



U.S. DEPARTMENT OF
ENERGY

OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress



OCTOBER 1, 2009 — MARCH 31, 2010



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Message from the Inspector General



The Department of Energy's Office of Inspector General is pleased to submit its Semiannual Report to Congress for the period ending March 31, 2010. This report highlights key accomplishments of the Office, particularly pertaining to our efforts to work with agency management to ensure the economy, efficiency, and effectiveness of Department of Energy (Department) operations.

During this reporting period, much of our focus centered on the Department's implementation of the *American Recovery and Reinvestment Act of 2009* (Recovery Act). Under the Recovery Act, the Department received \$36.7 billion for various science, energy and environmental programs and initiatives. For the period ending March 2010, the Office of Inspector General issued a number of reports associated with the Department's implementation and execution of its Recovery Act responsibilities. These are discussed in the body of this document.

In addition to our Recovery Act-related work, the Office of Inspector General continues its efforts in other vital Department sectors, including areas such as environmental remediation, stockpile stewardship, worker and community safety, cyber security and various aspects of contract and program management. We look forward to working with program officials and Department management in our mutual effort to ensure that the interests of U.S. taxpayers are a priority as the Department undertakes its critically important missions.

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Gregory H. Friedman
Inspector General

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Key Accomplishments

For the Period of October 1, 2009 – March 31, 2010

Public Reports Issued — <i>Recovery Act, Audit, and Inspection</i>	34
Dollars Put to Better Use	\$1,108,077
Questioned Costs	\$22,674,903
Hotline Complaints and Inquiries	854
Criminal Convictions	19
Suspensions/Debarments	9
Civil/Administrative Actions Taken	66
Open Qui Tam Investigations	12
Potential Recoveries from Qui Tams	\$306,425,000
Dollars Recovered (Fines/Settlements/Recoveries)	\$11,408,290

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Recovery Act Reports

Problems with Implementing the Weatherization Assistance Program

Under the Recovery Act, the Department's Weatherization Assistance Program (Program) received \$5 billion to improve the energy efficiency of homes owned or occupied by low income persons, reduce their total residential expenditures, and improve their health and safety. Because of the unprecedented level of funding and the risks associated with spending vast amounts of money in a relatively short period of time, we initiated a series of audits designed to evaluate the Program's internal control structures at both the Federal and state levels. To begin our series of audit work, we initiated a review of the Program internal controls for the State of Illinois. During our audit work, we identified significant internal control deficiencies in the management of the Weatherization Program in Illinois which required immediate attention. Specifically, our interim audit revealed:

- ▶ Significant problems with on-site monitoring and inspection of the Illinois Home Weatherization Assistance Program. We noted that the Department had not fulfilled its requirement to perform monitoring visits at the State level;

- ▶ Illinois officials had not complied with the Department's requirements for inspecting weatherization work conducted by local agencies; and,
- ▶ A weatherization inspection for one of the local agencies failed to detect substandard installation of energy saving materials. This case involved a furnace gas leak that could have resulted in serious injury to the occupants and material damage to the structure.

Because of the importance of this program in stimulating the economy, creating jobs, and improving the quality of life in low income households, we continued our series of audit work by initiating a review to provide the Department with an interim status report highlighting factors impacting progress in meeting the Program and Recovery Act goals.

While the Department had taken a number of proactive steps to foster timely implementation of the Program, grantees had made little progress in weatherizing homes. As of February 2010, the one-year anniversary of the Recovery Act, only a

small percentage of Recovery Act weatherization funds had been spent and few homes had actually been weatherized:

- Only \$368.2 million (less than 8 percent) of the total award of \$4.73 billion had been drawn by grantees for weatherization work; and,
- Corresponding to the low spending rates, grant recipients fell significantly short of goals to weatherize homes.

In short, the Nation had not realized the potential economic benefits of the \$5 billion in Recovery Act funds allocated to the Program. The job creation impact of what was considered to be one of the Department's most "shovel ready" projects had not materialized, and modest income home residents had not enjoyed the significant reductions in energy consumption and improved living conditions promised as part of the massive Recovery Act weatherization effort.

The Department responded that it continues to "ramp up" to achieve the full impact of this important program. Management expressed its resolve to work diligently to achieve robust spending while maintaining proper programmatic oversight.

(OAS-RA-10-02, OAS-RA-10-04)

Departmental Program Efforts to Implement the Recovery Act

We initiated this review to determine whether the Department's major program offices had developed an effective approach for identifying and mitigating risks related to achieving the goals and objectives of the Recovery Act. The Department's program offices identified risks

and planned mitigation strategies that, if successfully implemented and executed, should help achieve the goals and objectives of the Recovery Act. While each office identified risks unique to its respective areas of responsibility, there were a number of risks shared in common. These included the risk that the award and distribution of funds, program and project performance monitoring, and program and project execution activities would not be accomplished correctly. Our review confirmed that the Department had begun to implement a number of strategies designed to mitigate these and other program-specific risks. Our testing, however, identified challenges to the effective implementation of these mitigation strategies that need to be addressed if the Department is to meet the goals and objectives established by the Recovery Act. In response to our findings, program officials acted promptly to address these problems by modifying or improving their risk mitigation strategies. Specifically, the Department:

- Established the Office of Risk Management within the Office of the Chief Financial Officer and issued Department-wide guidance for risk management efforts; and,
- Improved information technology systems for tracking financial information and project performance.

