

U.S. DEPARTMENT OF ENERGY  
OFFICE OF INSPECTOR GENERAL



*SEMIANNUAL REPORT  
TO CONGRESS*

VOLUME 1: OCTOBER 1, 2015 – MARCH 31, 2016

DOE/OIG-0070

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## MESSAGE FROM ACTING INSPECTOR GENERAL

I am pleased to submit the Semiannual Report to Congress for the period ending March 31, 2016. This report is a compilation of our work designed to help identify and prevent fraud, waste, abuse, and mismanagement with Department programs and operations.

During this reporting period, we issued 39 audit and inspection reports examining programs and operations within the Department. An example of our recent work includes a review of [The National Nuclear Security Administration's Network Vision Initiative](#) where we found that implementation of various components of the initiative were significantly behind schedule and over budget as a result of ineffective project planning practices. Moreover, the primary objectives for the initiative – enhancing collaboration among employees and implementing a fully operational cloud-based computing solution – were potentially not met. We also initiated an audit, [The Office of Fossil Energy's Regional Carbon Sequestration Partnerships Initiative](#), to determine whether the initiative was managed in an effective and efficient manner. We found that because the Department had not always effectively managed the initiative's financial assistance awards, one of the two partnerships we reviewed was reimbursed or allowed to claim cost share for approximately \$5.1 million in unsupported and questionable project costs incurred by one of its subrecipients.

Our investigative efforts also continue to help strengthen the Department's programs and operations. We recently assisted the Department in recovering \$3 million after an investigation determined that a contractor inaccurately represented work completion percentages within its earned value management system, resulting in the underpayment of costs and fees by the contractor. Another investigation resulted in the resolution of two qui tam complaints after it was determined that a former contractor submitted false claims to the Department, and received payment, in connection with the improper disposal of trichloroethylene-contaminated waste.

I appreciate the amount of work accomplished this period by the entire Office of Inspector General staff. The level of professionalism, commitment, and dedication exhibited to fulfill our mission is commendable.



Rickey R. Hass

## STATISTICAL HIGHLIGHTS

### INVESTIGATIONS

#### INVESTIGATIVE ACTIVITIES

Cases Open as of October 1, 2015	234
Cases opened	52
Cases closed	73
Cases Open as of March 31, 2016	213
Multi-Agency Task Force Cases Opened During Period	21
Qui Tam <sup>1</sup> Investigations Opened During Period	3
Total Open Qui Tam Investigations as of March 31, 2016	18
Administrative discipline and other management actions	19
Recommendations to management for positive change and other actions	37
Suspensions/Debarments	20
Cases accepted for prosecution <sup>2</sup>	19
Indictments	19
Criminal convictions	9
Pre-trial diversions	0
Civil actions	4
Dollars Recovered <sup>3</sup> (Fines, Settlements, Recoveries)	\$9,897,608

#### HOTLINE RESULTS

Total Hotline calls, emails, letters, and other complaints (contacts)	996 <sup>4</sup>
Hotline contacts resolved immediately/redirected/no further action	841
Hotline contacts predicated for evaluation	155
Total Hotline predications processed this reporting period	158 <sup>5</sup>
Hotline predications transferred to OIG Program Office	13
Hotline predications referred to Department management or other entity for information/action	42
Hotline predications closed based upon preliminary OIG activity and review	99
Hotline predications open at the end of the reporting period	4

#### RECOVERY ACT WHISTLEBLOWER ACTIVITIES

Open investigations	2
Complaints Resolved	0
Complaints Dismissed	0

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<sup>1</sup>For more information on Qui Tams, go to: [http://www.justice.gov/usao/eousa/foia\\_reading\\_room/usam/title9/crm00932.htm](http://www.justice.gov/usao/eousa/foia_reading_room/usam/title9/crm00932.htm)

<sup>2</sup>Some investigations accepted during the 6-month period were referred for prosecution during a previous reporting period.

<sup>3</sup>Some of the money collected was the result of investigations involving multiple agencies.

<sup>4</sup>This number includes any contact that required Hotline staff review including: re-contacts for additional information and requests for disposition.

<sup>5</sup>This number includes three predications carried over from the last semiannual reporting period.

## STATISTICAL HIGHLIGHTS AUDITS AND INSPECTIONS

### AUDITS AND INSPECTION ACTIVITIES

Total Reports Issued	39
Audit Reports Issued	35
Inspection Reports Issued	4

### BETTER USE OF FUNDS

	TOTAL NUMBER	BETTER USE OF FUNDS
Reports issued before the reporting period that included recommendations for better use of funds for which decisions on dollars had not been made as of March 31, 2016: <sup>1</sup>	12	\$520,736,773
Reports issued during the reporting period that include recommendations for better use of funds (regardless of whether a decision on dollars has been made):	0	\$0
Reports that include recommendations for better use of funds for which a decision on dollars was made during the reporting period: <sup>2</sup>	4	\$77,551,799
(i) Agreed to by management:	--	\$45,032,979
(ii) Not agreed to by management:	--	\$32,518,820
Reports that include recommendations for better use of funds for which decisions on dollars have not been made at the end of the reporting period:	8	\$443,184,974

### QUESTIONED COSTS

	TOTAL NUMBER	QUESTIONED COSTS	UNSUPPORTED COSTS	TOTAL COSTS
Reports issued before the reporting period that included questioned and/or unsupported costs for which decisions on dollars had not been made as of March 31, 2016: <sup>1</sup>	31	\$1,344,667,530	\$484,560	\$1,345,152,090
Reports issued during the reporting period that include questioned or unsupported costs (regardless of whether a decision on dollars has been made):	8	\$158,520,168	\$12,053,511	\$170,573,679
Reports that include questioned and/or unsupported costs for which a decision on dollars was made during the reporting period: <sup>2</sup>	4	\$212,604,723	\$312,000	\$212,916,723
(i) Value of disallowed costs:		\$1,548,860	\$312,000	\$1,860,860
(ii) Value of costs not disallowed:		\$211,055,863	\$0	\$211,055,863
Reports that include questioned and/or unsupported costs for which decisions on dollars have not been made at the end of the reporting period:	35	\$1,290,582,975	\$12,226,071	\$1,302,809,046

**Definitions:**

**Better Use of Funds:** Funds that could be used more efficiently by implementing recommended actions.

**Management decision:** Management's evaluation of the finding and recommendations included in the audit report and the issuance of a final decision by management concerning its response.

**Questioned costs:** A cost that is (1) unnecessary; (2) unreasonable; or (3) an alleged violation of law, regulation, contract, etc.

**Unsupported costs:** A cost that is not supported by adequate documentation.

<sup>1</sup>Includes reports for which the Department may have made some decisions on dollars but not all issues within the report have been resolved.

<sup>2</sup>Does not include reports for which the Department has made decisions on some aspects of the report but not all.

## POSITIVE OUTCOMES

During this reporting period, the Department took positive actions as a result of OIG work conducted during the current or previous periods.

In response to our report on [Argonne National Laboratory Infrastructure Projects \(OAS-M-15-02, February 2015\)](#), the Office of Science finalized and communicated new procedures on Institutional General Plant Projects (IGPP) that address general site-wide needs. Our report disclosed that Argonne National Laboratory may have inappropriately used, or planned to use, IGPP funds for 4 of 10 minor construction projects we reviewed.

In response to our report titled [Bonneville Power Administration's Real Property Services \(OAI-M-16-04, January 2016\)](#), the Bonneville Power Administration reported that it had developed a draft Real Property Acquisition Handbook and draft data quality control procedures for its Land Information System. Additionally, Bonneville reported that it had implemented additional controls over delegations of signing authority, completed written summaries for its backlog of oral appraisal reports, and implemented an internal standard requiring appraisal reviews to be completed within 30 days of the appraisal report.

Our report, [Corrective Action Program at the Waste Treatment and Immobilization Plant \(OAI-M-16-06, February 2016\)](#), identified challenges associated with correcting identified quality and safety issues in a timely and complete manner. In response to our recommendations, the Department directed its contractor to develop corrective measures and indicated

that senior leadership will continue to be involved in this important area.

During the course of our audit on [Lithium Operations at the Y-12 National Security Complex \(OAI-L-16-05, December 2015\)](#), as a result of our work, management took action to qualify additional Direct Manufacturing Material to ensure the availability of lithium beyond FY 2017. In addition, management issued a plan aimed at ensuring the safe and reliable production of lithium materials.

After issuance of our report on [Cybersecurity Controls Over a Major National Nuclear Security Administration Information System \(DOE/IG-0938, June 2015\)](#), the cognizant National Nuclear Security Administration authorizing official required that the system's controls be reassessed to ensure that weaknesses identified during our audit were corrected. Upon completion of the assessment, the residual risk was reviewed and the official authorized the system to return to full operational status.

During this reporting period, the Department finalized multiple debarment actions against individuals and companies in response to information provided by the Office of Investigations. In one of the most notable debarment actions this reporting period, the National Nuclear Security Administration took action to debar a former Sandia Laboratory contractor employee found guilty of unlawfully

transporting converted Government property in interstate and foreign commerce and making false statements. The former contractor employee was debarred for a period of 5 years, exceeding the standard debarment period of 3 years. In another instance, a former National Energy Technology Laboratory (NETL) contractor employee, his spouse, and their companies were all debarred by the Department for submitting duplicate billings for \$85,885 across multiple NETL contracts for consulting travel costs and labor hours. In another example, the Department debarred two contractor employees who falsely submitted timecard charges for hours that the employees did not work.

In response to various Investigative Reports to Management, the Department recovered approximately \$607,511 during this reporting period. In one case, after our investigation found that a Department research grant recipient had filed false claims and obtained a duplicate grant from another Federal agency for the same research, the Department recovered and put to better use \$220,667 left in the grant. In another instance, inflated rates submitted by a construction project subcontractor, which also involved kickback payments to an employee of the prime contractor, resulted in the Department recovering \$297,297. The Department also recovered \$89,547 from a former grantee after an investigation determined that a former sub-recipient for the Department's Weatherization Assistance Program overbilled administrative costs to the Department's grantee by reclassifying indirect costs as program support expenses and by double-billing mileage rates for vehicles used for non-grant related projects.

The Department took multiple administrative disciplinary actions in response to investigative findings. Two Federal employees resigned or retired in lieu of disciplinary action, two Federal employees and four contractor employees were terminated or removed from employment, one Federal employee and four contractor employees were suspended from employment, two former contractor employees had clearances suspended or revoked, and one Federal employee received a written reprimand.

In response to an OIG referral, the Office of Nuclear Energy (NE) conducted an extensive management review on the respiratory protection program for Idaho National Laboratory (INL) site contractors. Specifically, it was alleged that site contractors were not in compliance with requirements to inspect and maintain respirators putting nuclear workers at risk. NE's review found compliance issues with three site contractors and recommended the site contractors perform an "extent of condition" review to determine the scope of the non-compliance. Contractor specific reports with associated findings will be issued and related actions will be monitored and verified. The Office of Audits and Inspections intends to use the information for planning purposes.

In response to an OIG referral, the Office of Science (SC) addressed concerns that their network was not properly secured. Specifically, it was alleged that SC relaxed their network security controls to improve network speed creating a cybersecurity risk. Although SC denied relaxing controls, they identified weaknesses within the system and implemented several preventive security measures.

The OIG Hotline received an allegation that a Weatherization Assistance Program (WAP) sub-grantee violated Federal regulations by entering into a partnership with a local utility company to sell electric energy savings that resulted from efficiency measures installed with WAP funding. Following an OIG referral, the Office of Energy Efficiency & Renewable Energy

substantiated the existence of a partnership, and the WAP sub-grantee reimbursed the Department \$23,500. The WAP sub-grantee also implemented a policy to report a percentage of all earnings as program income under the WAP grant.



## TABLE OF REPORTS

### INVESTIGATIVE OUTCOMES

All of our investigations that result in a reportable outcome are disclosed to the public in our Semiannual Report. Reportable outcomes are defined as public and nonpublic reports, indictments, convictions, disciplinary actions, monetary recoveries, contractor debarments, and other similar results. The following reportable outcomes occurred during the period October 1, 2015, through March 31, 2016.

SUMMARY TITLE	PAGE
<a href="#">Savannah River Site Management and Operating Contractor Settlement</a>	<a href="#">26</a>
<a href="#">Former Management and Operating Contractor Settlement Agreement</a>	<a href="#">26</a>
<a href="#">Grant Fraud Settlement</a>	<a href="#">26</a>
<a href="#">Theft of Government Property Investigation Guilty Verdict</a>	<a href="#">26</a>
<a href="#">Small Business Innovation Research Fraud Sentencing</a>	<a href="#">27</a>
<a href="#">Money Laundering Sentencing</a>	<a href="#">27</a>
<a href="#">Trade Secret Theft Guilty Plea</a>	<a href="#">27</a>
<a href="#">Theft of Government Property Indictment</a>	<a href="#">27</a>
<a href="#">Former Small Business Innovation Research Grantees Fraud Arrest</a>	<a href="#">27</a>
<a href="#">Wire Fraud and Kickback Indictment and Search Warrants Executed</a>	<a href="#">28</a>
<a href="#">Former Department Employee Indicted and Arrested for Theft and Forgery</a>	<a href="#">28</a>
<a href="#">Kickback Investigation Information and Indictments</a>	<a href="#">28</a>
<a href="#">Grant Fraud Target Letter Issued</a>	<a href="#">28</a>
<a href="#">Theft of Government Property Search Warrants Executed</a>	<a href="#">29</a>
<a href="#">Misconduct Investigation Management Response</a>	<a href="#">29</a>

SUMMARY TITLE	PAGE
<a href="#">SBIR Grant False Claims Indictment and Management Response</a>	<a href="#">29</a>
<a href="#">Inflated Contract Rates Kickback Management Response</a>	<a href="#">30</a>
<a href="#">Misuse of Government Resources Management Response</a>	<a href="#">30</a>
<a href="#">Fraudulent Use of the Fleet Services Card Guilty Plea, Sentencing and Management Response</a>	<a href="#">30</a>
<a href="#">Embezzlement Sentencing Management Response</a>	<a href="#">30</a>
<a href="#">Contract Fraud Management Response</a>	<a href="#">31</a>
<a href="#">Illegal Federal Firearms Transfer Management Response</a>	<a href="#">31</a>
<a href="#">Grant Fraud Investigative Report to Management</a>	<a href="#">31</a>
<a href="#">Theft of Government Property Investigative Report to Management</a>	<a href="#">31</a>
<a href="#">Bribery Investigation Search Warrants Executed and Report to Management Issued</a>	<a href="#">32</a>
<a href="#">Recovery Act Indictment, Guilty Plea, and Report to Management</a>	<a href="#">32</a>
<a href="#">Theft of Government Property Criminal Complaint Filed</a>	<a href="#">32</a>
<a href="#">Conspiracy/False Claims Management Response</a>	<a href="#">32</a>
<a href="#">Conspiracy to Defraud Sentencing</a>	<a href="#">33</a>
<a href="#">Timecard Fraud Debarment at Lawrence Livermore National Laboratory</a>	<a href="#">33</a>
<a href="#">Contractor Timecard Fraud Debarment</a>	<a href="#">33</a>
<a href="#">Administrative Action for Employee Misconduct Arrest</a>	<a href="#">33</a>
<a href="#">Employee Misconduct Arrest</a>	<a href="#">33</a>
<a href="#">Time and Attendance Fraud Non-Prosecution Agreement</a>	<a href="#">34</a>
<a href="#">Weatherization Fraud Funds Returned</a>	<a href="#">34</a>
<a href="#">Gratuities and False Statements Case Settlement Agreements</a>	<a href="#">34</a>

SUMMARY TITLE	PAGE
<a href="#">Illegal Narcotics Possession Resignation</a>	<a href="#">34</a>
<a href="#">Department Contractor Employee Terminated</a>	<a href="#">34</a>
<a href="#">Government Purchase Card Fraud Recovery of Property</a>	<a href="#">35</a>

## AUDITS

The following identifies all audit reports issued between October 1, 2015, and March 31, 2016.

