the Chief Operations Officer, family members and business associates. The company's President was sentenced to 21 months incarceration, 3 years supervised release, and ordered to pay \$62,218 in restitution and fines; the Chief Operations Officer was sentenced to 5 months incarceration, 5 months home confinement and ordered to pay \$12,078 in restitution and fines; and a third individual was sentenced to 3 years probation, 60 hours community service, and \$23,638 in restitution and fines.



- Seven individuals engaged in a fraud and forgery enterprise produced counterfeit checks and identification documents, to include counterfeit payroll checks from a Department Laboratory. One individual was sentenced to 18 years in a Colorado state prison, 33 months incarceration in Federal prison, 3 years of supervised release, and 500 hours drug treatment. Sentences will run concurrently. Another individual was sentenced to six years incarceration. A third individual was sentenced to 10 years incarceration and assessed \$5,135 in restitution. Action is pending against the remaining individuals.

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.

Accomplishments: Exceeded Goal.

The OIG investigative personnel conducted 53 fraud awareness briefings in FY 2007. 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 successes from cases initiated as a result of referrals from Department and contractor employees and managers.

- A GS-15 manager at a Department facility used their official position to help their spouse obtain a job with a Department contractor. The spouse earned nearly \$100,000 in salary and commissions, as well as a company-paid trip to Hawaii, while employed for seven months with the contractor. The manager initially failed to submit the proper recusal documentation and, once submitted, continued to be involved in contract decisions which resulted in more business for the contractor. The manager resigned from Government service and was convicted of conflict of interest, wire fraud, and making a false statement. The manager was sentenced to four months at a Community Corrections Center and five years probation. The Department debarred the manager and spouse for three years from Government contracting.
- A now former National Laboratory employee conspired with a print shop vendor to submit 97 false claims totaling \$126,175. The employee used a Government purchase card to pay the fraudulent claims. The now former employee was sentenced to 12 months house arrest, 5 years probation, and ordered to pay \$126,000 in restitution. The print shop vendor was sentenced to



3 years probation and 200 hours of community service. The former employee, the vendor, and the print shop were debarred for three years from Government contracting.

- A former contractor employee at a National Laboratory submitted multiple fraudulent timecards, causing the contractor to pay for work the subject had not actually performed. Pursuant to a civil judgment, the subject paid \$46,060 in restitution and fines. The employee was debarred for three years from Government contracting.
- A former National Laboratory employee operated a personal business and improperly accessed the Laboratory's network, downloading numerous web page templates that included names and passwords while employed at the Laboratory. The employee was sentenced to six months home detention with electronic monitoring, two years probation, and \$26,100 in restitution and fines.

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.

Accomplishment: Exceeded Goal.

One hundred 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 1,208 complaints/allegations; 399 of those items were predicated; and 195 matters were referred to management, of which 92 requested a management response.

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.

Accomplishment: Met Goal.

All public reports identified 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.

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 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 OIG 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.

Performance Measure:

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

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 system to provide a user friendly application process for candidates.



RELATIONSHIP WITH THE DEPARTMENT OF ENERGY

The work of the OIG continues to focus on the vital areas stated in the Department's strategic plan. The Department's strategic themes of energy security, nuclear security, scientific discovery and innovation, environmental responsibility, and management excellence are key areas for OIG reviews and investigations. The OIG aligns its reviews along the same themes, with emphasis on key challenges facing the Department. The OIG identification of key challenges brings an even sharper delineation of issues for Departmental focus. The following are the OIG-identified Management Challenges for FY 2008:

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

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

OIG Strategic Goal

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

1. The President's Management Agenda;
2. The Secretary's priorities; and,
3. OIG-identified Management Challenges.

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

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FY 2008 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 2007 Appropriated	FY 2008 Requested	FY 2008 Pre-conference
<p><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:</i></p> <p><i>(1) implement the President’s Management Agenda;</i></p> <p><i>(2) resolve management challenges;</i></p> <p><i>(3) execute the Secretary’s priorities;</i></p> <p><i>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></p>	\$41.8 million	\$47.7 million	\$47.7 million