Our report included a number of recommended actions that the Department should take to address the challenges that remain. Management generally concurred with the report's recommendations and agreed to take corrective action. (OAS-RA-10-03)

Security Improvements Needed for WinSAGA

As a result of the Recovery Act, the Department received \$8.1 billion for formula grant programs supporting housing weatherization and energy efficiency. To aid in making incremental funding decisions, the Department will track recipients' performance through the Windows System Approach to Grants Administration (WinSAGA). WinSAGA, a custom-designed information system, is utilized by the Department and more than 70 state-level program offices to collect, organize, distribute, and report a wide array of information relating to the energy formula grant programs. We initiated an audit to determine whether current system resources and controls were adequate. Our review determined that WinSAGA, as currently configured, appeared to be capable of processing the additional formula grant transactions resulting from the Recovery Act. However, we did identify certain security concerns with the system that could increase the risk of compromise of grant data. Specifically, controls over system access were not appropriate; appropriate system backup and recovery procedures had not been implemented; and, security planning documentation and control testing were incomplete and contained several inconsistencies. Management indicated that steps were being taken to address the issues identified in our report.

(OAS-RA-10-05)

Development of a Data Quality Assurance Process

The Office of Management and Budget (OMB) requires that recipients report on their receipt and use of Recovery Act funds on a quarterly basis to www.FederalReporting.gov. OMB also

specifies that Federal agencies should develop and implement formal procedures to help ensure the quality of reported information. We completed an interim review to determine whether the Department had established a process to ensure the quality and accuracy of recipient reports. Our audit found that the Department had developed a quality assurance process to facilitate the quarterly reviews of recipient data. We did, however, identify several issues which could, if not addressed, impact the effectiveness of the quality assurance process. Specifically, we found that:

- ▶ OMB requirements are periodically changing and uncertainty exists regarding the quality and timeliness of recipient reporting; therefore, the Department may need to adjust its quality assurance plan;
- ▶ Although officials told us that they believed their plan was adequate for addressing systemic or chronic reporting problems, there were several issues of concern related to the process, such as the lack of a coordinated approach for remediating reporting problems and unclear roles for addressing such problems; and,
- ▶ Officials had not developed a coordinated plan for utilizing recipient data as a management tool for assessing risk, determining compliance with award terms, and determining when to release remaining funds.

Management concurred with our findings and recommendations and pledged to develop corrective actions. (OAS-RA-10-01)

Critical Delays in the ENERGY STAR Program

ENERGY STAR, a voluntary labeling program established in 1992, provides consumers with efficiency data to aid them in selecting energy efficient products, thereby helping to meet the Nation's goal of reducing energy consumption. We initiated this audit to determine whether the Department had implemented actions it had announced in 2007 to strengthen the ENERGY STAR Program. Our audit disclosed that the Department had not:

- Developed a formal quality assurance program to help ensure that product specifications were adhered to;
- Effectively monitored the use of the ENERGY STAR label to ensure that only qualifying products were labeled as compliant; and,
- Formalized procedures for establishing and revising product specifications and for documenting decisions regarding those specifications.

The delay in the Department's planned improvements in its management of the ENERGY STAR Program could reduce consumer confidence in the integrity of the ENERGY STAR label, thus reducing energy savings, increasing consumer risk, and diminishing the value of the recent infusion of \$300 million for ENERGY STAR rebates under the Recovery Act. Management generally agreed with our audit findings and recommendations for corrective action and noted that the Department's recently updated Memorandum of Understanding with

the Environmental Protection Agency, which shares responsibility with the Department for management of the program, addressed the issues raised in our report. (DOE/IG-0827)

Management Challenges

Each year, the Office of Inspector General (OIG) identifies what it considers to be the most significant management challenges facing the Department. This effort highlights those programs and operations that are, in our judgment, the most difficult to manage as well as those with the most significant demonstrated performance problems. The OIG determined that the most serious challenges facing the Department are in the areas of:

- Contract Administration
- Cyber Security
- Energy Supply
- Environmental Cleanup
- Human Capital Management
- Recovery Act Implementation
- Safeguards and Security
- Stockpile Stewardship

In addition, we have identified a "watch list" consisting of issues that do not currently meet our threshold of being classified as management challenges, but warrant continued attention by Department management. This year, the watch list includes: Infrastructure Modernization and Worker and Community Safety. (DOE/IG-0832)



Other Significant Audits, Inspections, and Reviews

Cyber Security Program

As required by the Federal Information Security Management Act (FISMA) of 2002, the OIG conducts an annual independent evaluation to determine whether the Department's unclassified cyber security program adequately protects its information systems and data. Our evaluation disclosed that most sites had taken action to address weaknesses previously identified in our Fiscal Year 2008 evaluation report. They improved certification and accreditation of systems; strengthened configuration management of networks and systems; developed and refined certain policies and procedures; and, performed independent assessments. In addition, the Department instituted a centralized incident response organization designed to eliminate duplicative efforts. We did, however, identify opportunities for improvement in areas such as security planning and testing, systems inventory, access controls, and configuration management. Management concurred with our recommendations to correct these security deficiencies and indicated that it had initiated or already completed actions. (DOE/IG-0828)

Federal Energy Regulatory Commission's Cyber Security Program

As required by FISMA, we conducted an annual independent evaluation to determine whether the Federal Energy Regulatory Commission's (Commission) cyber security program adequately protects its information systems and data. Our evaluation revealed that additional actions are necessary to help ensure the Commission's network systems and data are adequately protected against increasingly sophisticated cyber security attacks. Specifically, we found that:

- ▶ Policies and procedures for handling and protecting certain types of sensitive data had not been developed and implemented;
- ▶ The process for identifying, tracking, and correcting identified security weaknesses did not fully adhere to Federal requirements and corrective actions were not always completed in a timely manner; and,
- ▶ Access controls had not been fully implemented for the Commission's major information systems.