DATE ISSUED	REPORT TITLE	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Oct 22, 2015	<a href="#">Office of Science’s Bioenergy Research Centers (OAI-M-16-01)</a>		\$306,071		<a href="#">36</a>
Oct 27, 2015	<a href="#">Audit Coverage of Cost Allowability for Lawrence Livermore National Security, LLC, During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC52-07NA27344 (OAI-V-16-01)</a>		\$206		<a href="#">36</a>
Oct 29, 2015	<a href="#">Small Business Subcontracting Goals at the East Tennessee Technology Park (OAI-L-16-01)</a>				<a href="#">37</a>
Oct 30, 2015	<a href="#">Federal Energy Regulatory Commission’s Unclassified Cybersecurity Program – 2015 (OAI-L-16-02)</a>				<a href="#">37</a>
Nov 3, 2015	<a href="#">The Department of Energy’s Unclassified Cybersecurity Program – 2015 (DOE-OIG-16-01)</a>				<a href="#">38</a>
Nov 4, 2015	<a href="#">The Department of Energy’s Cybersecurity Risk Management Framework (DOE-OIG-16-02)</a>				<a href="#">38</a>
Nov 10, 2015	<a href="#">Audit Coverage of Cost Allowability for DM Petroleum Operations Company During October 1, 2011, Through March 31, 2014, Under Department of Energy Contract No. DE-AC96-03P092207 (OAI-V-16-02)</a>		\$87,896,201		<a href="#">39</a>
Nov 16, 2015	<a href="#">Department of Energy’s Fiscal Year 2015 Consolidated Financial Statements (OAI-FS-16-01)</a>				<a href="#">39</a>
Nov 16, 2015	<a href="#">Management Challenges at the Department of Energy – Fiscal Year 2016 (OIG-SR-16-01)</a>				<a href="#">40</a>
Nov 17, 2015	<a href="#">Procurement of Parts and Materials for the Waste Treatment and Immobilization Plant at the Hanford Site (DOE-OIG-16-03)</a>				<a href="#">40</a>
Nov 17, 2015	<a href="#">The Energy Information Administration’s Information Technology Program (DOE-OIG-16-04)</a>				<a href="#">40</a>
Nov 18, 2015	<a href="#">Federal Energy Regulatory Commission’s Fiscal Year 2015 Financial Statement Audit (OAI-FS-16-02)</a>				<a href="#">41</a>

DATE ISSUED	REPORT TITLE	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Nov 25, 2015	<a href="#">Energy Savings Performance Contract Biomass Project at the Oak Ridge National Laboratory (OAI-L-16-03)</a>				<a href="#">41</a>
Dec 1, 2015	<a href="#">Department of Energy Nuclear Waste Fund's Fiscal Year 2015 Financial Statement Audit (OAI-FS-16-03)</a>				<a href="#">42</a>
Dec 4, 2015	<a href="#">Energy Savings Performance Contract Review Board (OAI-L-16-04)</a>				<a href="#">42</a>
Dec 7, 2015	<a href="#">Issues Management at the Los Alamos Field Office (OAI-M-16-02)</a>				<a href="#">42</a>
Dec 15, 2015	<a href="#">Lithium Operations at the Y-12 National Security Complex (OAI-L-16-05)</a>				<a href="#">43</a>
Dec 18, 2015	<a href="#">The Office of Fossil Energy's Regional Carbon Sequestration Partnerships Initiative (OAI-M-16-03)</a>		\$48,000	\$5,000,000	<a href="#">43</a>
Dec 18, 2015	<a href="#">The National Nuclear Security Administration's Network Vision Initiative (DOE-OIG-16-05)</a>				<a href="#">44</a>
Jan 7, 2016	<a href="#">Management Letter on the Federal Energy Regulatory Commission's Fiscal Year 2015 Financial Statement (OAI-FS-16-04)</a>				<a href="#">45</a>
Jan 7, 2016	<a href="#">Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2015 (OAI-FS-16-05)</a>				<a href="#">45</a>
Jan 8, 2016	<a href="#">Bonneville Power Administration's Real Property Services (OAI-M-16-04)</a>				<a href="#">45</a>
Jan 15, 2016	<a href="#">Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2015 (OAI-FS-16-06)</a>				<a href="#">46</a>
Jan 19, 2016	<a href="#">Audit Coverage of Cost Allowability for Brookhaven Science Associates LLC During Fiscal Years 2012 and 2013 Under Department of Energy Contract No. DE-AC02-98CH10886 (OAI-V-16-03)</a>		\$33,000,000		<a href="#">46</a>
Jan 20, 2016	<a href="#">Fiscal Year 2014 Work Performed Under the Work for Others Program at the Pacific Northwest National Laboratory (OAI-M-16-05)</a>				<a href="#">47</a>
Feb 1, 2016	<a href="#">Corrective Action Program at the Waste Treatment and Immobilization Plant (OAI-M-16-06)</a>				<a href="#">47</a>

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DATE ISSUED	REPORT TITLE	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Feb 5, 2016	<a href="#">Followup Audit of the Department of Energy's Management of Contractor Fines, Penalties, and Legal Costs (DOE-OIG-16-06)</a>				<a href="#">47</a>
Feb 12, 2016	<a href="#">Audit Coverage of Cost Allowability for Babcock &amp; Wilcox Technical Services Pantex LLC During Fiscal Year 2013 Through June 30, 2014, Under Department of Energy Contract No. DE-AC54-00AL66620 (OAI-V-16-04)</a>		\$167,327		<a href="#">48</a>
Feb 18, 2016	<a href="#">Allegations Regarding the Sandia National Laboratories Mixed Waste Landfill (OAI-SR-16-01)</a>				<a href="#">48</a>
Feb 25, 2016	<a href="#">Issues Management at the Los Alamos National Laboratory (DOE-OIG-16-07)</a>				<a href="#">49</a>
Mar 1, 2016	<a href="#">The Department of Energy's Audit Resolution and Followup Process (DOE-OIG-16-08)</a>				<a href="#">50</a>
Mar 9, 2016	<a href="#">Audit Coverage of Cost Allowability for UChicago Argonne LLC During Fiscal Years 2010 Through 2013 Under Department of Energy Contract No. DE-AC02-06CH11357 (OAI-V-16-05)</a>		\$37,102,363		<a href="#">50</a>
Mar 11, 2016	<a href="#">Audit Coverage of Cost Allowability for Alliance for Sustainable Energy LLC During Fiscal Years 2012 and 2013 Under Department of Energy Contract No. DE AC36 08GO28308 (OAI-V-16-06)</a>				<a href="#">51</a>
Mar 30, 2016	<a href="#">Management of the Startup of the Sodium-Bearing Waste Treatment Facility (DOE-OIG-16-09)</a>				<a href="#">51</a>
Mar 31, 2016	<a href="#">Management of the Solar Energy Technologies Office's Technology to Market Program (OAI-M-16-08)</a>			\$7,053,511	<a href="#">52</a>

## INSPECTIONS

The following identifies all inspection reports issued between October 1, 2015, and March 31, 2016.

DATE ISSUED	REPORT TITLE	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Dec 22, 2015	<a href="#">Worker Safety and Health at the Y-12 National Security Complex (OAI-L-16-06)</a>				<a href="#">53</a>
Feb 19, 2016	<a href="#">Security Clearance Vetting at the Portsmouth Site (OAI-L-16-07)</a>				<a href="#">53</a>
Mar 21, 2016	<a href="#">Procurement Administration and Human Reliability Program Revocations Within the Office of Secure Transportation (OAI-M-16-07)</a>				<a href="#">54</a>
Mar 24, 2016	<a href="#">Review of Electrical Safety at Selected Department of Energy Sites (OAI-L-16-08)</a>				<a href="#">54</a>

## RESULTS

### **LEGISLATIVE AND REGULATORY REVIEWS**

The Inspector General Act of 1978, as amended, requires the OIG to review and comment upon legislation and regulations relating to Department programs and to make recommendations concerning the impact of such legislation or regulations on Departmental economy and efficiency. We reviewed 16 draft regulations, bills, and the draft testimony of others testifying before Congress during this reporting period.

### **INTERFERENCE WITH IG INDEPENDENCE**

During the reporting period, the Department neither interfered nor restricted communications between our office and Congress nor put in place any budgetary constraints designed to limit the capabilities of our office.

### **RESISTANCE TO OVERSIGHT ACTIVITIES OR RESTRICTED/SIGNIFICANTLY DELAYED ACCESS**

Access to documents the OIG believed necessary to perform work was not restricted during this period.



## COMMENTS NOT PROVIDED WITHIN 60 DAYS

For the reporting period October 1, 2015, through March 31, 2016, the Department failed to provide comments on the following reports within 60 days.

DATE ISSUED	REPORT TITLE	LENGTH OF TIME TO RECEIVE COMMENTS
<b><u>Audits/Inspections</u></b>		
Aug 19, 2015	<a href="#">Lithium Operations at the Y-12 National Security Complex (OAI-L-16-05)</a> <sup>1</sup>	82 day
Sep 2, 2015	<a href="#">Corrective Action Program at the Waste Treatment and Immobilization Plant (OAI-M-16-06)</a> <sup>1</sup>	90 days
Sep 15, 2015	<a href="#">The National Nuclear Security Administration's Network Vision Initiative (DOE-OIG-16-05)</a> <sup>1</sup>	79 days
Sep 29, 2015	<a href="#">Management of the Startup of the Sodium-Bearing Waste Treatment Facility (DOE-OIG-16-09)</a> <sup>1</sup>	83 days
Nov 9, 2015	<a href="#">Procurement Administration and Human Reliability Program Revocations Within the Office of Secure Transportation (OAI-M-16-07)</a>	115 days
Dec 18, 2015	Enriched Uranium Operations at the Y-12 National Security Complex (Pending Issuance)	104 days
Dec 4, 2015	<a href="#">Management of the Solar Energy Technologies Office's Technology to Market Program (OAI-M-16-08)</a>	81 days
Dec 4, 2015	<a href="#">Management and Oversight of Information Technology Contracts at the Department of Energy's Hanford Site (DOE-OIG-16-10)</a>	69 days
<b><u>Investigative Matters</u></b> <sup>2</sup>		
Nov 17, 2014	Suspension/debarment after allegations of false claims were substantiated	Pending more than 60 days
Feb 10, 2015	Suspension/debarment following criminal conviction	238 days
Mar 4, 2015	Suspension/debarment after allegations of theft substantiated	362 days
Apr 1, 2015	Administrative action after allegations of false statements and gratuities substantiated	296 days
May 20, 2015	Suspension/debarment following criminal non-prosecution agreement	Pending more than 60 days
May 20, 2015	Administrative action following criminal non-prosecution agreement <sup>3</sup>	244 days

DATE ISSUED	REPORT TITLE	LENGTH OF TIME TO RECEIVE COMMENTS
June 5, 2015	Administrative action following false claims settlement	118 days
Jul 20, 2015	Suspension/debarment following criminal conviction	100 days
Sep 10, 2015	Suspension/debarment following criminal conviction	Pending more than 60 days
Oct 1, 2015	Suspension/debarment after allegations of purchase of illegal substance substantiated	153 days
Nov 4, 2015	Suspension/debarment following criminal conviction	127 days
Nov 20, 2015	Suspension/debarment following criminal conviction	Pending more than 60 days
Nov 23, 2015	Suspension/debarment following criminal conviction	Pending more than 60 days
Jan 27, 2016	Suspension/debarment following criminal conviction	76 days
Jan 29, 2016	Suspension/debarment and administrative recovery following criminal conviction	Pending more than 60 days

<sup>1</sup>This report was issued during the previous reporting period ending September 30, 2015. It is listed in this report because the Department failed to provide comments within 60 days during this period.

<sup>2</sup>All reports under Investigative Matters relate to suspension and debarment actions or administrative actions. The suspension and debarment process typically takes longer than 60 days and administrative actions may take longer than 60 days to complete. In all instances where the Department response was pending at the end of the reporting period, the Department and Office of Inspector General have coordinated.

<sup>3</sup>In the previous reporting period this administrative action was combined with the above suspension/debarment action and cited as one report.

## REPORTS LACKING MANAGEMENT DECISION

The Department has a system in place to track audit and inspection reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by audit agencies and agreed to by management are addressed as efficiently and expeditiously as possible. The following audit report is over six months old and no management decision had been made by the end of the reporting period. An explanation for the lack of management decision is described in the table below.

<b>DATE ISSUED</b>	<b>REPORT TITLE</b>	<b>STATUS OF MANAGEMENT DECISION</b>
Apr 10, 2011	Use of Non-Competitive Procurements to Obtain Services at the Savannah River Site (IG-0862)	The OIG has requested the Department temporarily delay submitting a Management Decision on the recommendations in this report, pending the outcome of an ongoing related review.

## RECOMMENDATIONS NOT IMPLEMENTED

The following table identifies 81 reports with a total of 200<sup>1</sup> recommendations which were agreed to by the Department but have not been implemented as of March 31, 2016. The total potential cost savings associated with these reports is \$590,374,219. The OIG is committed to working with management to expeditiously address the management decision and corrective action process, recognizing that certain initiatives will require long-term, sustained, and concerted efforts. [Non-hyperlinked reports are not available on the OIG website.]