The OIG’s FY 2007 budget appropriation remained at FY 06 levels due to a year-long continuing resolution. This action resulted in a temporary decrease of staffing and a decrease in funds available for travel and training requirements. If the full FY 2008 budget is received, the additional funding will help to ensure that the OIG continues to successfully meet its statutory requirements; and conduct independent audits, investigations, inspections, and other reviews of the Department’s programs in a timely and efficient manner.



Mission Priorities	Outcomes
Nuclear Security	<ul style="list-style-type: none">■ Promote security, safety and reliability of Department programs to include vital national security capabilities such as the nuclear stockpile.■ Facilitate the strengthening of the Department's cyber security programs to protect the integrity, reliability, and confidentiality of critically important information.■ Assist the Department in implementing the Design Basis Threat.■ Promote effective intelligence and counterintelligence programs.
Energy Security and Scientific Discovery and Innovation	<ul style="list-style-type: none">■ Contribute to the protection of the critical energy infrastructure and supply.■ Promote the implementation of the President's National Energy Plan.■ Assist in promoting research and development that directly relate to and support the missions of the Department and aid in ensuring greater application of mature technologies.
Environmental Responsibility	<ul style="list-style-type: none">■ Promote the advancement of energy, science and technology to achieve energy solutions.■ Promote implementing environmental cleanup faster and cheaper.
Management Excellence	<ul style="list-style-type: none">■ Contribute to the success of the Department's licensing and construction of a permanent repository for nuclear waste at Yucca Mountain.■ Assess the Department's management of uranium enrichment and civilian nuclear power development.



Management Excellence

- 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 requests directly impact the OIG's workload, 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 conduct reviews and 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 President's Management Agenda, the Secretary's mission priorities, and the most serious management challenges facing the Department.

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FY 2008 ANNUAL PERFORMANCE PLAN

Our work is important to the Department's success in fulfilling its Strategic Plan to address the energy, environmental, and nuclear security challenges and mission-related goals. The OIG must ensure that its resources and activities cover the issues and concerns most critical to the Department. This Performance Plan identifies the FY 2008 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 2008 to continue identifying opportunities for cost savings and operational efficiencies, and to continue to return hard dollars to the Department and the U.S. Treasury.

FY 2008 Performance Measures

For FY 2008, 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 2007.



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 57 percent of all performance audits include recommendations leading to demonstrable cost savings, program efficiencies, and/or funds put to better use.
- Complete five follow-up reviews annually to determine the status and efficacy of corrective actions.
- By June 30, 2008, 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 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 79 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 80 percent of audit reports no later than 60 days following receipt of management comments.
- Complete the field work for 75 percent of special inquiries within 60 work days.
- Ensure that the average time to issue Investigative Reports to Management is 55 days or less following final resolution of criminal and civil investigations.



- Complete the field work for 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.
- By September 30, 2008, review the Department's unclassified information security system programs in accordance with the Federal Information Security Management Act of 2002.
- Initiate 10 "Statement of Costs Incurred and Claimed" audits annually to assess internal controls over costs claimed by the Department's major contractors.

Objective 5:

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

Performance Measures:

- Achieve an annual acceptance rate of 72 percent for cases presented for prosecutorial consideration.
- Ensure 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 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 28 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 85 percent of Hotline complaints warranting further action begin processing within 7 days of receipt.
- Forward 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:

- 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:

Nuclear 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.

The long-term effects of aging nuclear weapons and the implications of successive warhead refurbishments need to be considered as the Department continues to draw down the nuclear weapons stockpile to the lowest levels since the Eisenhower Administration. To annually certify the readiness of the nuclear weapons, the Department has adopted a science based Stockpile Stewardship Program that emphasizes development and application of improved technical capabilities to assess the safety, security and reliability of existing nuclear warheads without the use of nuclear testing.