Management concurred with our recommendations to strengthen controls and disclosed that it had initiated or already completed actions to address weaknesses identified in our report. (DOE/IG-0830)

Enhancements Needed for the Office of Science Information Technology Resources

We initiated this audit to determine whether the Office of Science (Science) adequately managed its information technology (IT) resources. Science had taken a number of actions to improve its cyber security posture and align its program to Federal requirements. Yet, our review disclosed that it had not taken some basic steps to enhance security and reduce costs. In particular, we found that Science:

- ▶ Had implemented security configurations that were less stringent than those designed by the National Institute of Standards and Technology and mandated by OMB;
- ▶ Had not fully established or enforced IT hardware standards for acquiring hardware such as desktop and laptop computers or related peripherals, contributing to significant unnecessary expenditures; and,
- ▶ Had not implemented a common infrastructure for users at its Federal sites and continued to maintain an IT environment independent of the Department's Common IT Operating Environment.

We made several recommendations to address issues identified in this report and management

agreed to address many of these issues. (DOE/IG-0831)

Inconsistencies Found in the Department's Human Reliability Program

We initiated this audit to determine whether the Department's Human Reliability Program was being administered effectively. Our audit identified inconsistencies in the application of program requirements throughout the Department involving alcohol and drug-related duty restrictions and the certification of Reliability Program managers. Specifically, we identified differences in the methodologies used by Department sites to restrict Reliability Program certified individuals from performing critical duties based on the use of judgment impairing prescription medications. In addition, we noted inconsistencies in the application of the Department regulation regarding the consumption of alcohol prior to reporting for duty and variations in site requirements for the certification of Reliability Program management positions. Management generally concurred with our recommendations to address these issues and has planned appropriate corrective actions. (OAS-M-10-01)

Managing the Disposition of Uranium-233

We initiated this audit to determine whether the Department had adequately managed the disposition of Uranium-233 (U-233). Our results found that the Department's U-233 disposition project: (1) had encountered a number of design delays, (2) may exceed original cost estimates, and (3) will likely not meet completion milestones. Specifically, our testing disclosed that despite 4 years of effort by the

Office of Environmental Management and the expenditure of about \$36 million, project planning and design had yet to be completed and the cost baseline was approved relying on inaccurate assumptions and, thus, likely to be unreliable. Management agreed with our recommendations, the interest of which was to control costs and increase the likelihood that the project is completed in a timely and successful manner. (DOE/IG-0834)

Adjustments Needed to Security Posture for Special Nuclear Materials at Sandia National Laboratory

In response to the Department's announcement to evaluate missions at sites that consolidate Special Nuclear Material (SNM), Sandia National Laboratory (Sandia) reported a reduction of its on-site inventory of nuclear material below "Categories I and II" levels, which require the highest level of security to protect material such as plutonium and highly enriched uranium. We initiated an inspection to determine whether Sandia made appropriate adjustments to its security posture in response to the removal of the Categories I and II SNM. Our review found that Sandia made adjustments, such as the closing of security posts; excessing unneeded protective force weapons and equipment from the site; and modifying the Safeguards and Security Plan at Sandia. We also found highly enriched uranium, designated as Category III material using an official methodology, was not removed from Sandia. We recommended that expedited action be taken to formalize this methodology in the Department's directives system and disseminated throughout the Departmental complex. Management concurred with our recommendations. (DOE/IG-0833)

The Department Did Not Take Advantage of Seismic/Geological Data When Designing Nuclear Facilities

We initiated this audit to determine whether the Department had ensured the use of the best available seismic and geological data in the design of its nuclear facilities. Our review established that the Department had not always achieved this goal. Specifically, the Department had not used the best available, site-specific data and methodologies in the design of two major nuclear facilities at the Hanford and the Savannah River Sites. The Department invested approximately \$745 million and roughly 5 years of effort to remediate resulting seismic issues. We suggested that management (1) accumulate current site-specific, seismic-related data and methodologies in a centralized format for greater accessibility, and (2) provide access to site-specific data to design contractors to ensure that known conditions are disclosed and addressed. (OAS-L-10-01)

Work for Others by DOE

The National Defense Authorization Act for Fiscal Year 2009 required the Inspector General of the Department of Defense (DoD) and the Department to review procurement methods to determine whether the Department complied with DoD procurement requirements or whether alternative procurement policies were in place. In response, we focused our review on Work for Other (WFO) projects performed by the National Nuclear Security Administration (NNSA) because it completes the vast majority (approximately \$900 million in FY 2008) of the Department's work for DoD. Our review revealed that NNSA managed DoD WFO technical projects in a manner consistent with requirements of the

Atomic Energy Act of 1954, as amended, and the Federal Acquisition Regulations, including the Department of Energy Acquisition Regulations. Because of the very nature of the Department's management and operating contracting model, WFO projects may not be technically compliant with DoD procurement regulations in certain instances. In particular, NNSA did not let new contracts or task orders for the DoD WFO technical projects we reviewed and instead managed them under its existing internal control process as part of its management and operating contract structure.

Given the importance of the work products resulting from the collaborations between the Department and DoD, we concluded that identifying avenues to improve these relationships would serve the national interest. In particular, the Department needs to ensure that external customers are furnished with cost and other information needed to manage their projects and that roles and responsibilities for monitoring technical performance are adequately defined. We made several recommendations designed to improve management of the Department's WFO process. Management concurred with the recommendations and indicated that corrective actions were in process.