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS <sup>2</sup>	POTENTIAL MONETARY BENEFIT <sup>3</sup>
Dec 20, 2005	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation Under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-06-06)	1	\$2,032,805
Jan 16, 2007	Assessment of Changes to the Internal Control Structure and their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-07-05)	1	\$2,836,181
Dec 17, 2007	<a href="#">Beryllium Surface Contamination at the Y-12 National Security Complex (IG-0783)</a>	1	
Apr 11, 2008	<a href="#">The Department's Progress in Meeting Los Alamos National Laboratory Consent Order Milestones (IG-0793)</a>	1	
May 7, 2008	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation, under the Department of Energy Contract, DE-AC04-94AL85000 for Fiscal Year 2006 (OAS-V-08-09)	1	\$3,393,317
July 14, 2008	<a href="#">Management Controls over Monitoring and Closeout of Small Business Innovation Research Phase II Grants (OAS-M-08-09)</a>	1	

<sup>1</sup>Those recommendations that are not agreed to by management are not tracked by the Department as open/unimplemented recommendations. Since 2005, the Department has only failed to agree on 2 recommendations issued by the OIG.

<sup>2</sup> A single recommendation in our reports may often be addressed to multiple program elements. In previous editions, the total number of open recommendations included a count of all program elements that had not taken corrective action. Beginning October 1, 2014, the total number of open recommendations includes any recommendation that has not been corrected by at least one of the program elements.

<sup>3</sup> The Potential Monetary Benefits identified are representative of reports with open recommendations rather than individual recommendations. These amounts include funds that could be used more efficiently by implementing the recommended actions as well as other unresolved or questioned costs. Based on our experience, a significant portion of unresolved and questioned costs are ultimately determined to be allowable by contracting officials.

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS <sup>2</sup>	POTENTIAL MONETARY BENEFIT <sup>3</sup>
Nov 13, 2009	<a href="#">Management Controls over Selected Aspects of the Department of Energy's Human Reliability Program (OAS-M-10-01)</a>	2	
Sep 22, 2010	<a href="#">The Department of Energy's Audit Resolution and Follow-up Process (IG-0840)</a>	2	
Oct 5, 2010	Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Years 2007 AND 2008 under Department of Energy Contract NO. DE-AC04-94AL85000 (OAS-V-11-01)	1	\$10,324,001
Apr 25, 2012	<a href="#">The Department of Energy's \$12.2 Billion Waste Treatment and Immobilization Plant- Quality Assurance of Black Cells Vessels (IG-0863)</a>	1	
Nov 5, 2012	<a href="#">Allegations of Organizational Conflicts of Interest at Portsmouth and Oak Ridge (INS-O-13-01)</a>	3	
Nov 8, 2012	<a href="#">The Department's Unclassified Cyber Security Program -2012 (IG-0877)</a>	3	
Feb 20, 2013	<a href="#">Assessment of Audit Coverage of Cost Allowability Sandia Corporation during Fiscal Years 2009 and 2010 under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-13-07)</a>	2	\$12,760,295
Apr 9, 2013	<a href="#">The Department of Energy's Use of the Environmental Management Waste Management Facility at the Oak Ridge Reservation (IG-0883)</a>	2	\$14,400,000
Jun 24, 2013	<a href="#">Mitigation of Natural Disasters at Los Alamos National Laboratory (OAS-M-13-04)</a>	1	
Aug 26, 2013	<a href="#">The Department of Energy's Administration of Energy Savings Performance Contract Biomass Projects (IG-0892)</a>	2	
Sep 30, 2013	<a href="#">Department of Energy Quality Assurance: Design Control for the Waste Treatment and Immobilization Plant at the Hanford Site (IG-0894)</a>	2	
Oct 24, 2013	<a href="#">The Department's Fleet Vehicles Sustainability Initiatives at Selected Locations (IG-0896)</a>	3	
Oct 29, 2013	<a href="#">The Department of Energy's Unclassified Cyber Security Program -2013 (IG-0897)</a>	1	
Jan 2, 2014	<a href="#">NNSA's Management of the \$245 Million Nuclear Materials Safeguards and Security Upgrades Project Phase II (IG-0901)</a>	5	
Jan 9, 2014	<a href="#">Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2013 (OAS-FS-14-05)</a>	1	
Feb 14, 2014	<a href="#">The Technology Transfer and Commercialization Efforts at the Department of Energy's National Laboratories (OAS-M-14-02)</a>	3	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS <sup>2</sup>	POTENTIAL MONETARY BENEFIT <sup>3</sup>
Apr 3, 2014	<a href="#">Office of Energy Efficiency and Renewable Energy's Integrated Resource and Information System (IRIS) Project (IG-0905)</a>	1	\$674,774
Apr 15, 2014	<a href="#">The Department of Energy's Management and Use of Mobile Computing Devices and Services (IG-0908)</a>	2	
Apr 23, 2014	Assessment of Audit Coverage of the Cost Allowability for Sandia Corporation under Department of Energy Contract DE-AC04-94-AL-85000, for Fiscal Years 2011 and 2012 (OAS-V-14-10)	2	\$5,741,818
May 22, 2014	<a href="#">Cost and Schedule of the Mixed Oxide Fuel Fabrication Facility at the Savannah River Site (IG-0911)</a>	3	
May 30, 2014	Assessment of Audit Coverage of Cost Allowability for Los Alamos National Laboratory, during Fiscal Years 2011 and 2012 under the Department of Energy Contract, DE-AC52-06NA25396 (OAS-V-14-11)	1	\$601,927
Jun 3, 2014	<a href="#">Conference Management at Selected Department Sites (IG-0913)</a>	2	
Jun 26, 2014	<a href="#">The Department of Energy's Implementation of Voice over Internet Protocol Telecommunications Networks (IG-0915)</a>	2	
Jul 10, 2014	<a href="#">The Strategic Petroleum Reserve's Drawdown Readiness (IG-0916)</a>	1	
Aug 6, 2014	<a href="#">Management of the National Nuclear Security Administration's Biosafety Laboratories (IG-0917)</a>	2	
Sep 19, 2014	<a href="#">The Department of Energy's Management of Cloud Computing Activities (IG-0918)</a>	2	
Sep 24, 2014	Assessment of Audit Coverage of Cost Allowability for Bechtel Jacobs Company, LLC under Department of Energy Contract No. DE-AC05-98OR22700 during Fiscal Year 2011 (OAS-V-14-17)	1	\$160,007,744
Sep 30, 2014	<a href="#">Follow-up on the Department of Energy's Acquisition and Maintenance of Software (IG-0920)</a>	2	
Oct 22, 2014	<a href="#">The Department of Energy's Unclassified Cybersecurity Program – 2014 (IG-0925)</a>	2	
Oct 30, 2014	<a href="#">Follow-up on the Department of Energy's Management of Information Technology Hardware (IG-0926)</a>	2	
Nov 12, 2014	<a href="#">Follow-up Audit of Contractor Intergovernmental Personnel Act Assignments (IG-0928)</a>	2	\$3,000,000
Dec 16, 2014	<a href="#">Follow-up on the Los Alamos National Laboratory Hydrodynamic Test Program (IG-0930)</a>	3	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS <sup>2</sup>	POTENTIAL MONETARY BENEFIT <sup>3</sup>
Jan 5, 2015	<a href="#">Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2014 (OAS-FS-15-06)</a>	3	
Jan 23, 2015	<a href="#">The Department of Energy's Management of High-Risk Excess Facilities (DOE/IG-0931)</a>	2	
Feb 26, 2015	<a href="#">Argonne National Laboratory Infrastructure Projects (OAS-M-15-02)</a>	1	
Apr 8, 2015	<a href="#">The Department of Energy's Participation in Energy Incentive Programs (OAS-M-15-03)</a>	1	
May 21, 2015	<a href="#">The Department of Energy's Management of Spare Parts at Selected Sites (DOE/IG-0936)</a>	2	
Jun 10, 2015	<a href="#">Allegations Related to the Energy Information Administration's Reporting Process (DOE/IG-0940)</a>	2	
Jun 12, 2015	<a href="#">Southwestern Federal Power System's Fiscal Year 2014 Financial Statement Audit (OAS-FS-15-11)</a>	3	
Jun 22, 2015	<a href="#">The Department of Energy's Implementation of the Pilot Program for Agreements for Commercializing Technology (OAS-M-15-04)</a>	1	
Jul 10, 2015	<a href="#">The National Nuclear Security Administration's Management of Support Service Contracts (OAS-M-15-05)</a>	1	
Jul 16, 2015	<a href="#">Follow-up on Nuclear Safety: Safety Basis and Quality Assurance at the Los Alamos National Laboratory (DOE/IG-0941)</a>	3	
Jul 30, 2015	<a href="#">Selected Recipients of Maryland Weatherization Assistance Program Funds (DOE/IG-0942)</a>	6	
Jul 31, 2015	<a href="#">Subcontract Administration at Selected Department of Energy Management and Operating Contractors (OAS-M-15-07)</a>	4	
Aug 3, 2015	<a href="#">Allegations Regarding Information Technology Procurement at Bonneville Power Administration (DOE/IG-0943)</a>	4	
Aug 10, 2015	<a href="#">Alleged Misuse of FutureGen 2.0 Project Funds (OAS-L-15-10)</a>	2	
Aug 18, 2015	<a href="#">Follow-up Audit of Nanoscale Materials Safety at the Department's Laboratories (OAS-M-15-08)</a>	2	
Aug 28, 2015	<a href="#">Security Improvements at the Y-12 National Security Complex (DOE/IG-0944)</a>	3	
Sep 3, 2015	<a href="#">The Department of Energy's Management of Electronic Mail Records (DOE/IG-0945)</a>	3	

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DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS <sup>2</sup>	POTENTIAL MONETARY BENEFIT <sup>3</sup>
Sep 9, 2015	<a href="#">Assessment of Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-15-03)</a>	2	\$2,569,251
Sep 21, 2015	<a href="#">Assessment of Audit Coverage of Cost Allowability for Stanford University During Fiscal Years 2012 and 2013 Under Department of Energy Contract No. DE-AC02-76SF00515 (OAS-V-15-04)</a>	2	\$198,846,859
Sep 30, 2015	<a href="#">Assessment of Audit Coverage of Cost Allowability for Babcock and Wilcox Technical Services Y-12, LLC, During Fiscal Years 2013 and 2014 Through June 30, 2014, Under Department of Energy Contract No. DE-AC05-00OR22800 (OAS-V-15-05)</a>	1	\$1,999,765
Sep 30, 2015	<a href="#">Assessment of Audit Coverage of Cost Allowability for Los Alamos National Security, LLC, During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC52-06NA25396 (OAS-V-15-06)</a>	2	\$611,803
Oct 22, 2015	<a href="#">Office of Science's Bioenergy Research Centers (OAI-M-16-01)</a>	2	\$306,071
Oct 27, 2015	<a href="#">Audit Coverage of Cost Allowability for Lawrence Livermore National Security, LLC, During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC52-07NA27344 (OAI-V-16-01)</a>	1	\$206
Nov 3, 2015	<a href="#">The Department of Energy's Unclassified Cybersecurity Program – 2015 (DOE-OIG-16-01)</a>	4	
Nov 10, 2015	<a href="#">Audit Coverage of Cost Allowability for DM Petroleum Operations Company During October 1, 2011, Through March 31, 2014, Under Department of Energy Contract No. DE-AC96-03P092207 (OAI-V-16-02)</a>	3	\$87,896,201
Nov 17, 2015	<a href="#">Procurement of Parts and Materials for the Waste Treatment and Immobilization Plant at the Hanford Site (DOE-OIG-16-03)</a>	5	
Nov 17, 2015	<a href="#">The Energy Information Administration's Information Technology Program (DOE-OIG-16-04)</a>	4	
Dec 7, 2015	<a href="#">Issues Management at the Los Alamos Field Office (OAI-M-16-02)</a>	4	
Dec 15, 2015	<a href="#">Lithium Operations at the Y-12 National Security Complex (OAI-L-16-05)</a>	1	
Dec 18, 2015	<a href="#">The Office of Fossil Energy's Regional Carbon Sequestration Partnerships Initiative (OAI-M-16-03)</a>	4	\$5,048,000
Dec 18, 2015	<a href="#">The National Nuclear Security Administration's Network Vision Initiative (DOE-OIG-16-05)</a>	3	
Jan 7, 2016	<a href="#">Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2015 (OAI-FS-16-05)</a>	7	



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DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS <sup>2</sup>	POTENTIAL MONETARY BENEFIT <sup>3</sup>
Jan 8, 2016	<a href="#">Bonneville Power Administration's Real Property Services (OAI-M-16-04)</a>	3	
Jan 15, 2016	<a href="#">Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2015 (OAI-FS-16-06)</a>	16	
Jan 19, 2016	<a href="#">Audit Coverage of Cost Allowability for Brookhaven Science Associates LLC During Fiscal Years 2012 and 2013 Under Department of Energy Contract No. DE-AC02-98CH10886 (OAI-V-16-03)</a>	2	\$33,000,000
Feb 1, 2016	<a href="#">Corrective Action Program at the Waste Treatment and Immobilization Plant (OAI-M-16-06)</a>	3	
Feb 5, 2016	<a href="#">Followup Audit of the Department of Energy's Management of Contractor Fines, Penalties, and Legal Costs (DOE-OIG-16-06)</a>	3	
Feb 12, 2016	<a href="#">Audit Coverage of Cost Allowability for Babcock &amp; Wilcox Technical Services Pantex LLC During Fiscal Year 2013 Through June 30, 2014, Under Department of Energy Contract No. DE-AC54-00AL66620 (OAI-V-16-04)</a>	1	\$167,327
Feb 25, 2016	<a href="#">Issues Management at the Los Alamos National Laboratory (DOE-OIG-16-07)</a>	4	
Mar 1, 2016	<a href="#">The Department of Energy's Audit Resolution and Followup Process (DOE-OIG-16-08)</a>	3	
Mar 9, 2016	<a href="#">Audit Coverage of Cost Allowability for UChicago Argonne LLC During Fiscal Years 2010 Through 2013 Under Department of Energy Contract No. DE-AC02-06CH11357 (OAI-V-16-05)</a>	1	\$37,102,363
Mar 21, 2016	<a href="#">Procurement Administration and Human Reliability Program Revocations Within the Office of Secure Transportation (OAI-M-16-07)</a>	2	
Mar 31, 2016	<a href="#">Management of the Solar Energy Technologies Office's Technology to Market Program (OAI-M-16-08)</a>	4	\$7,053,511

**Total Open Recommendations** **200**    **\$590,374,219**

**PEER REVIEW**

PEER REVIEWS CONDUCTED BY OIG OCTOBER 1, 2015 - MARCH 31, 2016			
TYPE OF REVIEW	DATE OF PEER REVIEW	OIG REVIEWED	OUTSTANDING RECOMMENDATIONS
<b>Audits/ Inspections</b>	October 2015	U.S. Department of Transportation	None - Pass
<b>Investigations</b>	None this reporting period		

PEER REVIEWS CONDUCTED OF OIG OCTOBER 1, 2015 - MARCH 31, 2016				
TYPE OF REVIEW	DATE OF PEER REVIEW	REVIEWING OIG	FREQUENCY REQUIREMENT	OUTSTANDING RECOMMENDATIONS
<b>Audits/ Inspections</b>	October 2015	U.S. Department of Defense	At least once every 3 years	None - Pass
<b>Investigations</b>	None this reporting period			

## SUMMARIES

### INVESTIGATIVE OUTCOMES

#### Settlements

##### **Savannah River Site Management and Operating Contractor Settlement**

The National Nuclear Security Administration (NNSA) entered into a settlement with Savannah River Site management and its operating contractor to resolve issues associated with the contractor's failure to properly manage the Waste Solidification Building Project. The OIG's investigation had determined that the contractor inaccurately represented work completion percentages within its earned value management system, resulting in the underpayment of costs and fees by the contractor to NNSA. In the settlement, the contractor agreed to pay \$3 million to NNSA.