The Department also announced Nuclear Weapons Complex 2030, a comprehensive plan to enhance the U.S. capability to respond to changing national and global security



challenges. This plan calls for a smaller, safer and more secure nuclear weapons stockpile that has assured reliability over the long term and is backed by the industrial and design capabilities needed to respond to changing technical needs.

Environmental Responsibility

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 with Federal, State, and local regulatory policies that create challenges. The Department must also be prepared to address the residual risks that will remain at most sites.

At the Department, the Office of Civilian Radioactive Waste Management is responsible for constructing a geological repository at Yucca Mountain Nevada to manage and dispose of commercial and defense spent nuclear fuel and other highly radioactive wastes in a manner that protects health, safety and the environment. The ultimate consolidation and disposal of nuclear waste at Yucca Mountain 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 Security

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. To avoid an increased dependence on oil imports, which could jeopardize U.S. national and economic security, the Department is taking steps to improve energy conservation and efficiency.

The Energy Policy Act, the first comprehensive energy plan in more than a decade, 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.

The Department is working to develop technologies that will provide a diverse supply of reliable, affordable, and environmentally sound energy. Some of these technologies include renewable energy sources (including hydropower, wind, solar, bioenergy and geothermal), nuclear energy, oil, natural gas, coal, and reductions in demand through conservations and energy efficiency technologies and processes.

Scientific Discovery and Innovation

To remain competitive with other nations and achieve the major scientific discoveries that will drive U.S. competitiveness, the Department is committed to advancing the most critical basic research programs in physical sciences. 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 the major scientific discoveries that will revolutionize approaches to the Nation's energy, national security, and environmental quality challenges.

The Department's responsibility under the American Competitiveness Initiative (ACI) is to cultivate the U.S. scientific base to enable our Nation to compete and win in the global marketplace of ideas and commerce. Specifically, ACI directs the Department to: (1) increase financial support for innovation-enabling research in the fields of physical science and engineering; (2) increase investments in the U.S. scientific infrastructure; (3) improve the capacity, maintenance and operations of the national laboratories; (4) provide mentored experiences for K-12 science teachers that will transform them into teachers of science who encourage and inspire the next generation of scientists and engineers; and, (5) provide training opportunities to increase the skills and knowledge of the scientific and technical workforce.

A very important component of the Department's science activities is its operation and management of 10 national laboratories. 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. The national laboratories will play an important role as the Department pursues innovations in science and technology.



Management Excellence

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:

- Project Management
- Contract Management
- Performance Management
- Information Technology Management
- Safeguards and Security



OFFICE OF AUDIT SERVICES

The Office of Audit Services (OAS) provides internal and contracted audit activities for Department programs and operations, including the NNSA. The Office strives to provide reliable, credible financial and performance information to senior management, the Congress, and the taxpayers. The OAS recently reassessed its organizational structure to better position it to meet the challenges of the future. Effective October 1, 2007, the OAS reorganized to better align with the Department's programmatic lines in national security and energy, as well as in environment, science, financial, technology, and corporate operations. The Office will concentrate its efforts on economy, efficiency and program reviews, while maintaining sound oversight of the financial statement audit. 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 known or emerging risks and the greatest vulnerabilities are identified. This process leads to conducting program performance reviews that address the President's Management Agenda; the Department's strategic themes and goals; OIG-identified management challenges; as well as congressional interests. A significant portion of audit resources is directed toward meeting OIG statutory audit responsibilities in the financial and information technology areas.

The OAS has scheduled 73 performance audits to start in FY 2008. Many non-discretionary taskings from external sources impact the OAS workload and may require postponement or cancellation of planned audits to accommodate these demands. Following is a summary of the objectives for the audits that are scheduled to begin in FY 2008, grouped by the Department's business lines and our new reorganized structure. The planned audit workload is summarized later in this plan.