(DOE/IG-0829)

Enhancements Made to Employment Verification at the Savannah River Site

The Immigration Reform and Control Act of 1986 makes it illegal for entities and individuals to knowingly hire, continue to employ, or recruit unauthorized workers—individuals who are not eligible to work in the United States. We conducted a review to determine (1) if Savannah River Site subcontractors verified

the employment status of all employees in accordance with Federal requirements, and (2) if unauthorized individuals accessed the site. We found that subcontractors failed to utilize the "Employment Eligibility Verification Form" (I-9 Form) to determine worker eligibility. We also found that I-9 forms in our sample were missing key elements, including the subcontractor's affirmation that the identity documentation was reviewed and appeared authentic, and the employee's signature affirming that employment information was correct. Management concurred with our recommendations designed to enhance the employment verification process at the Savannah River Site. **(INS-O-10-01)**

Improvements Needed for Lawrence Livermore National Laboratory (Livermore) Protective Force Staffing Levels

We initiated an inspection to determine if Lawrence Livermore National Security (LLNS) management violated the minimum staffing requirements contained in Livermore's Security Incident Response Plan (SIRP). We found that LLNS was in violation of requirements when Livermore transitioned to a new SIRP standard concerning Security Police Officer staffing. We suggested that the Livermore Site Office coordinate with Livermore security management to take action to improve oversight of staffing levels for daily shift assignments and to ensure staffing levels are consistently met under the new requirements. **(INS-L-10-01)**

Review of Allegations Involving Potential Misconduct at the Savannah River Site

We initiated a fact-finding inquiry into matters concerning improprieties by a senior official within the Office of Environmental Management. The allegations involved potential violations of political activity restrictions, lack of impartiality in performing official duties, misuse of position, and other related misconduct. We determined that Environmental Management activities and the Savannah River Site were operated in a manner inconsistent with the objective of maintaining credibility and public confidence. We recommended that the Department take prompt action to address these concerns. (OIG No. S09IS024)

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Investigative Outcomes

Multi-Million Dollar Settlement Reached in the Sale of Defective Body Armor

As previously reported, a joint investigation was conducted into allegations that a body armor manufacturer knowingly participated in the manufacturing and sale of defective body armor containing Zylon. The body armor company sold this defective body armor to the Department as well as to other Federal, state, local, and tribal law enforcement agencies. Three separate companies that provided component parts of the armor previously agreed to pay a total of \$46 million to resolve allegations that they violated the False Claims Act.

During this reporting period, a fourth company agreed to pay \$6.75 million to resolve allegations that it violated the False Claims Act by knowingly importing defective Zylon fiber used in the manufacture of body armor sold to the U.S. Government. Also, during this reporting period, a fifth company agreed to pay \$4 million to resolve allegations that it violated the False Claims Act in connection with its role in weaving defective Zylon fabric sold to the ballistic vest manufacturers.

Former Department Subcontractor Sentenced for Submission of False Statements

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

Four Individuals Sentenced in Connection with Destruction at an Energy Facility

An OIG investigation determined that four individuals shot at and downed Bonneville Power Administration (BPA) transmission lines, causing a power outage. BPA incurred repair costs and experienced lost power revenue. The individuals, who have no affiliation to the Department, pled guilty to 1 count of Destruction of Government Property and were sentenced to 5 years probation and ordered to pay a total of more than \$13,000 in restitution.

Pre-Trial Diversion in False Claims Investigation

An investigation determined that two Los Alamos National Laboratory (Los Alamos) employees created and submitted fraudulent receipts for reimbursable lodging and travel expenses, resulting in payments to which they were not entitled. Both employees were placed into the state of New Mexico's Pre-Prosecution Diversion Program for a period of between six months and two years. One employee was also required to pay restitution to the Department in the amount of \$4,193.

Former NNSA Subcontractor Employee Pled Guilty

A subcontractor employee at the NNSA's Savannah River Site pled guilty in Federal District Court, District of South Carolina, to one count of False Statements. The investigation determined the employee made false statements to support his eligibility to receive per diem and long term temporary assignment benefits while working as a NNSA subcontractor employee on the Mixed Oxide Fuel Fabrication Facility project. The false statements resulted in the individual fraudulently receiving \$81,547.78 in benefits to which he was not entitled. The individual resigned from his employment. Sentencing is pending.

Individual's Employment Terminated for Theft of Government Property

As a direct result of an OIG investigation, an individual's employment at Livermore was terminated. The contractor employee admitted to stealing a high volume of printer cartridges from the Laboratory for personal sale on the internet. The estimated loss to the Government is \$30,000.

Former Contractor Employee Sentenced for Theft of Government Property

An investigation determined that a contractor employee at the Department's Idaho National Laboratory (INL) stole approximately 165 items including a John Deere tractor and various hand and power tools valued at over \$22,000 from the Department. The property was recovered during the course of the investigation. The individual's employment was terminated. The former contractor employee pled guilty to 1 felony count of Theft of Government Property and was sentenced to 3 years probation, 4 months electronic monitoring and 80 hours of community service.

Former Department Manager Pled Guilty to Conflict of Interest

A former mid-level Department manager and her spouse pled guilty to Conflict of Interest and False Statements, respectively. The manager was tasked in 2006 with overseeing the renovation of a lobby and conference room, including the acquisition of new furniture for these spaces. In 2008, the manager oversaw the renovation of the cafeteria in the Department's headquarters in Washington, DC. The investigation determined that in both instances, the Department manager improperly directed Government furniture and other contracts to companies affiliated with her spouse. The manager resigned from her position. Sentencing is pending.