##### **Former Management and Operating Contractor Settlement Agreement**

The U.S. Department of Justice entered into a \$5 million settlement agreement with a former management and operating contractor of the Department's Paducah Gaseous Diffusion Plant in Paducah, Kentucky. The settlement will resolve two qui tam complaints regarding issues associated with the contractor's alleged violations of the *Resource Conservation and Recovery Act* (RCRA) and related false claims. Under the terms of the agreement, the former contractor will pay \$1 million for RCRA violations and \$4 million for false claim violations, of which the relators will receive \$920,000. The investigation determined that the former contractor improperly dumped waste contaminated with trichloroethylene into storage areas at the site, and then knowingly hid the activity from

both the Department and environmental regulators. The former contractor then submitted false claims to the Department, and received payment, in connection with this activity.

##### **Grant Fraud Settlement**

A principal investigator at the University of California, Davis (University) received duplicate funding for neutron reflectivity research from the National Science Foundation (NSF) and the Department's Office of Science, and subsequently concealed material information about research experiments associated with the project. The U.S. Attorney's Office for the Eastern District of California entered into two settlement agreements with the University. The University agreed to implement a compliance program and pay \$499,700 to resolve allegations under the False Claims Act. In addition, the Department's Office of Science opted not to award the final year of a multi-year research grant to the University, saving the Department \$220,667. We conducted this joint investigation with the NSF OIG.

#### Convictions

##### **Theft of Government Property Investigation Guilty Verdict**

A former Sandia National Laboratories (SNL) contractor employee was found guilty of one count of theft of Government property in the U.S. District Court for the Northern District of California. The investigation determined that the former contractor employee stole a computer valued at over \$4,000.

## Pleas

### **Small Business Innovation Research Fraud Sentencing**

Two former Department grantees were sentenced in U.S. District Court for the Southern District of Texas after they pleaded guilty to submitting false documentation to obtain Small Business Innovation Research (SBIR) grants from the Department and other agencies. One grantee was sentenced to 3 months incarceration and \$135,000 in restitution, while the other grantee was sentenced to 5 months incarceration and \$100,000 in restitution. The grantees' company was also ordered to pay a \$15,000 fine. The investigation determined that between 2008 and 2013, the former grantees used false and fraudulent letters of support, along with false claims regarding their corporate facilities, equipment, and materials to be used to conduct research in their applications for SBIR grant funds. We conducted this joint investigation with the National Aeronautics and Space Administration (NASA) OIG.

### **Money Laundering Sentencing**

A former executive of a Russian company was sentenced to 4 years in prison and forfeiture of \$2,126,622 for conspiracy to commit money laundering. The sentencing was the result of the former executive's guilty plea resulting from our joint investigation with the Federal Bureau of Investigation, which determined that the executive violated the *Foreign Corrupt Practices Act* by participating in a kickback scheme. The investigation determined that the former executive and several American co-conspirators engaged in a scheme to direct the awarding of contracts for the shipment of uranium from Russia to the United States without competition under

the Megatons to Megawatts program. The co-conspirators also entered guilty pleas and both are awaiting sentencing.

### **Trade Secret Theft Guilty Plea**

An individual who allegedly absconded with trade secrets from her former employer pled guilty in the U.S. District Court in Greensboro, North Carolina, to one count of possessing a trade secret. The plea was entered following 2 days of hearings and testimony provided to the U.S. District Court, where all motions were ruled in the favor of the Government. The plea relates to the individual's possession of proprietary manufacturing information pertaining to Government funded metal-oxide semiconductor field-effect transistor (MOSFET) technology with an estimated value of \$61.7 million. The investigation determined that the value of the individual misappropriated trade secret, proprietary and sensitive manufacturing information, as well as actual devices, was in excess of \$100 million. We conducted this joint investigation with the FBI.

## Indictments

### **Theft of Government Property Indictment**

A former Sandia National Laboratories (SNL) employee was indicted in the Second Judicial District Court of New Mexico on three counts of Receiving Stolen Property. Our investigation determined the former SNL employee received stolen metal fabrication equipment prior to the SNL Fabrication Plant ceasing operations in 2008. The former SNL employee used the stolen equipment, valued at \$20,000, to operate a personally owned business.

### **Former Small Business Innovation Research Grantees Fraud Arrest**

As part of a multiagency investigation into Small Business Innovation Research (SBIR) grant fraud, OIG special agents, along with special agents from the Department of Transportation OIG, Department of Agriculture OIG, National Science Foundation OIG, Internal Revenue Service Criminal Investigations Division, and the Federal Bureau of Investigations, executed search warrants at multiple locations in three states. In addition, arrest warrants were served for three individuals who were subsequently charged with making false statements, wire fraud, and conspiracy to engage in illegal financial transactions. The investigation is focused on allegations that the individuals fraudulently received 30 SBIR grants totaling \$8 million from multiple Federal agencies, including \$5 million from the Department. We are coordinating this investigation with the U.S. Attorney's Office for the Western District of New York.

### **Wire Fraud and Kickback Indictment and Search Warrants Executed**

Two Department contractors were indicted in the U.S. District Court for the District of South Carolina on 13 counts of wire fraud, 1 count of conspiracy, and 1 count of theft of Government funds. This indictment was subsequent to a search warrant executed by the OIG and the Federal Bureau of Investigations at the office space of a National Nuclear Security Administration (NNSA) subcontractor located at the Savannah River Site's Mixed-Oxide (MOX) Fuel Fabrication Facility Project and at the residence of an NNSA subcontractor. As a result of the search warrant executed at the residence, approximately \$610,791 in cash and an undetermined amount of gold and silver were seized. To date, the investigation has determined that from

2009 to 2015 the indicted Department contractors stole over \$4.7 million of Department funds by submitting fictitious invoices to NNSA's contractors for materials supposedly used to build the MOX Project. We are conducting this ongoing joint investigation with the FBI.

### **Former Department Employee Indicted and Arrested for Theft and Forgery**

A former Department employee from the Office of Science and Technical Information (OSTI) was indicted on one count of theft and two counts of forgery in the Anderson County Court, 7<sup>th</sup> District for the State of Tennessee. The OIG subsequently arrested the former OSTI employee, who submitted falsified doctor's excuses in order to receive just over 32 hours of paid leave valued at more than \$1,338 to which the employee was not entitled. The former employee resigned in lieu of termination.

### **Kickback Investigation Information and Indictments**

Three former Department contractors employed at the Savannah River Site were charged via information in the U.S. District Court for the District of South Carolina with making gratuities and false statements. Two additional former Department contractors were indicted on 13 counts of wire fraud, 1 count of conspiracy, and 1 count of theft of Government funds. We conducted this joint investigation with the Federal Bureau of Investigations.

### **Grant Fraud Target Letter Issued**

The U.S. Attorney's Office for the Northern District of California issued a target letter to a former Lawrence Livermore National Laboratory Physicist who claimed he created certain Superconducting Quantum Interference Device (SQUID) amplifiers and measured the physical attributes of these

SQUID amplifiers using a liquid helium dilution refrigerator. The functionality of the SQUID amplifiers is pertinent to quantum computing. The investigation found the Physicist falsely reported the physical attributes of his SQUID amplifiers to the scientists at the Intelligence Advanced Research Projects Activity, an agency within the Office of the Director of National Intelligence. We are conducting this joint investigation with the Office of the Intelligence Community OIG.

### **Theft of Government Property Search Warrants Executed**

The OIG in cooperation with the Federal Bureau of Investigations executed search warrants related to a theft of Government property investigation at a residence and on a vehicle of a former Los Alamos National Laboratory (LANL) subcontract employee. To date, the investigation has determined that the former subcontract employee took several tools from a LANL technical area that processes radiological waste. Some of the tools recovered during the investigation, as well as the personal vehicle of the former subcontract employee, tested positive for radiological contamination.

### **Investigative Report to Management (IRM) Response**

During this reporting period, the Office of Investigations issued several Investigative Reports to Management detailing issues of concern identified during the course of our investigations. Where appropriate, we provided recommendations for administrative attention. As indicated below, Department management responded to our reports:

### **Misconduct Investigation Management Response**

In response to an IRM, the Administrator for the Energy Information Administration (EIA) acknowledged the likely misuse of Department email by the former Director of an EIA office and accepted our recommendation to require managers to attend training regarding ethical guidelines for interactions with contractors. The investigation found that the former Director engaged in an inappropriate relationship with at least one contractor employee and used Department email to facilitate that relationship. The Director resigned while on administrative leave.

### **SBIR Grant False Claims Indictment and Management Response**

A Department SBIR grantee was indicted in the U.S. District Court for the Northern District of Illinois for wire fraud. The OIG's investigation determined that the company president created a separate fictitious company and obtained three SBIR Phase I grants. The president then transferred those funds from the fictitious company into the grantee company's account. This was done using Department grant funds as matching funds required by the NSF and NASA SBIR programs to show third party investment. In addition, the grantee did not provide any of the required deliverables. An IRM was issued to the Department's Office of Science with 7 programmatic recommendations, of which they agreed and complied with 6 of the 7 recommendations. We conducted this joint investigation with NSF OIG and NASA OIG.

### **Inflated Contract Rates Kickback Management Response**

The OIG issued an IRM to the National Nuclear Security Administration (NNSA) recommending NNSA determine if a Department contractor should reimburse the Department approximately \$300,000 for inflated contract rates passed to the Department from an overseas subcontractor. The NNSA agreed with the recommendation and indicated that it would seek reimbursement from the Department contractor. The investigation determined a former contractor employee solicited and received kickbacks from the subcontractor while working on an NNSA project in Taiwan. The former contractor employee was previously sentenced to 3 years' probation, ordered to forfeit \$30,000 after pleading guilty to bulk cash smuggling, and debarred from Government contracting for 6 years.

### **Misuse of Government Resources Management Response**

In response to an IRM, the National Nuclear Security Administration (NNSA) notified the OIG that the NNSA Office of Acquisition and Project Management debarred a former SNL contractor employee from doing business with the Government for a period of 5 years. The former contractor employee had previously pleaded guilty in the U.S. District Court for the District of New Mexico to one count of making a false statement and one count of interstate transportation of converted property. Both charges related to the misuse of U.S. Government resources and equipment to conduct research for Chinese institutions and to a false statement from the contractor that he did not intend to take U.S. Government equipment with him on a trip to China.

### **Fraudulent Use of the Fleet Services Card Guilty Plea, Sentencing and Management Response**

In a complaint filed with the First Judicial District of New Mexico, a former Department subcontract employee pleaded guilty to one count of fraudulent use of a credit card. The subcontractor employee was subsequently sentenced to 18 months supervised probation and ordered to pay restitution. Our joint investigation with the General Services Administration OIG determined the former Department subcontract employee made multiple purchases of gasoline for a personally owned vehicle using a Government Fleet Services Card. A subsequent IRM was issued to the Los Alamos Site Office Manager recommending the investigative results be placed in the subcontract employee's personnel security file. The Office Manager complied with the IRM and notified the OIG that a memorandum detailing the investigative results, including the former employee's guilty plea and termination from LANL, was placed in the personnel security file.

### **Embezzlement Sentencing Management Response**

A former Sandia National Laboratory employee was sentenced in the U.S. District Court for the District of New Mexico following a prior guilty plea to theft of Government property. The former SNL employee was sentenced to 3 years' probation and ordered to pay \$32,542 in restitution to the National Nuclear Security Administration. The investigation determined that between September 2010 and August 2011, the former SNL employee used an SNL-issued procurement card to make unauthorized purchases for personal items. A subsequent IRM was sent to SNL management recommending notification to



the SNL Personnel Security Office of the results of the sentencing. The SNL site office manager complied with the recommendation and notified the Personnel Security Office of the guilty plea and sentencing of a former SNL employee.

#### **Contract Fraud Management Response**

In response to an IRM, the SNL site office manager complied with recommendations to notify the Personnel Security Office regarding a Department subcontractor and three of its former employees. The investigation determined that the Department subcontractor and its employees provided false pricing quotes and failed to provide invoices showing the actual acquisition costs for computers and related equipment resulting in overcharges to the Department. We conducted this joint investigation with the FBI and the IRS-CI.

#### **Illegal Federal Firearms Transfer Management Response**

In response to an IRM, the NNSA's Production Office notified the OIG that it was complying with an IRM recommendation to notify the NNSA Personnel Security Office of violations involving the Human Reliability Program and personnel security reporting requirements. Our investigation determined that a former Pantex Plant employee failed to report that he was under investigation by the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) for illegal transfer of firearms and suppressors in violation of the *National Firearms Act* and that he had filed for Chapter 7 Bankruptcy. We conducted this joint investigation with the ATF.

#### **Grant Fraud Investigative Report to Management**

An IRM was issued to the Department's Office of Science and the Office of Policy that recommended determining if costs charged to a Department-funded SBIR grant were allowable, and the suspension and/or debarment of a former Principal Investigator (PI) of the SBIR grant. The investigation determined that the PI received duplicate SBIR grants from multiple Federal agencies. The former PI was previously sentenced in the U.S. District Court for the Central District of California and ordered to pay \$99,999 in restitution to the Department, \$199,999 in fines to the Government, and a \$100 special assessment. The Court also ordered the former PI to serve probation for a period of 2 years and perform 250 hours of community service. We conducted this joint investigation with NASA OIG, IRS-CI, and the Defense Criminal Investigative Service.