National Security and Energy

To protect our national security by applying advanced science and nuclear technology to the Nation's defense, and to contribute to the protection of the Nation's economic security by promoting a diverse supply and delivery of reliable, clean, and affordable energy, the following audits will determine whether the:

- Los Alamos National Laboratory (LANL) Fire Protection Program's pre-existing conditions were corrected and resolved (A08LA010)



- LANL can account for government furnished and subcontractor acquired property (A08LA012)
- Dual Axis Radiographic Hydrodynamic Test's second axis will meet mission requirements (A08LA015)
- Pantex Throughput Improvement Plan has achieved its goals (A08YT029)
- Y-12 site contractor has fully implemented its quality assurance corrective action plan (A08YT030)
- Department is maintaining the facilities and infrastructure at the Nevada Test Site to meet current and future national security missions (A08LV022)
- NSTec's FY 2007 claimed costs are allowable, allocable, and reasonable (A08LV023)
- Stanford Linear Accelerator Center will complete the Linac Coherent Light Source project as planned to meet the Department's mission requirements and science objectives (A08LL018)
- Concerns identified over use control assessments are resolved in a timely manner (A08AL003)
- NNSA sites are taking effective measures to reduce and correct nuclear criticality safety violations (A08AL002)
- Material Recycling and Recovery program is on schedule to meet stockpile requirements (A08YT031)
- Performance Based Incentives at the LANL clearly define performance measures and expectations to ensure the fee is earned (A08LA014)
- LANL site contractor has corrected the pre-existing Work-for-Others billing condition and to determine whether Government funds were used to finance any Work-for-Others (A08LA016)
- Lawrence Livermore National Laboratory subcontract costs were allowable and allocable (A08LL017)
- NNSA is requiring facility contractors to ensure that warranty repairs are performed on newly constructed or remodeled facilities (A08LL019)



- Department has fully implemented congressional direction on integrated spent fuel recycling (A08LV021)
- Nevada Test Site is fully identifying, tracking, and resolving all conditions that could affect its mission (A08LVLV020)
- Vendor supplied parts meet the Department's established standards (A08AL001)
- Radiation protection concerns at the LANL were corrected and resolved (A08LA013)
- Contractor Assurance System has achieved NNSA oversight objectives (A08LA011)
- Department's laboratories have developed and implemented corrective actions to address identified weaknesses in their management of sensitive and high risk property (A08AL004)
- Bonneville Power Administration's Fish and Wildlife projects are being conducted in the most efficient and effective manner (A08DN009)
- Department is effectively administering the funding of its Bioenergy Program (A08DN005)
- Power Marketing Administrations are acquiring materials and equipment for transmission projects in the most cost effective manner (A08DN006)
- Energy Efficiency and Renewable Energy is effectively administering the funding of its Solar Technology Pathway Partnerships (A08DN007)
- Power Marketing Administrations spectrum relocation projects are within cost and schedule (A08DN009)
- Department received the proper amount of money from the Great Plains Synfuels Plant revenue sharing agreement (A08OR028)
- Department is on target to meet its planned 2011 date to establish energy efficiency standards for consumer and industrial products (A08OR025)
- Federal Energy Regulatory Commission (FERC) has an effective safety and security inspection program for Liquefied Natural Gas terminals (A08OR026)



- FERC appropriately identifies and investigates potential energy market abuses in a timely manner (A08OR027)
- Department has ensured that oil receipts from royalty-in-kind exchanges maximized revenue and met contractual obligations (A08OR024).