Former Sandia Subcontractor Pled Guilty to Possession of Child Pornography

A Sandia subcontractor employee pled guilty in the U.S. District Court of New Mexico to possession of child pornography. The investigation determined the employee misused his Government-owned computer by viewing child pornography images

brought from home on a personal thumb drive and used his Government-owned computer to communicate with other persons involved in child pornography. The subcontractor's employment was terminated. This is a joint investigation with Immigration and Customs Enforcement, the Federal Bureau of Investigation (FBI), and the New Mexico Internet Crimes Against Children Task Force. Sentencing is pending.

Former INL Contractor Employee Pled Guilty

A former INL contractor employee pled guilty in Idaho Falls State Court to Exploitation of Child Pornography. The investigation determined that while employed at INL the individual used a Government-owned computer to access numerous images of child erotica from photo sharing websites. The individual's employment was terminated. Sentencing is pending.

Individual Pled Guilty to Trespass and Theft

A joint investigation between the Department and the Plymouth County Sheriff's Department determined that two private citizens burglarized the Department's Western Area Power Administration's Sioux City Substation located in Sioux City, Iowa. The estimated damages exceeded \$8,000. One individual pled guilty in Plymouth County, State of Iowa District Court, to one count of Trespass and one count of Second Degree Theft. Sentencing is pending.

Former Los Alamos Employee Pled Guilty

A former Los Alamos employee pled guilty to one count of Theft of Government Property in U.S. District Court for the District of New Mexico. The investigation determined that while employed

at Los Alamos, the individual attempted to take irradiated gold from a Los Alamos plutonium processing facility. The individual's employment was terminated. This is a joint investigation with the FBI. Sentencing is pending.

INL Subcontractor's Employment Terminated

An INL subcontractor's employment was terminated after he was arrested and charged with three counts of Lewd Conduct with a Minor by the Idaho Falls Police Department, Bonneville County, Idaho. He was suspected of using Government-owned computer equipment to facilitate his activities. The OIG's Technology Crimes Section provided computer forensics support for this investigation and determined that Government-owned computers had not been involved.

Investigative Report to Management Issued to NNSA

As previously reported, an OIG investigation determined that a former subcontractor employee at the Department's Pantex facility submitted false travel and time and attendance claims on behalf of company employees and himself from October 2007 to June 2008. The estimated dollar loss to the Government was \$170,000. The employee was convicted on 16 counts of False Claims, 11 counts of Forged or Altered Public Records, 1 count of Theft of Public Money, and 1 count of Wire Fraud.

During this reporting period, an investigative report was issued to the NNSA's Director of Office of Acquisition and Supply Management, and the NNSA Manager of the Pantex Site Office, regarding the former Pantex subcontractor employee. In response to the report, the Director issued a Notice of Suspension to the former subcontractor employee and his company.

Former Government Employee and his Brother Sentenced for Theft of Department Property

As previously reported, an investigation determined that an individual, while employed at the Federal Aviation Administration (FAA), misused a Government computer system to improperly obtain surplus items from other Federal agencies for the employee's and a family member's personal use. The surplus items included a backhoe from Los Alamos and other items from Sandia and Western Area Power Administration. The family member was convicted of Mail and Wire Fraud, Theft, and Unlawful Monetary Transactions.

During this reporting period, the FAA employee pled guilty to Wire Fraud and Theft of Honest Services. This is an ongoing investigation with the General Services Administration OIG and several other Federal law enforcement agencies.

Prior Convicted Felon Sentenced for Possessing Weapons at a NNSA Facility

As previously reported, a joint OIG investigation with the FBI and Drug Enforcement Administration (DEA) determined that two individuals trespassed onto the Y-12 complex. At the time, the individuals, both prior convicted felons with no affiliation to the Department, were found to have a loaded firearm and methamphetamine equipment in their vehicle. Both individuals pled guilty to Federal charges for possession of a firearm and ammunition. One of the individuals was sentenced. During this reporting period, the second individual was sentenced to 15 years and 8 months incarceration and 4 years supervised release.

Two Department Subcontractor Employees Pled Guilty to Mail Fraud

As previously reported, a joint investigation with the FBI determined that a subcontractor official, along with other co-conspirators, used the U.S. Postal Service to submit invoices and obtain payments from a Federal Energy Regulatory Commission grantee for work not performed. Two grantee and two subcontractor employees pled guilty and were sentenced. Another subcontractor employee was debarred, along with his wife, and two associated companies. During this reporting period, two other subcontractor employees involved in the scheme pled guilty to one count each of mail fraud. One of the 2 subcontractor employees was sentenced to 6 months incarceration (time served), supervised probation until his deportation to Canada and a \$100 assessment fee. Sentencing for the second subcontractor employee is pending.

Implementation of Corrective Action Taken in Response to Y-12 Security Officers Theft Case

As previously reported, a joint investigation with the FBI, DEA, and the Smith County Sheriff's Department determined that a former security police officer stole multiple items from the Y-12 complex. The investigation also determined that the person used anabolic steroids.

During this reporting period, Department management implemented corrective action in response to an OIG investigative report. Among other actions, the contractor implemented a policy requiring all new hires to be tested for anabolic steroids. Testing was also implemented as part of the company's random drug testing program for employees.