#### **Theft of Government Property Investigative Report to Management**

An IRM was issued to the Department's Office of Acquisition and Project Management recommending suspension and debarment of a former Office of River Protection (ORP) property management specialist. As previously reported, the investigation determined that the former ORP employee misused the employee's position to forge official Government property transfer documents in order to fraudulently obtain Government-owned computers and equipment valued at approximately \$31,700 through the GSA's excess property program. The former ORP employee pleaded guilty to felony forgery and misdemeanor theft in the Benton County (Washington) Superior Court.



### **Bribery Investigation Search Warrants Executed and Report to Management Issued**

The OIG in cooperation with the Federal Bureau of Investigations (FBI) executed three search warrants at two residences and a business geographically separated across three states. The warrants are related to our investigation into allegations of Bribery and False Statements on the part of a Department contractor. The allegations claim that the contractor paid bribes and made false statements to secure and maintain its contract with the Department. In addition, a subsequent IRM was issued to the Department's Office of Acquisition Management and Project Management recommending suspension and debarment of the Department contractor, its affiliated company, and three executives of the contractor's company. We conducted this ongoing, joint investigation with the FBI.

### **Recovery Act Indictment, Guilty Plea, and Report to Management**

Two former Department subcontractors were previously indicted on charges of theft of government property, false statements, and false claims and recently pleaded guilty in the U.S. District Court for the Eastern District of Virginia to one count each of providing false statements. As part of the plea agreement, the former subcontractors will pay restitution of \$108,000 to the Department and \$12,787.83 to a third party. The investigation determined that the former subcontractors purchased construction equipment using Recovery Act funds and sold the equipment without Department consent, using the proceeds for personal benefit. An IRM was issued to the Department's Office of Contract and Financial Assistance Policy Division, recommending suspension and debarment

of two former Department subcontractors and their company. We conducted this joint investigation with the Virginia State OIG.

### **Theft of Government Property Criminal Complaint Filed**

In a criminal complaint filed with the Alameda County (California) Superior Court, a former Lawrence Berkeley National Laboratory (LBNL) contractor employee was charged with one count of misdemeanor embezzlement and one count of misdemeanor grand theft. The investigation determined that the former contractor employee, while still employed at LBNL, stole multiple pieces of Government-owned technical equipment and sold them online. The contractor employee pleaded No Contest and received a Deferred Entry of Judgment, which included an order to pay \$250 in court fees and \$1,292.32 in restitution, which were paid in full. A subsequent IRM was issued recommending suspension and debarment. The contractor employee was also subsequently terminated. The case is being prosecuted by the District Attorney's Office of Alameda County, California.

### **Suspensions and Debarments**

#### **Conspiracy/False Claims Management Response**

The OIG issued an IRM to the Fermi National Accelerator Laboratory (Fermilab) recommending suspension and debarment for a former Fermilab contractor employee. Fermilab agreed with the recommendation and suspended the former employee from Government contracting and proposed debarment. The former contractor employee was indicted in U.S. District Court for the Northern District of Illinois and found guilty of conspiracy and six counts of

false claims for filing fraudulent tax forms. The former contractor employee was sentenced to 21 months' incarceration and ordered to pay \$216,666 in restitution. This investigation was conducted by the Internal Revenue Service with assistance provided by OIG in apprehending the former contractor employee.

### **Conspiracy to Defraud Sentencing**

In the U.S. District Court for the Northern District of West Virginia, a former subcontractor of the National Energy Technology Laboratory (NETL) was sentenced to conspiracy to defraud the Government in conjunction with a guilty plea. The former subcontractor was sentenced to 1 year of probation, including 3 months of home confinement. Additionally, the court determined a forfeiture payment of \$84,884.55 will serve as restitution, of which \$82,795.80 will be returned to the Department. The investigation determined that from August 2006 until December 2009, the former subcontractor conspired with other unnamed co-conspirators to invoice and receive payments for identical expenditures in overlapping contracts with NETL. A subsequent IRM was issued recommending suspension and debarment for the former NETL subcontractor, the spouse of the former subcontractor, and two companies owned by the former subcontractor; all were debarred by the Department from Government contracting for 3 years.

### **Timecard Fraud Debarment**

A former contractor employee of the Lawrence Livermore National Laboratory was debarred from Government contracting for 3 years after the former contractor employee pleaded guilty to a misdemeanor count of grand theft. The former contractor employee was ordered by the court to pay

restitution in the amount of \$14,742.22 within 2 years. The investigation determined the former contractor employee submitted inaccurate timecards claiming work time while on vacation or sick leave over a 6-month period.

### **Contractor Timecard Fraud Debarment**

In response to an IRM, a former Department contractor employee was debarred from Government contracting for a period of 3 years. The former contractor employee pleaded guilty to felony theft for falsifying timecards totaling \$11,001. The former contractor employee was sentenced to 2 years' probation and ordered to pay restitution.

### **Administrative Actions**

#### **Administrative Action for Employee Misconduct Arrest**

A Department GS-15 employee was arrested and search warrants executed in an investigation involving solicitation for prostitution. In addition, an IRM was issued to the Department's Office of Intelligence and Counterintelligence resulting in the employee's security clearance being suspended and building access revoked. The investigation determined that the employee used a Government computer and telephone on multiple occasions during work hours to solicit prostitutes. This investigation is ongoing and was coordinated with the District of Columbia Superior Court.

#### **Employee Misconduct Arrest**

Based on a referral from the Department's Insider Threat Working Group, OIG special agents arrested a Department GS-15 employee for insurance fraud. The investigation determined that the employee used a Government telephone and computer during business hours to plan and

commit insurance fraud. The employee made a false claim to an insurance company and received payment for an item claimed to have been lost or stolen. This is an ongoing investigation and is being prosecuted by the District of Columbia Superior Court.

#### **Time and Attendance Fraud Non-Prosecution Agreement**

Pursuant to the terms of a Non-Prosecution Agreement (NPA), a Department contractor notified the OIG that it made significant upgrades to its time and attendance software program and created timekeeping procedures which they added to their policy. A joint investigation conducted by the OIG and Federal Bureau of Investigations, found that personnel employed by the Department contractor had falsely claimed hours they had not worked and falsely completed and certified their timecards. The Department contractor entered into a global settlement with the U.S. Attorney's Office, via an NPA and civil settlement.

#### **Weatherization Fraud Funds Returned**

The Commonwealth of Pennsylvania's Department of Community and Economic Development (DCED) returned \$89,546.87 to the U.S. Treasury to resolve a false claims investigation of a Community Action Agency (CAA) sub-recipient of Department Weatherization Assistance Program (WAP) funds. Our investigation and a DCED audit determined that the CAA's accounting practices violated WAP regulations concerning administrative, direct, and indirect cost charging.

#### **Gratuities and False Statements Case Settlement Agreements**

The OIG was notified of administrative action taken as a result of an IRM issued to

the NNSA Office of Secure Transportation (OST). Two Federal employees entered into settlement agreements resulting in their resignations. An OST attorney confirmed the agreements were approved by NNSA's Office of Human Capital Management. The investigation determined that the employees, an OST division director and a program manager, accepted gratuities from a business represented by an NNSA contractor and submitted false Confidential Financial Disclosure Reports to the Department.

#### **Illegal Narcotics Possession Resignation**

A former Los Alamos National Laboratory (LANL) contractor employee illegally ordered and possessed narcotics while employed at LANL. As a result of our investigation, the former employee's security clearance was revoked and the employee resigned in lieu of termination. We conducted this joint investigation with Homeland Security Investigations

#### **Department Contractor Employee Terminated**

An Argonne National Laboratory (ANL) contractor employee was terminated for violating ANL's Employee Conduct Policy. The investigation determined that, for approximately the last 5 years, the Department contractor employee illegally imported and distributed steroids from China. The investigation also determined that the former contractor employee brought the illegal steroids onto ANL and used an ANL computer to track steroid shipments. We are conducting this ongoing joint investigation with Homeland Security Investigations.

**Government Purchase Card Fraud  
Recovery of Property**

A former Western Area Power Administration (WAPA) employee used a Government purchase card to fraudulently obtain property for personal benefit while employed at WAPA. During an interview, the former employee admitted to the allegations and gave consent for the agents

to search the employee's personal residence. The former employee voluntarily relinquished possession of the fraudulently obtained property to the agents. The value of the recovered property is approximately \$25,023.89. We conducted this ongoing joint investigation with the U.S. Attorney's Office for the District of Arizona.

## AUDIT REPORTS

### [Office of Science's Bioenergy Research Centers](#)

In September 2007, Office of Science's (Science's) Office of Biological and Environmental Research established three Bioenergy Research Centers (Centers) to focus the most advanced biotechnology-based resources on the challenges of biofuel production. Science has committed nearly \$793.5 million to the Centers over a 10-year period. Each Center was provided \$10 million in start-up funding and receives about \$25 million per year. The American Recovery and Reinvestment Act of 2009 provided an additional \$13.5 million in funding. The ultimate goal for the three Centers is to provide the fundamental science to underpin a cost-effective, advanced cellulosic biofuels industry.

Nothing came to our attention to indicate that Science's management of the Centers was not generally effective. The Centers were generally satisfying the specific Federal, Department, and programmatic requirements that we evaluated in our review. We found, for example, that Federal officials required management plans for each Center, the Centers were reporting that they were meeting performance goals within scheduled time frames, and each of the Centers had been externally reviewed on an annual basis since being established. Although our review did not identify material concerns, we identified costs at the three Centers that warrant management attention: \$303,796 for Animal Care and Use Committee costs allocated to BESC and not to all other organizations benefiting from the services and \$2,275 for travel costs at two Centers. Additionally, we found that Oak Ridge National Laboratory's policy for providing refreshments at meetings exceeded the Department's guidance for refreshment costs. (OAI-M-16-01)

### [Audit Coverage of Cost Allowability for Lawrence Livermore National Security, LLC, During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC52-07NA27344](#)

The National Nuclear Security Administration awarded a contract to Lawrence Livermore National Security, LLC, (LLNS) to manage and operate Lawrence Livermore National Laboratory through September 2019. During FY 2013, LLNS incurred and claimed costs totaling \$1,517,258,319.

LLNS is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. A Cooperative Audit Strategy places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by contractors. Consistent with the Cooperative Audit Strategy, LLNS is required by its contract to maintain an Internal Audit activity with responsibility for conducting audits, including audits of the allowability of incurred costs.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by Internal Audit for FY 2013 could not be relied upon. We did not identify any material internal control weaknesses with the cost allowability audits, which generally met the International Standards for the Professional Practice of Internal Auditing

prescribed by the Institute of Internal Auditors. Internal Audit identified \$700,707 in questioned costs as part of its allowable cost audits, all of which have been resolved. We did, however, identify an issue that needs to be addressed to ensure that only allowable costs are claimed and reimbursed to the contractor. Specifically, our testing of a judgmental sample of 15 out of 111 employees' relocation and change-of-station transactions, which was performed independent of Internal Audit's cost allowability audit work, identified questioned costs of \$205.75. (OAI-V-16-01)

### **Small Business Subcontracting Goals at the East Tennessee Technology Park**

In April 2011, the Department awarded a nearly \$2.2 billion contract to URS | CH2M Oak Ridge LLC (UCOR) for environmental cleanup at the East Tennessee Technology Park in Oak Ridge, Tennessee. UCOR developed a Small Business Subcontracting Plan, as required by contract terms and the Federal Acquisition Regulation. Under the plan, UCOR commits to awarding 65 percent of total subcontract dollars to small businesses through specified small business categories. From August 2011 through August 2014, UCOR reported that 76 percent, or \$331 million, of its subcontracted work was awarded to small businesses.

Nothing came to our attention to indicate that UCOR had not made adequate progress in meeting and reporting on its overall established small business subcontracting goals. While we did not discover any material issues, we identified instances where UCOR had incorrectly reported the socioeconomic status of some of its small business awards and did not include the signature date on many of the attestation documents. Nonetheless, during our review, UCOR initiated action to improve the overall accuracy of reporting its performance metrics. (OAI-L-16-01)

### **Federal Energy Regulatory Commission's Unclassified Cybersecurity Program – 2015**

The Federal Information Security Modernization Act of 2014 (FISMA) established requirements for Federal agencies to develop, implement, and manage agency-wide information security programs, including management and oversight of information security risks to ensure that information technology resources are adequately protected. Further, FISMA mandated that agency Offices of Inspector General conduct annual independent evaluations to determine whether agencies' unclassified cybersecurity programs adequately protected data and information systems. This report presents the results of our evaluation for the Federal Energy Regulatory Commission (Commission) for FY 2015.

Our FY 2015 audit work found that the Commission had implemented the tested attributes of its cybersecurity program in a manner that was generally consistent with requirements established by the National Institute of Standards and Technology, the Office of Management and Budget, and the Department of Homeland Security. In particular, as a result of testing on a sample of targets within the Commission's unclassified internal network, including servers and workstations, nothing came to our attention to indicate that management, operating, and technical controls implemented within that environment were not operating effectively. (OAI-L-16-02)

### **The Department of Energy's Unclassified Cybersecurity Program – 2015**

The Federal Information Security Management Act of 2002 established the requirement for Federal agencies to develop, implement, and manage agency-wide information security programs. Federal agencies are also required to provide acceptable levels of security for the information and systems that support their operations and assets. Recently, the Federal Information Security Modernization Act of 2014, signed into law on December 18, 2014, modified the scope of agency reporting requirements to include specific information about security threats, incident reporting, and cyber breach notifications. As mandated by each of these laws, the Office of Inspector General is responsible for conducting an annual independent evaluation to determine whether the Department's unclassified cybersecurity program adequately protected its data and information systems. This report documents the results of our evaluation for the Department for FY 2015.

The Department, including the National Nuclear Security Administration, had taken a number of positive steps over the past year to address previously identified cybersecurity weaknesses related to its unclassified cybersecurity program. Specifically, we noted that the Department made significant progress in remediating weaknesses identified in our FY 2014 evaluation, which resulted in the closure of 22 of 26 reported deficiencies. While these actions were positive, our current evaluation found that the types of deficiencies identified in prior years, such as issues related to security reporting, vulnerability management, system integrity of Web applications, and account management continued to persist.

The weaknesses identified occurred, in part, because the Department had not ensured that policies and procedures were fully developed and/or implemented to meet all necessary cybersecurity requirements. In addition, the Department had not always implemented an effective performance monitoring and risk management program. For instance, we continued to identify concerns with the Department's implementation of plans of action and milestones to track corrective actions for its vulnerability management programs. Furthermore, we noted that risk management processes at locations reviewed were not always effective to identify and remediate cybersecurity weaknesses. (DOE-OIG-16-01)

### **The Department of Energy's Cybersecurity Risk Management Framework**

In FY 2015, the Department planned to spend at least \$300 million on cybersecurity activities designed to protect information technology resources supporting its national security, energy, science, and environmental missions. Our prior audits and evaluations have indicated the need for improvements to the Department's cybersecurity program in the areas of patch management, configuration management, and control testing. In light of the current transition to a continuous risk-based cybersecurity management process, we initiated this audit to determine whether the Department had effectively implemented its cybersecurity risk management framework.