Environment, Science, and Corporate 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, and to contribute to the protection of the U.S. national and economic security by providing world-class scientific research capacity and advancing scientific knowledge, the following audits will determine whether the:

- Brookhaven Environmental Management Completion Program is meeting milestones and cost goals for environmental cleanup (A08PR018)
- Legacy Management Records Storage Facility will meet the Department's need for transfer and storage of Environmental Management closure site records (A08ID014)
- Office of Science laboratories are recovering all appropriate costs associated with joint appointments activities (A08CH002)
- Argonne National Laboratory appropriately used General Plant Project funding for its upgrade projects (A08CH003)
- Department has implemented the Board on Radioactive Waste Management report recommendations to improve the efficiency and cost effectiveness of the contact-handled transuranic waste characterization program (A08ID017)
- Department is pursuing alternative uses for the DUF6 oxide (A08ET005)
- Contract severance plans provide equitable benefits to all separated contractor employees (A08ID016)
- Westinghouse Savannah River Company's procurement practices ensure that the Department receives the best value for the goods and services it purchases (A08SR032)



- Department is efficiently operating the solid waste processing at the Hanford Site (A08RL025)
- Department is effectively managing storage of Hanford Site tank waste (A08RL027)
- Department is using appropriate seismic design criteria when designing and constructing major projects within the complex (A08SR031)
- Department is meeting its goals for its research assistantships and education programs (A08PR019)
- Cooperative agreements awarded by the Chicago Office are accomplishing their required results (A08CH001)
- Department field sites are taking corrective actions to resolve safety issues arising under the Corrective Action Management Program (A08ID013)
- Department has made progress on the recommendations from the previous Inspector General report on the Status of the Mixed Oxide Fuel Fabrication Facility (A08ET004)
- Department land transfers and grants to the Community Reuse Organization of East Tennessee are achieving their intended goals (A08ET006)
- Department has developed an integrated strategy for the reporting and disposition of unneeded materials and chemicals (A08GT008)
- Remote Handled Transuranic Waste Program at the Waste Isolation Pilot Plant is operating effectively (A08ID015)
- Department implemented operational efficiencies identified for the Waste Treatment Plant project (A08RL028)
- Department has implemented an adequate 3013 Container surveillance capability (A08SR029)
- Department has an effective strategy for disposing of mixed low-level waste throughout the complex (A08SR030)
- Department has a comprehensive remediation strategy for miscellaneous waste tanks at the Hanford Site (A08RL026)



- Department is meeting its commitment and deadlines for U.S. participation in the International Thermonuclear Experimental Reactor Project (A08ET007)

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

- Department is meeting its stewardship goals for the management of contractor pension plans (A08GT009)
- Department's process for accumulating performance results supports accurate, complete and reliable reporting of performance information and whether such information is being appropriately used by management (A08GT010)
- Department is managing its Purchase Card Program in the most effective and economical manner (A08PT020)
- Department and its contractors are appropriately awarding and utilizing consultant services to accomplish its mission (A08PT021)
- Department and its contractors are properly managing defensive and tactical equipment (A08PT022)
- The Department has effective programs and plans in place to ensure the efficient use of energy and water (A08PT023)
- Corrective actions were implemented at LANL and other selected Departmental classified computing facilities that fully addressed security deficiencies identified in the Special Inquiry Report on "Selected Controls Over Classified Information at the Los Alamos National Laboratory" (A08TG033)
- Office of Science is adequately managing its High Performance Computing resources and their use in the Innovative and Computational Impact on Theory and Experiment (INCITE) program (A08TG034)
- Department is effectively utilizing systems for managing information technology assets (A08TG035)
- NNSA's Information Technology Organization is meeting mission needs and performance goals (A08TG036)



- Department contractors have developed and implemented an effective mechanism for reporting security issues/violations (A08TG037)
- Department is identifying and tracking its Accountable Classified Removal Electronic Media (A08TG038)
- Power Marketing Administrations are effectively managing their information technology programs to include properly securing their systems and managing their information technology investments (A08TG039)
- Department's classified information systems have been appropriately certified and accredited for operation (A08TG040)
- Department contractors' Pension Benefit Guaranty Corporation premium payments are necessary (A08GT012)
- Department contractors' internal auditing functions operate in a manner that ensures objectivity and independence (A08GT011)