Positive Results

Highlights Based on Office of Inspector General Work

During this report period, the Department took positive actions as a result of OIG work conducted during the current or previous periods. Consistent with our findings and recommendations:

- ▶ The Office of Environmental Management developed a management plan for the Recovery Act Program. The Office of General Counsel provided guidance on appropriate interaction between federal personnel and union officials. The Chief of the Human Capital Office conducted a review on communication/conflict issues between Headquarters and Savannah River Site officials and presented recommendations and observations to senior Department officials. **(S09IS024)**
- ▶ The Office of Energy Efficiency and Renewable Energy took action to correct many of the deficiencies related to system access, system backup and recovery, and security documentation and testing noted in our WinSAGA report. Specifically, management reviewed user accounts to ensure that access levels were limited to those needed to perform job duties; made changes to the system to enforce rules related to password changes and complexity; and, modified their backup storage arrangements to ensure that system data was appropriately secured at all times. **(OAS-RA-10-05)**
- ▶ NNSA issued guidance regarding the availability of cost information to Federal agencies and identified roles and responsibilities on WFO agreements. These actions, if fully implemented, should result in more visible cost information and clearly defined roles and responsibilities to monitor WFO performance. **(DOE/IG-0829)**
- ▶ In December 2009, in response to concerns regarding waste disposal capacity, the Department obtained a conditional permit from the state of Nevada to build and operate a new mixed waste disposal cell at the Nevada Test Site, which will have a capacity of 25,000 cubic meters. In February 2010, the Nevada Test Site awarded a \$9.7 million subcontract for design and

construction of the new mixed waste disposal cell. The design for the new mixed waste cell is set to be submitted in July 2010, with the facility scheduled to open in February 2011. (OAS-L-09-17)

- ▶ Department officials revised the quality assurance process for the receipt and use of Recovery Act funds to ensure program and field officials review and utilize additional data reported. (OAS-RA-10-01)

Congressional Responses

During this reporting period, the OIG provided information at the request of Congress in 46 instances and briefed congressional staff on 8 occasions.

Hotline System

The OIG operates a Hotline System to facilitate the reporting of allegations involving the programs and activities under the auspices of the Department. During this reporting period, the Hotline received 2,056 contacts (calls, letters, e-mails, walk-ins, and Qui Tams), of which 854 were processed as complaints. The OIG Hotline System can be reached by calling 1-800-541-1625 or 1-202-586-4073.

Management Referral System

The OIG referred 107 complaints to Department management and other Government agencies during this reporting period and specifically requested Department management to

respond concerning the actions taken on 41 of these complaints. Otherwise, Department management was asked to respond only if it developed information or took action that it believed should be reported. The following referrals demonstrate management's use of OIG-provided information to promote positive change or to take decisive action:

- ▶ In response to a complaint of time and attendance irregularities, the NNSA substantiated an allegation that an employee used sick leave for other than its intended purpose. In addition, another employee was disciplined for time and attendance issues.
- ▶ A complainant raised allegations of unsanitary conditions at the East Tennessee Technology Park. In response, Department contractors took action to eradicate mice and implement repairs and upgrades. Contractor quality assurance and environment, safety and health professionals will also conduct follow-up inspections to ensure conditions remain acceptable.
- ▶ In response to allegations of misuse of aircraft services resources, BPA implemented changes in aircraft scheduling to improve utilization, cost effectiveness, and to be more responsive to agency needs.
- ▶ A complainant raised allegations of discriminatory hiring practices by a Paducah Site contractor. In response to these allegations, the contractor was directed to adopt formal hiring practices, hire additional human resource

personnel to prevent hiring backlogs particularly with Recovery Act positions, and require additional diversity training.

- ▶ In response to a Georgia homeowner's complaint about "shoddy weatherization work," Project Management Center (Center) staff at the Department's National Energy Technology Laboratory visited the residence and verified that the majority of the alleged damage was related to weatherization activities. Center staff subsequently instructed the grantee to have local agency employees return to the residence and make the necessary repairs. The grantee was further instructed that non-Department funds were to be used to finance the repairs.

Qui Tams

Since 1996, the OIG has been instrumental in working with the Department of Justice in *Qui Tam* cases. The OIG is currently working on 12 *Qui Tam* lawsuits involving alleged fraud against the Government with potential liability in the amount of approximately \$306,425,000. These cases are highly resource intensive, requiring the active participation of OIG investigative and audit assets. However, they have proven to result in a high return on our investment of resources.

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. The OIG coordinated and reviewed 60 items during this reporting period.

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Appendix 1 – Reports

Recovery Act Reports Issued October 1, 2009 – March 31, 2010				
Report Number	Title	Date Issued	Savings	Questioned Costs
IG-0827	The Department's Management of the ENERGY STAR Program	10-14-09		
IG-0832	Management Challenges at the Department of Energy	12-11-09		
OAS-RA-10-01	The Department of Energy's Quality Assurance Process for Prime Recipients' Reporting for the American Recovery and Reinvestment Act of 2009	10-21-09		
OAS-RA-10-02	Management Alert on the Department's Monitoring of the Weatherization Assistance Program in the State of Illinois	12-03-09		
OAS-RA-10-03	Selected Department of Energy Program Efforts to Implement the American Recovery and Reinvestment Act	12-07-09		
OAS-RA-10-04	Progress in Implementing the Department of Energy's Weatherization Assistance Program Under the American Recovery and Reinvestment Act	02-19-10		
OAS-RA-10-05	Management Controls over the Department's WinSAGA System for Energy Grants Management Under the Recovery Act	03-25-10		