The Department had made progress toward implementing an unclassified cybersecurity risk management framework designed to reduce the likelihood of compromise to its information systems and data. For instance, the Department implemented the use of a software application to better analyze system risks, and at least one site reviewed had developed a tracking system



to enhance communication with its authorizing official, the Federal official responsible for accepting risks and approving an information system for operation. However, we found that additional effort is needed to ensure that operating system risks are identified and systems and information are adequately secured.

The weaknesses identified existed, in part, because Federal requirements for securing information systems had not been fully implemented, and the Department had not established sufficient oversight and communication to support its cybersecurity risk management program. Specifically, key aspects of a successful risk management program were not developed or maintained. (DOE-OIG-16-02)

**[Audit Coverage of Cost Allowability for DM Petroleum Operations Company During October 1, 2011, Through March 31, 2014, Under Department of Energy Contract No. DEAC96-03P092207](#)**

From 1993 through March 31, 2014, DM Petroleum Operations Company (DM) operated the Strategic Petroleum Reserve under a management and operating contract with the Department. During the period of October 1, 2011, through March 31, 2014, DM expended and claimed \$366,798,705 in costs incurred.

Because DM was an integrated management and operating contractor, its financial accounts were integrated with those of the Department, and the results of transactions were reported monthly according to a uniform set of accounts. DM was required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs.

Based on our assessment, we determined that we could not rely on the allowable cost-related audit work for costs incurred during October 1, 2013, through March 31, 2014. Specifically, we found DM had not ensured that the allowable cost review performed by an independent certified public accounting firm met the established procedures for conducting allowable cost reviews. Accordingly, we consider costs totaling \$72,623,697 incurred during this period to be unresolved pending audit. (OAI-V-16-02)

**[Department of Energy's Fiscal Year 2015 Consolidated Financial Statements](#)**

Pursuant to requirements established by the Government Management Reform Act of 1994, we engaged the independent public accounting firm of KPMG LLP (KPMG) to perform the audit of the Department's FY 2015 Consolidated Financial Statements.

KPMG audited the consolidated financial statements of the Department as of September 30, 2015 and 2014, and the related consolidated statements of net cost, changes in net position and custodial activity, and combined statement of budgetary resources for the years then ended. KPMG concluded that these consolidated financial statements are presented fairly, in all material respects, in conformity with United States generally accepted accounting principles and has issued an unmodified opinion based on its audits and the reports of other auditors for the years ended September 30, 2015 and 2014. (OAI-FS-16-01)



### **Management Challenges at the Department of Energy – Fiscal Year 2016**

We annually identify what we consider the Department's most significant management challenges. The overall goal is to focus attention on significant issues in order to enhance the effectiveness of programs and operations.

While the FY 2016 challenge areas remain largely consistent with those in previous years, based on the results of our work over the last year, a few notable changes in emphasis have been made. As a result, the FY 2016 management challenges include the following: Contract Management, Cybersecurity, Environmental Cleanup, Nuclear Waste Disposal, Safeguards and Security, Stockpile Stewardship, and Infrastructure Modernization. (OIG-SR-16-01)

### **Procurement of Parts and Materials for the Waste Treatment and Immobilization Plant at the Hanford Site**

To support construction of the Waste Treatment and Immobilization Plant (WTP), Bechtel National Inc. (Bechtel) has procured approximately \$4 billion in parts and materials through the end of FY 2014 and instituted steps to ensure that procured parts and materials meet specifications and requirements. To help ensure that parts were satisfactory, Bechtel developed several controls to include verification of vendor design submissions, review of the manufacturing or fabrication process, and receipt inspection and testing. Bechtel also developed procedures to identify and resolve the nonconforming items and recover the costs from vendors.

The Department and its contractor had not always effectively executed procurements and material management activities at the Office of River Protection. Specifically, Bechtel did not always identify nonconforming items resulting from vendor errors in a timely manner, resolve issues with nonconforming items in a timely manner after they were identified, or recover the costs for resolving nonconformances from vendors when the problems were the result of vendor errors.

These problems were caused by weaknesses in Bechtel's quality assurance program. In particular, although Bechtel had procedures in place to prevent or identify nonconforming items, they were not always performed effectively. Contributing to these weaknesses were Bechtel's failure to effectively implement corrective actions, a lack of timelines for resolving nonconformances, and inadequate Federal oversight over Bechtel's cost recovery processes for nonconforming items. (DOE-OIG-16-03)

### **The Energy Information Administration's Information Technology Program**

We received four allegations expressing concerns with various aspects of the Energy Information Administration (EIA) information technology (IT) program. Specifically, the complainants alleged problems with management of IT funds, reporting inconsistencies of IT investments, and mismanagement of records. In addition, the complainants alleged that EIA's Transformation Project, a major system development effort designed to enhance efficiencies within the agency, produced no significant results or benefit and resulted in wasted funds and resources. In response, we initiated this audit to determine whether EIA implemented and managed an effective IT program.

Our review largely substantiated the allegations related to IT and records management. Based on these findings, we determined that EIA had not implemented a fully effective IT program. In particular, we identified weaknesses related to IT project management, capital planning and investment control, cybersecurity, and records management.

The weaknesses identified occurred, in part, because EIA management had not ensured that applicable Federal and Department of Energy policies and procedures were always implemented. Also, EIA had not fully implemented cybersecurity controls in accordance with Federal and Department of Energy requirements. Furthermore, EIA had not implemented an effective governance structure over IT project management and cybersecurity activities. (DOE-OIG-16-04)

### **Federal Energy Regulatory Commission's Fiscal Year 2015 Financial Statement Audit**

This report presents the results of the independent certified public accountants' audit of the balance sheets of the Federal Energy Regulatory Commission (Commission), as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended.

To fulfill our audit responsibilities, we contracted with the independent public accounting firm of KPMG LLP (KPMG) to conduct the audit, subject to our review. KPMG concluded that the combined financial statements present fairly, in all material respects, the respective financial position of the Commission as of September 30, 2015 and 2014, and its net costs, changes in net position, budgetary resources, and custodial activities for the years then ended, in accordance with United States generally accepted accounting principles. (OAI-FS-16-02)

### **Energy Savings Performance Contract Biomass Project at the Oak Ridge National Laboratory**

In July 2012, the Oak Ridge National Laboratory (ORNL) Site Office (Site Office) authorized its contractor to commence operations on a new biomass gasification steam plant. The biomass plant was the Site Office's largest and most expensive endeavor in a series of energy conservation measures developed and financed through an Energy Savings Performance Contract (ESPC) with Johnson Controls Government Systems LLC (Johnson Controls).

After operating sporadically for a year, the Site Office shut down the biomass plant in September 2013 when it discovered dangerous corrosion in the gasifier walls. Shortly thereafter, the Site Office notified Johnson Controls of the corrosion as well as other operational issues including degradation of the concrete beneath the conveyors and corrosion of the electrostatic precipitator. The Site Office requested that Johnson Controls resolve all operational issues and continue to ensure an uninterrupted steam supply. After months of negotiations, the Site Office and Johnson Controls agreed that the biomass plant would be demolished and replaced with a natural gas system. In August 2014, the ESPC was modified to reflect this substitution, while the overall value of the ESPC's delivery order remained unchanged. We initiated this audit to determine whether the Site Office had effectively managed its ESPC biomass project.

The Site Office told us it had taken what it considered to be the best option to resolve the ESPC biomass plant issue. We noted that the Site Office had considered several options to resolve operational issues and had worked with Johnson Controls to arrive at a long-term solution to supply steam for ORNL's needs. Although the Site Office was able to modify its ESPC with no increase to the value of the ESPC's delivery order, we noted that an issue with the original terms and conditions of the ESPC could have complicated the resolution process. (OAI-L-16-03)

#### **Department of Energy Nuclear Waste Fund's Fiscal Year 2015 Financial Statement Audit**

The attached report presents the results of the independent certified public accountants' audit on the balance sheets, as of September 30, 2015 and 2014, of the Department's Nuclear Waste Fund (Fund) and the related statements of changes in net cost, changes in net position, and statements of budgetary resources for the years then ended.

To fulfill our audit responsibilities, we contracted with the independent public accounting firm of KPMG LLP (KPMG) to conduct the audit, subject to our review. KPMG concluded that the financial statements present fairly, in all material respects, the respective financial position of the Fund as of September 30, 2015 and 2014, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with United States generally accepted accounting principles. (OAI-FS-16-03)

#### **Energy Savings Performance Contract Review Board**

As of January 2015, the Department had awarded 25 Energy Savings Performance Contracts (ESPC) valued at \$1.6 billion. The Department's Sustainability Performance Office, when under the Office of Energy Efficiency and Renewable Energy (EERE), used an ESPC Review Board (Review Board) comprised of various Headquarters technical experts to review ESPC proposals to identify potential issues and increase the probability of a successful ESPC. The Sustainability Performance Office encouraged sites to submit proposed ESPCs to the Review Board for review and comment. However, Review Board comments were advisory and sites were expected to respond to and resolve Review Board comments.

We identified an area in which the Review Board's responsibilities and procedures could be clarified to help ensure that the Department's ESPCs are in the Government's best interests. Specifically, we noted that some sites have demonstrated a reluctance to submit ESPC proposals to the Review Board because of concern over protecting procurement sensitive information. (OAI-L-16-04)

#### **Issues Management at the Los Alamos Field Office**

The Department is committed to operating its nuclear facilities and conducting work activities to ensure environment, safety, and health concerns are considered and addressed in the performance of its mission. Therefore, the Department has policies requiring contractors and field offices to establish an issues management program.

We found that the Los Alamos Field Office had not implemented an effective issues management program. Specifically, the Field Office frequently did not enter issues identified in assessments into its corrective action tracking system. Of those issues that were entered, 81

percent were not entered within the first 90 days following receipt of the assessment report, and 59 percent of the records had incomplete, inaccurate, or invalid closure data. Additionally, we could not determine the effectiveness of the Field Office Employee Concerns Program because of inconsistencies in documenting cases. However, although the Field Office's record keeping did not fully meet the Differing Professional Opinions (DPO) requirements, nothing came to our attention to indicate that the process was not generally effective in managing the three DPO submissions we identified.

The identified problems occurred because the Field Office issues management programs either lacked complete procedures or the procedures were not consistently followed. As a result, neither we nor the Field Office could verify and validate corrective actions because of incomplete information, as well as insufficient and invalid closure data. Additionally, inconsistent or incomplete documentation diminished the effectiveness of the Employee Concerns Program and the Differing Opinions process at the Field Office. Thus, the issues management programs were not always effective in identifying, correcting, and preventing the recurrence of safety-related deficiencies and problems. (OAI-M-16-02)

### **Lithium Operations at the Y-12 National Security Complex**

The Y-12 National Security Complex (Y-12), located in Oak Ridge, Tennessee, provides critical support for the National Nuclear Security Administration's (NNSA) mission to ensure the safety, security, reliability, and performance of the Nation's nuclear weapons. Y-12 provides lithium for NNSA's Defense Programs, such as weapons life extension programs, and is the only site in the Nuclear Security Enterprise that can produce lithium materials. In 2012, Y-12 took steps to improve maintenance efficiency and reduce costs by discontinuing a portion of the historic process of lithium purification. One of the improvements was to implement Direct Material Manufacturing (DMM). However, DMM was not able to fully meet production expectations because source material was not available in the anticipated quantities.

We concluded that Y-12 had not effectively managed the lithium production process and is at risk of not producing necessary quantities of lithium materials if no additional actions are taken. Y-12 did not intend DMM to be a permanent solution, and DMM's ability to meet production goals may not have been adequately considered when deciding to pursue the process. Additionally, Y-12 did not adequately maintain the lithium operations facility, leading to an accumulation of about \$20 million in deferred maintenance. The facility issues existed, in part, because lithium operations were managed and funded by several programs at Y-12.

During the course of the audit, management took action to qualify additional DMM material to ensure available supply beyond FY 2017. Y-12 also issued a plan that management stated would ensure safe and reliable production of lithium materials. (OAI-L-16-05)

### **The Office of Fossil Energy's Regional Carbon Sequestration Partnerships Initiative**

The Office of Fossil Energy Regional Carbon Sequestration Partnerships Initiative (Initiative) was established in 2003 to develop the technology, infrastructure, and regulations needed to implement large-scale CO<sub>2</sub> storage in different regions and geologic formations. The Initiative involves seven regional partnerships that are comprised of state agencies, universities, and

private companies. Overall, the partnerships represent more than 400 unique organizations in 43 States and 4 Canadian Provinces. Funding is provided to the regional partnerships through cooperative agreements valued at about \$829 million, with the Department share totaling approximately \$591 million and partner members contributing about \$238 million on a cost-share basis. As of April 2015, about \$503 million of the Department's share had been obligated, of which approximately \$378 million had been reimbursed in claimed costs.

We have considered contract and financial assistance award management to be a significant management challenge for a number of years. For example, our audit report on [\*The Department of Energy's Industrial Carbon Capture and Storage Program Funded by the American Recovery and Reinvestment Act \(OAS-RA-13-15, March 2013\)\*](#) found that the Department had not always effectively managed the Industrial Carbon Capture and Storage Program and the use of Recovery Act funds. In light of previous concerns and the significant amount of funding for the Initiative, we initiated this audit to determine whether the Initiative was managed in an effective and efficient manner.

The Department had not always effectively managed the Initiative's financial assistance awards. In particular, our testing revealed that one of the two partnerships we reviewed, the Midwest Geological Sequestration Consortium, managed through a cooperative agreement with the University of Illinois, had been reimbursed or allowed to claim cost share for approximately \$5.1 million in unsupported and questionable project costs incurred by one of its subrecipients, Schlumberger Carbon Services. We found that Schlumberger had not provided to the University of Illinois sufficient supporting documentation for about \$5 million in claimed costs in the sample of invoices we reviewed associated with intradivision transactions within the company. (OAI-M-16-03)

### **The National Nuclear Security Administration's Network Vision Initiative**

The Office of Management and Budget's 25 Point Implementation Plan to Reform Federal Information Technology Management issued in December 2010 directed that agencies should effectively manage large-scale information technology (IT) programs. To meet this goal and support its various missions, the National Nuclear Security Administration (NNSA) began implementation of a major infrastructure modernization initiative designed to enable implementation of a virtual workforce. The NNSA Network Vision (2NV) initiative consists of four major IT projects intended to provide enhanced capabilities such as networking, identity management services, cloud-based computing technologies, and collaboration and social networking services across NNSA Headquarters and field locations. When initiating the project, NNSA estimated that implementation of 2NV would result in annual savings of more than \$73 million.