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

- A08FN001 – *Department of Energy Consolidated Financial Statement FY 2008*
- A08FN002 – *FERC's Financial Statement FY 2008*
- A08FN003 – *Isotope Production Distribution FY 2008*
- A08FN004 – *Decommissioning and Decontamination FY 2008*
- A08FN005 – *FMFIA FY 2008*
- A08FN009 – *Implementation of A-123 Appendix A FY 2008*

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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 recommendations accepted by management, investigations accepted for prosecutive action, cooperative efforts with other law enforcement agencies, and proactive initiatives. Through accomplishments in those areas, the office plays a major role assisting the OIG in promoting the efficient, effective, and economical operation of the Department, including NNSA.

National Program Area Initiative

The work performed by OI is primarily reactive in nature and has the potential of reaching into any 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 2007 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 2008, work on the National Program Area Initiative will continue to move forward as plans are implemented and expanded.

Contract and Grant Fraud

During FY 2007, 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 \$1.2 million civil settlement with the U.S. Government for submitting false claims. Given the continuing potential for significant fraud, in FY 2008, OI will continue to: (1) expand fraud awareness briefings throughout the Department, 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 2008 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 2008, OI will continue to: (1) work with established ES&H task forces, (2) identify opportunities to establish new task forces; and, (3) develop and maintain ES&H contacts in the Department, NNSA, and other Government agencies.

Qui Tams

As a rule, *Qui Tam* related allegations are complex and staff-hour intensive. As of September 30, 2007, OI had 20 open *Qui Tam* investigations with claims alleging fraud of \$137 million. These investigations often have a major impact on the Department and generally involve significant allegations of fraud involving millions of dollars and multiple Federal agencies. OI continues to work closely with the DOJ's Commercial Litigation Branch in the investigation and analysis of *Qui Tam* cases. One such investigation resulted in \$2.3 million returned to the Government. Multiple contractors



received or provided benefits such as rebates, influence fees, referral fees, finder's fees, discounts, and/or development funds as a result of alliance agreements. This resulted in false claims against Federal Government contracts. In FY 2008, 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 2007. 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 2007, TCS investigations led to several criminal convictions against individuals who compromised Government computers or misused them by accessing or storing sexually explicit material to include child pornography. TCS also provided technical expertise on standard fraud cases.

During FY 2008, TCS will: (1) continue to proactively contribute to and support fraud investigations through consultations and forensic media analysis; (2) investigate incidents of technology crimes and non-compliance with applicable regulations involving protection of the information infrastructure throughout the Department; (3) clarify and extend OI's role in technology incident response and investigations in the Department; (4) ensure all TCS special agents continue to receive required technical training; and, (5) refine and provide technology crimes awareness briefings throughout the Department complex.

Proactive Work

Historically, OI's response to allegations of wrongdoing has been reactive in nature. However, OI succeeded in implementing a process that streamlined and formalized proactive case development with a targeted approach designed to ensure more efficient and effective use of resources.

OI will continue its pursuit of proactive initiatives designed to effect positive change within the Department and enhance OI's ability to meet organizational goals and



objectives. Close attention will be paid to OI's infrastructure needs to ensure adequate skills, tools, and processes are in place to respond promptly and appropriately to emerging priority issues identified by the President, Secretary, Congress, and public. Partnerships with other established law enforcement agencies, Department managers, and employees will be expanded, and productive sources of information will be further cultivated.