Audit Reports Issued

October 1, 2009 – March 31, 2010

Report Number	Title	Date Issued	Savings	Questioned Costs
IG-0828	The Department's Unclassified Cyber Security Program – 2009	10-16-09		
IG-0829	Work for Others Performed by the Department of Energy for the Department of Defense	10-26-09		
IG-0830	The Federal Energy Regulatory Commission's Unclassified Cyber Security Program – 2009	10-29-09		
IG-0831	The Office of Science's Management of Information Technology Resources	11-20-09	\$1,108,077	
IG-0834	The Disposition of Uranium-233 at Oak Ridge National Laboratory	02-18-10		
OAS-M-10-01	Management Controls over Selected Aspects of the Department of Energy's Human Reliability Program	11-13-09		
OAS-L-10-01	Seismic Design of Nuclear Facilities within the Department of Energy	01-08-10		
OAS-L-10-02	Follow-up Audit of Test Readiness at the Nevada Test Site	10-21-09		
OAS-L-10-03	Processing of Sodium-Bearing Waste at the Idaho National Laboratory	02-04-10		
OAS-V-10-01	Audit Coverage of Cost Allowability for DynMcDermott Petroleum Operations Company During Fiscal Years 2005, 2006, 2007 and 2008 Under Department of Energy Contract No. DE-AC96-03PO92207	11-10-09		

Audit Reports Issued

October 1, 2009 – March 31, 2010

Report Number	Title	Date Issued	Savings	Questioned Costs
OAS-V-10-02	Audit Coverage of Cost Allowability for Lawrence Livermore National Laboratory During Fiscal Year 2007 Under Department of Energy Contract No. W-7405-ENG-48	11-09-09		\$2,570,291
OAS-V-10-03	Audit Coverage of Cost Allowability for Savannah River Nuclear Solutions, LLC Under Department of Energy Contract No. DE-AC09-08SR22470 During Fiscal Year 2008	11-24-09		
OAS-V-10-04	Audit Coverage of Cost Allowability for B&W Technical Services Y-12, LLC Under Department of Energy Contract No. DE-AC05-00OR22800 for Fiscal Year 2008	12-04-09		\$4,588,073
OAS-V-10-05	Audit Coverage of Cost Allowability for UChicago Argonne, LLC Under Department of Energy Contract No. DE-AC02-06-CH11357 During Fiscal Year 2008	12-16-09		\$135,689
OAS-V-10-06	Audit Coverage of Cost Allowability for Princeton Plasma Physics Laboratory Under Department of Energy Contract No. DE-AC02-76CH03073 During Fiscal Years 2005 through 2008	12-22-09		
OAS-V-10-07	Audit Coverage of Cost Allowability for Ames Laboratory During Fiscal Years 2007 and 2008 Under Department of Energy Contracts W-7405-ENG-82 and DE-AC02-07CH11358	01-07-10		\$280
OAS-V-10-08	Audit Coverage of Cost Allowability for National Security Technologies, LLC During Fiscal Year 2006 Under Department of Energy Contract No. DE-AC52-06NA25946	01-28-10		\$84,952

Audit Reports Issued

October 1, 2009 – March 31, 2010

Report Number	Title	Date Issued	Savings	Questioned Costs
OAS-V-10-09	Audit Coverage of Cost Allowability for West Valley Nuclear Services Company During Fiscal Years 2005 Through 2008 Under Department of Energy Contract No. DE-AC24-81NE44139	03-03-10		\$15,295,618
OAS-FS-10-01	Federal Energy Regulatory Commission's Fiscal Year 2009 Financial Statement Audit	11-09-09		
OAS-FS-10-02	The Department of Energy's Fiscal Year 2009 Consolidated Financial Statements	11-12-09		
OAS-FS-10-03	Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2009	12-22-09		
OAS-FS-10-04	Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2009	12-22-09		
OAS-FS-10-05	Uranium Enrichment Decontamination and Decommissioning Fund's Fiscal Year 2008 and 2007 Financial Statement Audit	02-18-10		

Inspection Reports Issued

October 1, 2009 – March 31, 2010

Report Number	Title	Date Issued
IG-0833	Removal of Categories I and II Special Nuclear Material from Sandia National Laboratories – New Mexico	01-15-10
INS-L-10-01	LLNL Protective Force Security Incident Response Plan	01-22-10
INS-O-10-01	Employment Verification at Savannah River Site	11-05-09
S09IS024	Review of Allegations Involving Potential Misconduct by a Senior Office of Environmental Management Official	12-29-09
S09IS025	A Conflict of Interest within the Office of Secure Transportation (non-public report)	03-24-10

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Appendix 2 – Tables

OIG Issued Audit Reports with Recommendations for Better Use of Funds

October 1, 2009 – March 31, 2010

(Dollars in Thousands)

The following table shows the total number of audit reports and the total dollar value of the recommendations that funds be put to better use by management:

	Total Number	One Time Savings	Recurring Savings	Total Savings
A. Those issued before the reporting period for which no management decision has been made:*	6	\$1,047,896,445	\$0	\$1,047,896,445
B. Those issued during the reporting period:	24	\$1,108,077	\$0	\$1,108,077
C. Those for which a management decision was made during the reporting period:*	20	\$41,525,000	\$0	\$41,525,000
(i) Agreed to by management:		\$11,500,000	\$0	\$11,500,000
(ii) Not agreed to by management:		\$13,025,000	\$0	\$13,025,000
D. Those for which a management decision is not required:	7	\$0	\$0	\$0
E. Those for which no management decision has been made at the end of the reporting period:*	3	\$1,024,479,522	\$0	\$1,024,479,522

DEFINITION OF TERMS USED IN THE TABLE

Funds put to better use: Funds that could be used more efficiently by implementing recommended actions.