A prior OIG report on [\*The Management of the National Nuclear Security Administration's Classified Enterprise Secure Network Project \(IG-0823, September 2009\)\*](#) found that planning and execution of that project was not effective and resulted in a system that did not meet pre-established goals and objectives. In addition, a prior Government Accountability Office report identified NNSA project management as an area of high risk for fraud, waste, abuse, and mismanagement.

We found that implementation of various components of the 2NV initiative were significantly behind schedule and over budget. In addition, 2NV may not meet its primary objectives of enhancing collaboration among employees and implementing a fully operational cloud-based computing solution. These issues were attributable, in part, to ineffective project planning practices related to the development and implementation of the 2NV initiative. For instance, essential components of a well-developed project management approach, such as charters, business cases, alternatives analyses, and implementation schedules, were often inadequate, outdated, or had not been developed in a timely manner. In addition, monitoring and oversight activities were not always sufficient to ensure success and hold project managers accountable for delivering the project within cost, scope, and schedule. (DOE-OIG-16-05)

### **Management Letter on the Federal Energy Regulatory Commission's Fiscal Year 2015 Financial Statement**

During the audit, KPMG, LLP (KPMG), our contract auditors, noted certain matters involving internal control and other operational matters. These comments and recommendations are intended to improve internal control or result in other operating efficiencies.

KPMG noted two new findings that were issued during the course of the audit, and Management concurred with and provided planned corrective actions for the recommendations listed in the management letter. Management's comments are included in each finding. (OAI-FS-16-04)

### **Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2015**

During the audit, KPMG, LLP (KPMG), noted certain matters involving internal control and other operational matters. These comments and recommendations are intended to improve internal controls or result in other operating efficiencies. Management concurred with and provided planned corrective actions for the recommendations listed in the management letter. (OAI-FS-16-05)

### **Bonneville Power Administration's Real Property Services**

The Department's Bonneville Power Administration (Bonneville) markets and transmits wholesale electricity to the utilities of the Pacific Northwest with a transmission system that includes more than 15,000 miles of high-voltage power lines throughout a seven-state service area. To support Bonneville's building, operation, and maintenance of transmission facilities, Real Property Services provides services such as acquisition of real property and vegetation management rights, appraisals, and real property records management.

We found that Bonneville's Real Property Services was not always managed efficiently and effectively. We received consistent testimonial evidence that supported allegations regarding management pressure and a difficult work environment. However, we did not substantiate allegations regarding conflict of interest and tribal payments. In addition, we identified other issues involving potential overpayments for acquiring the rights to manage vegetation on existing easements, unauthorized real property acquisition agreements, improperly



documented appraisal reviews conducted orally, and inaccurate and incomplete real property acquisition data.

These issues occurred because negotiations with landowners for the acquisition of additional vegetation management rights were initiated before an appraisal of those rights was completed. Realty Specialists had not been formally notified of their authority levels, and Real Property appraisers cited a backlog of oral reviews and not enough time to document the backlog. Finally, Bonneville lacked a sufficient review process for identifying errors. (OAI-M-16-04)

### **Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2015**

During the audit, KPMG LLP (KPMG), our contract auditors, noted certain matters involving internal control and other operational matters. These comments and recommendations are intended to improve internal control or result in other operating efficiencies. In addition, KPMG identified a deficiency in internal control related to the calculation of imputed costs that it considered significant.

KPMG LLP identified 16 new findings that were issued during the course of the audit, and Management concurred with and provided planned corrective actions for the recommendations listed in the management letter. Management's comments are included in each finding. (OAI-FS-16-06)

### **Audit Coverage of Cost Allowability for Brookhaven Science Associates LLC During Fiscal Years 2012 and 2013 Under Department of Energy Contract No. DE-AC02-98CH10886**

Since 1998, Brookhaven Science Associates LLC (BSA) has managed and operated the Brookhaven National Laboratory under contract with the Department. Because BSA is an integrated management and operating contractor, its financial accounts are integrated with those of the Department, and the results of transactions are reported monthly according to a uniform set of accounts. BSA is required by its prime contract to (1) account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, (2) safeguard assets in its care, and (3) claim only allowable costs.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by BSA's Internal Audit could not be relied upon. We did not identify any material internal control weaknesses with cost allowability audits. However, Although BSA acted on the recommendations in our prior report, BSA had not fully addressed a weakness with subcontract audits to ensure only allowable costs are claimed by and reimbursed to the contractor. BSA did not arrange for or conduct interim audits of subcontracts when costs incurred were a factor in determining the amount payable to a subcontractor, and did not ensure that preaward, interim, or closeout audits were conducted for its time-and-materials subcontracts.

We concluded that inadequate audit coverage occurred because BSA did not have a fully documented risk-based strategy in its policies defining its required subcontract audit

responsibilities. Although officials stated that they had considered guidance outlined in the Department's Acquisition Letter 2014-01, BSA's policies had not been revised accordingly. (OAI-V-16-03)

### **Fiscal Year 2014 Work Performed Under the Work for Others Program at the Pacific Northwest National Laboratory**

The Department provided research and technical assistance to other Federal agencies on a reimbursable, full cost recovery basis through the Work for Others (WFO) Program. WFO agreements are also available to industry, which can utilize the expertise and facilities at Department laboratories, such as the Pacific Northwest National Laboratory (PNNL).

KPMG LLP (KPMG), our contract auditors, assessed the internal control structure at PNNL to determine whether it is effective in achieving the current goals and objectives of the WFO Program. KPMG concluded that in FY 2014 PNNL implemented internal controls and compliance procedures that met the Department's WFO Program requirements, as stated in Department regulations, guidance, and applicable contract provisions. (OAI-M-16-05)

### **Corrective Action Program at the Waste Treatment and Immobilization Plant**

The Waste Treatment and Immobilization Plant (WTP), when complete, will be the world's largest radioactive waste treatment plant, with an approved budget of \$12.3 billion. Bechtel National, Inc., (Bechtel) is the contractor responsible for the design, construction, and commissioning of the WTP. According to Bechtel's Corrective Action Management Program, the Integrated Issues Management Policy establishes the Corrective Action Management Program as the primary issues management program for documenting and resolving conditions adverse to quality identified at the WTP.

We found that the WTP corrective action program was not fully effective in managing and resolving issues. Some required issues were not managed and tracked in the corrective action program, corrective actions were not implemented in a timely manner, and Bechtel failed to follow through on implementing prior corrective action program improvement initiatives. Weaknesses with Bechtel's corrective action program have been reported for years. Although Bechtel has acknowledged these weaknesses and developed multiple improvement plans, in several cases these initiatives were not fully implemented or sustained. (OAI-M-16-06)

### **Follow Up Audit of the Department of Energy's Management of Contractor Fines, Penalties, and Legal Costs**

Our September 2009 report on [\*The Department's Management of Contractor Fines, Penalties, and Legal Costs \(DOE/IG-0825\)\*](#) revealed the Department had reimbursed contractors for legal costs that were questionable because of their association with an underlying fine or penalty, permitted contractors to incur costs for outside counsel that should not have been paid based on the terms of the engagement letter, and authorized settlement payments without performing required post-settlement reviews.

Although the Department's management of contractor fines, penalties, and legal costs had improved since our 2009 report, we found that problems with the management of these costs



continue to exist. Specifically, our testing revealed that the Department was still authorizing settlement payments without documented evidence of settlement reviews to determine the allowability of costs. Furthermore, the Department had not always determined when post-settlement reviews were warranted. Our detailed review of 46 settlement agreements at 6 site contractors found 36 settlements (78 percent) valued at more than \$62 million in which there was no documented evidence a settlement review had been performed.

The issues we identified occurred because the Department had not (1) developed and implemented guidance in a timely manner concerning the application of a 2009 legal decision that established a legal precedent related to the settlement of cases involving discrimination, (2) ensured current policy requiring settlement reviews for discrimination and whistleblower cases was implemented, or (3) developed guidance for conducting settlement reviews for other types of cases. Furthermore, the Department had not developed guidance indicating when conducting a post-settlement review would be warranted. Although similar issues were noted in our 2009 report, the Department had not established adequate policy or guidance in these important areas to assist field offices in determining the cost allowability of settlements. (DOE-OIG-16-06)

**[Audit Coverage of Cost Allowability for Babcock & Wilcox Technical Services Pantex LLC During Fiscal Year 2013 Through June 30, 2014, Under Department of Energy Contract No. DE-AC54-00AL66620](#)**

Babcock & Wilcox Technical Services Pantex LLC (B&W Pantex) managed and operated the Pantex Plant (Pantex) under contract with the Department from February 1, 2001, through June 30, 2014. During FY 2013 through June 30, 2014, B&W Pantex incurred and claimed costs totaling approximately \$966 million.

B&W Pantex is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. A Cooperative Audit Strategy makes efficient use of available audit resources while ensuring that the Department's contractors claim only allowable costs. Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by B&W Pantex's Internal Audit for FY 2013 through June 30, 2014, could not be relied upon. We did not identify any material internal control weaknesses with the cost allowability audits, which generally met the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. During its FY 2013 through June 30, 2014, audits of cost allowability, Internal Audit identified questioned costs totaling \$1,348,050, of which \$1,180,723 had been resolved. Thus, we are questioning the remaining \$167,327. (OAI-V-16-04)

**[Allegations Regarding the Sandia National Laboratories Mixed Waste Landfill](#)**

Since December 2014, we received multiple allegations and information regarding human health and environmental protection issues due to the waste stored in the Sandia National Laboratories (SNL) Mixed Waste Landfill (MWL). For example, it was alleged that the inventory of the MWL was not complete and that contaminants from the MWL had reached the

Albuquerque, New Mexico, aquifer. In response, we initiated a special review to examine the facts surrounding the allegations.

Our review substantiated only one of six allegations regarding the SNL MWL. Specifically, we substantiated that since the MWL's inception in 1959, SNL and the Department had not maintained a complete inventory of the types and amounts of waste disposed of in the MWL. We found examples of waste disposed in the MWL that were not documented in the inventory. Specifically, we found records of contaminated rods and of 204,000 gallons of reactor coolant water.

In discussing a path forward, the National Nuclear Security Administration did not find value in updating the MWL inventory due to their various required activities of the MWL, which include monitoring. However, to mitigate the remaining uncertainty with the MWL inventory, we suggest that the Manager of the Sandia Field Office ensure adherence to the requirements presented by the New Mexico Environment Department (NMED) for long-term monitoring and maintenance as well as 5 year reporting to reevaluate the feasibility of excavation of the MWL and to analyze the continued effectiveness of an NMED-ordered remedy. (OAI-SR-16-01)

#### **Issues Management at the Los Alamos National Laboratory**

Department orders and guidance reflect its commitment to operating its nuclear facilities and conducting work activities in a manner that ensures environment, safety, and health concerns are considered and addressed in the performance of its mission. As such, the Department has policies requiring its management and operating contractors to establish issues management programs. As noted in Department Order 226.1B, "Implementation of Department of Energy Oversight Policy", an effective issues management program is critical to continuous improvement in the safe and efficient operation of the National Nuclear Security Administration's programs and facilities for which the contractor is responsible. As such, we initiated an audit to determine whether the Los Alamos National Laboratory (LANL) and the Los Alamos Field Office had effective issues management programs. This report covers the results of our review of the LANL program. In December 2015, we issued a separate report on Issues Management at the Los Alamos Field Office.

Our review disclosed significant weaknesses in LANL's implementation of an effective issues management program. In our view, these problems adversely affected the usefulness of the corrective action program and the differing professional opinions (DPO) process. We noted that the employee concerns program was generally effective; however, due to the complexity of some concerns, LANL did not always meet its internal goal for resolving concerns within 90 days.

Overall, we found LANL's corrective action program did not always adequately address issues, did not effectively prevent their recurrence, and did not consistently identify systemic problems. Department Order 226.1B requires contractors to establish a formal issues management program that captures program and performance deficiencies, categorizes the significance of findings based on risk, and maintains documentation of corrective actions taken.

The deficiencies in the corrective action program and the DPO process occurred because LANL had not fully implemented Department requirements. Specifically, with regard to corrective action management, LANL's guidance for its Performance Feedback and Improvement System did not fully address requirements, such as effectiveness reviews for high-significance issues, to ensure that the actions implemented prevent recurrence. In addition, a lack of causal analysis may have contributed to the high rate of ineffective issue resolution that we identified. (DOE-OIG-16-07)

### **The Department of Energy's Audit Resolution and Followup Process**

From FYs 2011 through 2014, we issued 372 reports, most of which included recommendations for corrective actions or improvements in programs, operations, and management functions. Accordingly, Department Order 224.3, Audit Resolution and Followup Program, requires that audit reports and all associated recommendations should generally be closed within 1 year. It also requires that management officials certify that corrective actions have been completed and are effective prior to closure.

In February 2004, May 2007, and September 2010, we issued audit reports that identified issues related to the audit resolution and followup process. Specifically, we noted that the Department, in some cases, closed agreed-upon recommendations despite the fact that corrective actions were not always complete or effective. The audits further determined that the Department was not always meeting its established target milestones for audit report closure. We initiated this audit to determine whether the Department had corrected previous problems with the audit resolution and followup process and whether related issues identified through recent audits had been resolved.

While the Department made improvements to the audit resolution and followup process, weaknesses continued to exist. Our review of closed recommendations in four OIG audit reports found that in three of the four reports, the recommendations had been closed even though corrective actions taken by the Department's program offices and National Nuclear Security Administration were incomplete or ineffective. Audit reports and related recommendations are considered closed when management certifies that all necessary corrective actions have been completed.

Corrective actions taken by the Department were sometimes incomplete, ineffective, or untimely, in part, because of insufficient guidance and/or inadequate monitoring and oversight of the audit resolution and followup process. Additionally, program offices continued to submit assurance certifications and close recommendations without always performing formal followup procedures to assess the effectiveness of actions taken. (DOE-OIG-16-08)

### **Audit Coverage of Cost Allowability for UChicago Argonne LLC During Fiscal Years 2010 Through 2013 Under Department of Energy Contract No. DE-AC02-06CH11357**

UChicago Argonne LLC (UC Argonne) operates the Argonne National Laboratory under a contract with the Department. For FYs 2010 through 2013, UC Argonne expended and claimed \$3,012,190,788.