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 17 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 31 active inspections into the new fiscal year, and the following are planned inspections for FY 2008:

Nuclear Security

- Protective Force Weapons Contingency Training
- Physical Security of Special Nuclear Material at a Selected Site
- Security of Laptop Computers on Foreign Travel
- Response to Incidents of Security Concern at One or More Selected Sites
- Quarterly Intelligence Oversight Reviews
- Implementation of Two-Person Control Requirements



Management Excellence

- Accountability for Regulated Chemicals
- Accountability and Storage of Pharmaceuticals
- Management of State Constable Activities
- Management of Fire Department Contract at a Selected Site
- Management of Vital Records Under Continuity of Operations
- Safety Controls over Students Working at Department Laboratories
- Internal Controls over Purchase Card Use



Appendix A

FY2008 PERFORMANCE PLAN SCHEDULE

Office of Audit Services

AUDIT NUMBER	TITLE
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PLANNED FY 2008 PERFORMANCE AUDITS

National Security and Energy

A08AL001	Quality Assurance over Vendor Supplied Parts
A08AL002	Nuclear Criticality Safety Violations
A08AL003	Nuclear Weapon Use Control
A08AL004	Follow-up of Management of Non-Nuclear High Explosives
A08DN005	EERE's Bioenergy Program
A08DN006	Power Marketing Administration Acquisition of Materials and Equipment
A08DN007	EERE's Solar Technology Pathway Partnerships
A08DN008	Power Marketing Administration Spectrum Relocation Projects
A08DN009	Bonneville Power Administration's Fish and Wildlife
A08LA010	Fire Protection at LANL
A08LA011	LANL/KCP Oversight Programs



A08LA012	LANL Subcontractor Property
A08LA013	Radiation Protection at LANL
A08LA014	Performance Based Incentives at LANL
A08LA015	DARHT Second Axis
A08LA016	Work for Others at LANL
A08LL017	Selected Subcontract Costs
A08LL018	SLAC Light Source Project
A08LL019	Construction Rework
A08LV020	Corrective Action Program at NTS
A08LV021	Integrated Spent Fuel Recycling
A08LV022	Test Readiness at NTS
A08LV023	2007 Cost Incurred – Nevada
A08OR024	Department’s Management of Royalty-in-Kind for SPRO
A08OR025	Energy Efficiency Standards
A08OR026	FERC’s Liquefied Natural Gas Terminal Safety and Security Inspection Program
A08OR027	FERC’s Oversight and Investigations Program
A08OR028	Revenue Sharing at the Great Plains Synfuels Plant
A08YT029	Pantex Throughput Improvement
A08YT030	Quality Assurance at Y-12
A08YT031	Material Recycling and Recovery



Environment, Science, and Corporate

A08CH001	Chicago's Cooperative Agreements
A08CH002	Joint Appointments at Office of Science Laboratories
A08CH003	General Plant Projects at Argonne National Laboratory
A08ET004	Follow-up of the Mixed Oxide Fuel Fabrication Facility
A08ET005	DUF6 Research and Development Activities
A08ET006	Department Land Transfers and Grants to CROET
A08ET007	International Thermonuclear Experimental Reactor Project
A08GT008	Follow-up of Excess Materials and Chemicals
A08GT009	Stewardship of Contractor Pension Plans
A08GT010	Department Performance Measures
A08GT011	Internal Audit Compliance with Cooperative Audit Strategy
A08GT012	Department's Payment of Premiums to the Pension Benefit Guaranty Corporation
A08ID013	Resolving Personal Safety Issues at the Department
A08ID014	Office of Legacy Management's Storage of EM Closure Site Records
A08ID015	Remote Handled Transuranic Waste Program at the Waste Isolation Pilot Plant
A08ID016	Comparability of Severance Benefits across the DOE Complex
A08ID017	Department's Implementation of the National Research Council's Recommendations to Improve the Contact-Handled Transuranic Waste Characterization Program
A08PR018	Brookhaven Environmental Management Completion Program
A08PR019	Management of the Department's Funded Science Education Programs