Unsupported costs: A cost that is not supported by adequate documentation. Questioned costs include unsupported costs.

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.

*The figures for dollar items include sums for which management decisions on the savings were deferred.

OIG Issued Audit Reports with Questioned Costs

October 1, 2009 – March 31, 2010

(Dollars in Thousands)

The following table shows the total number of audit reports and the total dollar value of questioned and unsupported costs

	Total Number	Questioned Costs	Unsupported Costs
A. Those issued before the reporting period for which no management decision has been made:*	0	\$85,377,966	\$123,000
B. Those issued during the reporting period:	6	\$22,674,903	\$0
C. Those for which a management decision was made during the reporting period:*	5	\$75,018,692	\$0
(i) Value of disallowed costs:		\$21,669,212	\$0
(ii) Value of costs not disallowed:		\$30,856,843	\$0
D. Those for which a management decision is not required:	1	\$135,689	\$0
E. Those for which no management decision has been made at the end of the reporting period:*	0	\$55,526,814	\$123,000

DEFINITION OF TERMS USED IN THE TABLE

Questioned costs: A cost that is (1) unnecessary; (2) unreasonable; (3) unsupported; (4) or an alleged violation of law, regulation, contract, etc.

Unsupported costs: A cost that is not supported by adequate documentation. Questioned costs include unsupported costs.

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.

*The figures for dollar items include sums for which management decisions on the savings were deferred.

Reports Lacking Management Decision

The Department has a system in place to track audit 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. Listed below is one audit report over six months old that was issued before the beginning of the reporting period and for which no management decision had been made by the end of this reporting period. The reason a management decision had not been made and the estimated date for achieving a management decision is described below.

Management Audit

IG-0753: *Recovery Costs for the Proprietary Use of the Advanced Photon Source, January 11, 2007* — The Office of the Chief Financial Officer is working with the Department and the Office of General Counsel to address a complex accounting issue raised in the report. A final management decision is expected before December 31, 2010.

Prior Significant Recommendations Not Implemented

As of March 2010, closure actions on recommendations in 29 OIG reports had not been fully implemented within 12 months from the date of report issuance. 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. The Department has closed 171 recommendations in the past 6 months. Management updates the Departmental Audit Report Tracking System on a quarterly basis, most recently in September 2009. Information on the status of any report recommendation can be obtained through the OIG's Office of Audit Services and Office of Inspections and Special Inquiries.

Summary of Inspections and Special Inquiries Activities

October 1, 2009 – March 31, 2010

Inspections/Special Inquiries open as of October 1, 2009	29
Inspections/Special Inquiries opened during this reporting period	8
Inspections/Special Inquiries closed during this reporting period	8
Inspections open as of March 31, 2010	29
Reports issued (includes non-public reports)	5
Report Recommendations:	
Issued this reporting period	10
Accepted by management this reporting period	10
Implemented by management this reporting period	16
Funds recovered	\$0
Complaints Referred to Department management/other Government agencies	107
Referred to Department management requesting a response for OIG Evaluation	41
HOTLINE ACTIVITY	
Hotline calls, letters, emails, walk-ins, and Qui Tams	854
Hotline complaints resolved immediately or redirected ¹	533
Hotline Complaints predicated	321
Unresolved Hotline predications from previous reporting period ²	30
Total Hotline Complaints predicated	351
Hotline predications transferred to the Management Referral System	148
Hotline predications closed based upon preliminary OIG activity	163
Hotline predications open at the end of the reporting period	40
Total Hotline predications	351
¹ Includes complaints outside the purview of the Office of Inspector General; or the complainants were referred to the appropriate Federal, State, local, or private organization for assistance, if applicable.	
² This figure was incorrectly reported as "19" for the reporting period ending September 30, 2009. Upon subsequent review, the reported figure includes the revised and current total.	

Summary of Investigative Activities

October 1, 2009 – March 31, 2010

Cases open as of October 1, 2009	213
Cases opened during period	76
Cases closed during period	62
Multi-Agency Task Force Cases Opened	24
Qui Tam investigations opened	1
Total Open Qui Tam investigations as of March 31, 2010	12
Cases currently open as of March 31, 2010	227
IMPACT OF INVESTIGATIONS:	
Administrative discipline and other management actions	47
Recommendations to management for positive change and other actions	23
Suspensions/Debarments	9
Accepted for prosecution*	24
Indictments	20
Criminal convictions	19
Pretrial diversions	2
Civil actions	19
TOTAL DOLLAR IMPACT** (Fines, settlements, recoveries)	\$11,408,290

*Some of the investigations accepted during the 6-month period were referred for prosecution during a previous reporting period.

**Some of the money collected was the result of task force investigations.

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Feedback Sheet

The contents of the March 2010 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 complete this feedback sheet and return it to:

United States Department of Energy
Office of Inspector (IG-10)
1000 Independence Avenue, SW
Washington, D.C. 20585

ATTN: Felicia Jones

Name: _____

Daytime Telephone Number: _____

Comments/Suggestions/Feedback:

For media inquiries, please dial (202) 253-2162 for assistance.

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U.S. DEPARTMENT OF ENERGY OFFICE OF INSPECTOR GENERAL

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Call 1-800-541-1625 or (202) 586-4073

Additional information on the OIG and reports can be found at
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