UC Argonne is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. A Cooperative Audit Strategy was implemented to make efficient use of available audit resources while ensuring that the Department's contractors claim only allowable costs. This strategy places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by contractors.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by Internal Audit could not be relied upon. We did not identify any material internal control weaknesses with the cost allowability audits, which generally met the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors. Additionally, we found that UC Argonne had conducted or arranged for 21 cost-type subcontract audits totaling \$57.7 million for the period under review. Internal Audit had identified \$63,877 in questioned costs, which were resolved. In addition, subcontract audits performed by the Defense Contract Audit Agency and Health and Human Services identified \$93,354 in questioned costs that were recovered during the period of our review.

While we did not identify any material control weaknesses that would affect overall reliance on cost-allowability work performed by Internal Audit, we noted concerns that need to be addressed to ensure that only allowable costs are claimed by and reimbursed to UC Argonne. (OAI-V-16-05)

**[Audit Coverage of Cost Allowability for Alliance for Sustainable Energy LLC During Fiscal Years 2012 and 2013 Under Department of Energy Contract No. DE AC36 08GO28308](#)**

Since October 1, 2008, the Alliance for Sustainable Energy LLC (Alliance) has managed and operated the National Renewable Energy Laboratory (NREL) under contract with the Department. NREL supports the Department's research and development initiatives. During FYs 2012 and 2013, Alliance expended and claimed \$887,876,835.64.

Alliance is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. A Cooperative Audit Strategy was implemented to make efficient use of available audit resources while ensuring that the Department's contractors claim only allowable costs. This strategy places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by contractors.

Based on our assessment, nothing came to our attention to indicate that allowable cost-related audit work performed by Alliance's Internal Audit could not be relied upon. We did not identify any material internal control weaknesses with the cost allowability audits, which generally met the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors. During FYs 2012 and 2013, Internal Audit, Defense Contract Audit Agency, and Alliance's subcontract audit function identified a total of \$196,023 in questioned

costs, all of which had been resolved. In addition, in response to the findings and recommendations identified in our previous report Assessment of Audit Coverage of Cost Allowability for National Renewable Energy Laboratory. During FY 2009 Through 2011 Under Department of Energy Contract No. DE-AC36-08GO28308 (OAS-V-14-03, November 2013), we found that Alliance had resolved costs pending audit, generally addressed subcontract audit strategy concerns, and partially recovered costs previously determined to be unallowable. Further, the Department had resolved the account discrepancies between NREL and the Department's accounting systems. (OAI-V-16-06)

### **Management of the Startup of the Sodium-Bearing Waste Treatment Facility**

Under its contract for the Idaho Cleanup Project, CH2M-WG Idaho LLC was to design, construct, and operate the Sodium-Bearing Waste Treatment Facility (SBWTF) to treat 900,000 gallons of radioactive liquid waste that is currently stored in underground waste tanks at the Idaho National Laboratory. In April 2012, the Department declared construction complete, beginning the project's operation phase, and in June 2012, CH2M-WG Idaho LLC initiated comprehensive performance testing, which involved operating the plant at high temperature with a nonradioactive simulant to prove full performance of the facility. On June 16, 2012, during testing, the facility experienced a "system pressure event" which led to the shutdown of the facility. The Department's investigation into the event revealed both operational and design deficiencies and the facility has been shut down since the event for modifications and repairs to the facility and process.

Our audit revealed significant problems with the Department's management of the startup of the SBWTF. In particular, we found that the Department moved the work associated with the comprehensive performance test, which demonstrates that the facility would perform its mission as designed, from the construction phase of the project to the operations phase of the project. This project modification resulted in the Department not performing a rigorous test of the functionality of the facility before construction was declared complete.

In light of the issues we identified, we concluded that the Department's cost cap did not successfully limit the construction costs borne by the taxpayers, and the total actual construction cost for this facility is likely understated by about \$181 million thus far. Department officials told us that other cleanup work at the Idaho site that might otherwise have been accelerated was not, because the funding for that work is being used to repair and reconstruct the SBWTF. In addition, in January 2015, the Idaho Department of Environmental Quality issued a Notice of Violation to the Department for failing to meet its commitment in the Resource Conservation and Recovery Act Notice of Noncompliance Consent Order related to the closure of the sodium-bearing waste tanks. (DOE-OIG-16-09)

### **Management of the Solar Energy Technologies Office's Technology to Market Program**

The Department's Office of Energy Efficiency and Renewable Energy Solar Energy Technologies Office established the Technology to Market program as part of its efforts to make solar energy cost-competitive with other forms of electricity by the end of the decade. Between April 2011 and March 2014, the program awarded 57 financial assistance agreements totaling about \$588.5 million, with the program's share totaling approximately \$215 million.

We found that the program had generally established project management controls for its Technology to Market financial assistance agreements. However, we identified financial management issues with one recipient, Soitec Solar Industries LLC (Soitec), which warranted attention. Soitec, the largest for-profit recipient in the program, claimed more than \$7 million in project costs on its first two invoices that were not adequately supported or were duplicative. After we brought these issues to the program's attention, officials took a number of actions and resolved the questioned costs.

The issues we identified were due, in part, to Soitec's lack of understanding of Federal financial assistance award requirements. We also determined that Department guidance on required supporting documentation was inconsistent between postaward information presented to Soitec and the financial assistance agreement. In addition, we were told that the Technical Project Officer had a very heavy workload of more than 100 awards, which made it difficult to provide adequate oversight. (OAI-M-16-08)

## INSPECTION REPORTS

### Worker Safety and Health at the Y-12 National Security Complex

The Department's National Nuclear Security Administration (NNSA) Production Office ensures the safe, secure, and cost-effective management of the Y-12 National Security Complex (Y-12) in Oak Ridge, Tennessee. NNSA selected Consolidated Nuclear Security LLC (CNS) to be the management and operating contractor for Y-12, as such, CNS is responsible for the safety and health of the Y-12 workforce.

We received a complaint alleging that (1) supervisors and managers at Y-12 sometimes encourage employees to ignore safety regulations or even commit acts known to be in violation of standard safety protocols, and (2) non-reporting of injuries at Y-12 is a common practice due to fear of reprisal from management.

We were unable to substantiate the allegations. Nothing came to our attention to indicate Y-12's safety and health programs do not provide reasonable assurance that concerns will be reported and addressed as required. We noted that Y-12 has multiple mechanisms available for employees to report safety concerns, including line management, the Employee Concerns Program, onsite union representatives, and onsite facility representatives. In addition, we were informed by employees that they are able to call a safety pause if they have concerns about an activity and feel free to do so without reprisal. Employees also informed us that they generally feel free to report injuries without reprisal. (OAI-L-16-06)

### Security Clearance Vetting at the Portsmouth Site

The Portsmouth/Paducah Project Office (PPPO) manages the Department's cleanup activities at the Portsmouth and Paducah Gaseous Diffusion Plants. Due to the nature of the work at Portsmouth, the Federal Government requires contractor employees to obtain security clearances to perform tasks or services stipulated in the contract. The Department's Oak Ridge Office (Oak Ridge) of Safeguards, Security, and Emergency Management is the Cognizant Personnel Security Office (CPSO) having Federal personnel security adjudication responsibilities for the Portsmouth site. During the past 3 years, Oak Ridge CPSO has granted 300 security clearances at the Portsmouth site for contractors employed through Fluor B&W Portsmouth, LLC (Fluor).

We received a hotline complaint alleging that Fluor did not resolve concerns that surfaced during the pre-employment screening process and knowingly submitted employees with derogatory information, such as criminal activity. The submission of employees with known backgrounds that would make them ineligible for security clearances resulted in Government funds being expended on unnecessary background checks.

The allegations were not substantiated. We found that contract requirements did not require Fluor to determine if an individual would qualify for a security clearance based on potentially derogatory information divulged as part of the hiring process, and only Department-trained Federal employees may determine a contractor employee's security clearance



eligibility. However, we noted that Fluor's HR personnel were not conducting prior employment and personal reference checks, as required by the contract. (OAI-L-16-07)

### **Procurement Administration and Human Reliability Program Revocations Within the Office of Secure Transportation**

The Department's National Nuclear Security Administration (NNSA) Office of Secure Transportation (OST) uses a professional force of Federal agents to transport nuclear weapons, weapon components, and special nuclear material. These agents participate in the Human Reliability Program (HRP), a security and safety reliability program designed to ensure that agents meet the highest standards of reliability and physical and mental suitability. OST's HRP is administered through its Federal and contractor workforce. The OST Federal workforce is responsible for procedure and policy development, procurement administration, and identification of control weaknesses.

We received an allegation that (1) an OST Contracting Officer's Representative (COR) modified an existing contract to circumvent the need for a sole source or competitive bid procurement, (2) the Department did not receive all of the deliverables specified in the contract modification, and (3) the Department contracted for duplicative services currently being provided under an existing Interagency Agreement. Further, we received another allegation concerning the lack of time constraints or deadlines for reinstating or revoking an agent's HRP status when an agent is temporarily removed from HRP duties.

Although not part of the allegation, we found that an Interagency Agreement was not properly modified. This occurred because the COR did not fully satisfy her responsibilities. Specifically, although required to do so, we found that the COR did not notify the then NNSA's Contracting Officer (CO) of the four OST-approved policy changes or request that the CO modify the Interagency Agreement. The COR told us that her failure to notify the CO was an inadvertent oversight.

Our review did not substantiate the allegations that OST officials circumvented the bid process, that contract deliverables were not received, or that a contract was awarded for services already provided under an existing Interagency Agreement. However, we confirmed that while an agent is temporarily removed from HRP duties, there are no time constraints or deadlines for reinstating or revoking an agent's HRP status. (OAI-M-16-07)

### **Review of Electrical Safety at Selected Department of Energy Sites**

Worker safety is of utmost importance in the Department. However, the aging Department infrastructure provides challenges and potential hazards to its employees. One of these challenges is protecting workers who may be exposed to electrical hazards that could result in electric shock, electrocution, burns, fires, and explosions. In February 2006, Title 10 Code of Federal Regulations (CFR) § 851, Worker Safety and Health Program, established the framework for safe and healthful workplaces in which hazards are abated, controlled, or otherwise mitigated.



We reviewed controls over soil excavations and wall, ceiling, or floor penetrations where electrical conduits were possibly present because of their critical importance to worker safety. We also reviewed the use of lockout and tagout activities that employed physical barriers or warning devices to prevent the unexpected energization of equipment.

Our inspection revealed that there were opportunities for improvement to decrease the risk of harm to personnel and infrastructure at BNL and SRS. While we did not discover any material issues, we identified isolated events where excavation and penetration workers had struck electrical conduits at SRS and BNL. Furthermore, we found tagout training and drawing review concerns at both sites. In addition, we identified issues with annual inspections that are completed to ensure that the lockout and tagout procedures are being followed at BNL. However, BNL and SRS have taken or initiated corrective actions to address these concerns. (OAI-L-16-08)

## SEMIANNUAL REPORTING REQUIREMENTS INDEX

The following identifies the sections of this report that address each of the reporting requirements prescribed by the Inspector General Act of 1978, as amended.

SECTION	REPORTING REQUIREMENT	PAGE
4(a)(2)	Review of Legislation and Regulations	<a href="#">15</a>
5(a)(1)	Significant Problems, Abuses, and Deficiencies	<a href="#">26-56</a>
5(a)(2)	Recommendations for Corrective Action to Significant Problems	<a href="#">26-56</a>
5(a)(3)	Previous Reports' Recommendations for Which Corrective Action Has Not Been Implemented	<a href="#">19-24</a>
5(a)(4)	Matters Referred to Prosecutive Authorities	<a href="#">26-35</a>
5(a)(5)	Information Assistance Refused or Not Provided	N/A
5(a)(6)	Audit Reports Issued in This Reporting Period	<a href="#">11-14</a>
5(a)(7)	Summary of Significant Reports	<a href="#">36-56</a>
5(a)(8)	Reports with Questioned Costs	<a href="#">4</a>
5(a)(9)	Reports with Recommendations That Funds Be Put to Better Use	<a href="#">4</a>
5(a)(10)	Previous Audit Reports Issued with No Management Decision Made by End of This Reporting Period	<a href="#">18</a>
5(a)(11)	Significant Revised Management Decisions	N/A
5(a)(12)	Significant Management Decisions with which the OIG is in Disagreement	N/A
5(a)(13)	Federal Financial Management Improvement Act-related Reporting	N/A
5(a)(14-16)	Peer Review Results	<a href="#">25</a>

## REPORTING REQUIREMENTS INDEX AS PRESCRIBED BY THE COMMITTEES ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS AND THE JUDICIARY

The following identifies the information that addresses the requests by the Committees on Homeland Security and Governmental Affairs and the Judiciary.

REPORTING REQUIREMENT	PAGE
Interference With Inspector General Independence	<a href="#">15</a>
Resistance to Oversight Activities or Restricted/Significantly Delayed Access	<a href="#">15</a>
Comments Not Provided by the Department Within 60 Days	<a href="#">16-17</a>
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## ABOUT THE DEPARTMENT AND OIG

**The U.S. Department of Energy** is headquartered in Washington, DC and currently operates the Energy Information Administration, the National Nuclear Security Administration, 21 preeminent research laboratories and facilities, four power marketing administrations, nine field offices, and 10 Program Offices which help manage the Department's mission with more than 15,000 employees. The Department is the Nation's top sponsor of research and development and has won more Nobel Prizes and research and development awards than any other private sector organization and twice as many as all other Federal agencies combined. The mission of the Department is to ensure America's security and prosperity by addressing its energy, environmental and nuclear challenges through transformative science and technology solutions.

**The OIG's** mission is to strengthen the integrity, economy and efficiency of the Department's programs and operations. The OIG has the authority to inquire into all Department programs and activities as well as the related activities of persons or parties associated with Department grants, contracts, or other agreements. As part of its independent status, the OIG provides the Secretary with an impartial set of "eyes and ears" to evaluate management practices. With approximately 280 employees, the organization strives to be a highly effective organization that promotes positive change.

## OIG HOTLINE CONTACTS

Contact the OIG Hotline if you suspect fraud, waste or abuse involving Department programs or by a Department employee, contractor or grant recipient.

### Contact Information:

- Complaint Form: <http://energy.gov/ig/office-inspector-general>
- Toll Free Telephone Number: 1-800-541-1625
- Washington DC Metro Telephone Number: 202-586-4073
- Email Address: [ighotline@hq.doe.gov](mailto:ighotline@hq.doe.gov)
- Physical Address: U.S. Department of Energy  
1000 Independence Ave, SW  
Washington, DC 20585

## FEEDBACK

The contents of this Semiannual Report to Congress comply with the requirements of the Inspector General Act of 1978, as amended. If you have any suggestions for making the report more responsive, please provide the following information by clicking the “submit email” button below:

- Name
- Telephone Number
- Comments/Suggestions/Feedback