A08PT020	Management of the Department's Purchase Card Program
A08PT021	Department's Use of Consultant Services
A08PT022	Management of Defensive and Tactical Equipment
A08PT023	Energy Use Management at Department Facilities
A08PT024	Survey of Health Benefits at Department Contractors
A08RL025	Solid Waste Processing at the Hanford Site
A08RL026	Hanford's Miscellaneous Waste Tanks
A08RL027	High-Level Waste Storage at the Hanford Site
A08RL028	Operational Efficiencies at the Hanford Site's Waste Treatment Plant
A08SR029	Plutonium Container Surveillance and Storage Capability
A08SR030	Disposal Space for Mixed Low-Level Nuclear Waste within the Department
A08SR031	Seismic Design Criteria for Facilities within the Department
A08SR032	Contractor Procurement Practices at the Savannah River Site
A08TG033	Physical and Cyber Security Controls over Classified Computing Facilities
A08TG034	Innovative and Novel Computational Impact on Theory and Experiment (INCITE) Program
A08TG035	Department Information Technology Asset Management System
A08TG036	NNSA's Information Technology Organization
A08TG037	Security Infraction Notification Process at Department Management and Operating Contractors
A08TG038	Control over the Department's Accountable Classified Removable Electronic Media



A08TG039	Management of Information Technology at the Power Marketing Administrations
A08TG040	Certification and Accreditation of Classified Information Systems
A08TG041	Department's Implementation of FISMA
A08TG042	FERC's Implementation of FISMA

PLANNED FY 2008 GMRA AUDITS

A08FN001	Department's Consolidated Financial Statement Audit FY 2008
A08FN002	FERC's Financial Statement Audit FY 2008
A08FN003	Isotope Production Distribution FY 2008
A08FN004	Decommissioning and Decontamination FY 2008
A08FN005	FMFIA FY 2008
A08FN006	IT Management Letter FY 2008
A08FN007	Financial Management Letter FY 2008
A08FN008	Agreed-upon-Procedures for Payroll FY2008
A08FN009	Implementation of A-123 Appendix A FY 2008

PLANNED FY 2008 ATTESTATION ENGAGEMENTS

A08AL032	Sandia 2007 SCIC
A08DN033	Midwest Research Institute 2004-2007 SCIC
A08LA034	University of California at Los Alamos 2006 SCIC
A08LA035	Los Alamos National Security LLC 2006 SCIC



A08LA036	Los Alamos National Security LLC 2007 SCIC
A08LL037	University of California at Livermore 2006 SCIC
A08LL038	University of California at Livermore 2007 SCIC
A08LL039	Stanford University 2004-2007 SCIC
A08LV040	Bechtel SAIC Co. 2005-2007 SCIC
A08YT041	BWXT Y-12 LLC 2007 SCIC
A08YT042	Honeywell International Inc. 2007 SCIC
A08CH043	U Chicago Argonne LLC 2007 SCIC
A08CH044	URA Inc (FERMI) 2005-2007 SCIC
A08ET045	UT Battelle LLC 2007 SCIC
A08ET046	Bechtel Jacobs Co. LLC 2007 SCIC
A08ID047	Battelle Energy Alliance 2007 SCIC
A08ID048	Washington TRU Solutions (WIPP) 2004-2007 SCIC
A08PR049	Brookhaven Sciences Associates LLC 2005-2007 SCIC
A08RL050	Battelle Memorial Institute 2005-2007 SCIC
A08SR051	Washington Savannah River Company 2007 SCIC



Office of Inspections and Special Inquiries

Title

National Security

- Physical Security of Special Nuclear Material at a Selected Site
- Security of Laptop Computers on Foreign Travel
- Quarterly Intelligence Oversight Reviews
- Implementation of Two-Person Control Requirements

Management Excellence

- Accountability for Regulated Chemicals
- Accountability and Storage of Pharmaceuticals
- Management of Fire Department Contract at a Selected Site
- Management of Vital Records Under Continuity of Operations at a Selected Site
- Safety Controls over Students Working at Department Laboratories
- Internal Controls over Purchase Card Use

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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.



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