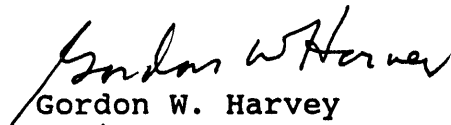


U.S. DEPARTMENT OF ENERGY
ASSISTANT INSPECTOR GENERAL FOR AUDITS
FY 1994 ANNUAL WORK PLAN

This plan is published pursuant to requirements of OMB Circular A-73, DOE Order 2321.1A, and IG Directive 108B. On September 7, 1993, the Vice President issued the "Report of the National Performance Review" (NPR). Among other things, the NPR expressed an interest that audits include a review of management controls over Departmental functions and that performance audits be conducted to include program evaluations. The review of management controls and the conduct of performance audits have been a continuing interest of this office. Historically, a majority of our audits have emphasized management controls and performance audits. In this Work Plan we have continued to emphasize management controls and performance audits where appropriate. About 70% of our available audit resources will be devoted to performance auditing with about 75% of the audits scheduled for this year to include an evaluation of management controls.

Overall, we have attempted to balance available resources with the audit requirements of our stakeholders.


Gordon W. Harvey
Assistant Inspector General
for Audits

September 30, 1993

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**U.S. DEPARTMENT OF ENERGY
ASSISTANT INSPECTOR GENERAL FOR AUDITS**

FISCAL YEAR 1994 ANNUAL WORK PLAN

INTRODUCTION

In accordance with the Inspector General's Strategic Planning Policy directive, the Office of Inspector General (OIG) annually updates its Strategic Plan with budgetary and program guidance for the next fiscal year. The program guidance identifies and establishes priorities for OIG coverage of important DOE issues and operations, provides the basis for assigning OIG resources, and is the source for issues covered in Assistant Inspectors General annual work plans.

The OIG has an overall mission to promote the effective, efficient, and economical operation of the Department of Energy (DOE) programs through audits, inspections, investigations, and other reviews. The ultimate goal of the OIG is to facilitate positive change by assisting responsible Government officials in taking actions which improve programs and operations.

As part of its responsibility in accomplishing this mission, the Office of the Assistant Inspector General for Audits (AIGA) publishes an Annual Work Plan in September of each year. The plan includes the OIG program guidance and shows the commitment of resources necessary to accomplish the assigned work and meet our goals. The program guidance provides the framework within which the AIGA work will be planned and accomplished. Audits included in this plan are designed to help insure that the requirements of our stakeholders have been considered and blended into a well balanced audit program.

The AIGA is responsible for performing independent audits of all DOE programs. These programs include financial and financial related audits, economy and efficiency and program results audits. The plan focuses on identifying opportunities for audits to enhance the effectiveness, efficiency, and integrity of the DOE's programs and operations. The AIGA is also responsible for issuing audit policy and guidance to other Departmental elements and for seeing that all work done in the Department, including that done by the integrated contractors, meets Government Audit Standards or the standards issued by the Institute of Internal Auditors.

This work plan includes audits that are carried over from Fiscal Year (FY) 1993 and audits scheduled to start during FY 1994. Audits included in the plan will be performed by OIG staff, as

supplemented by contracted audit services. Internal auditors of the Department's integrated contractors provide additional audit coverage. The Defense Contract Audit Agency and Department of Health and Human Services also provide contract audit services to the Department on a reimbursable basis.

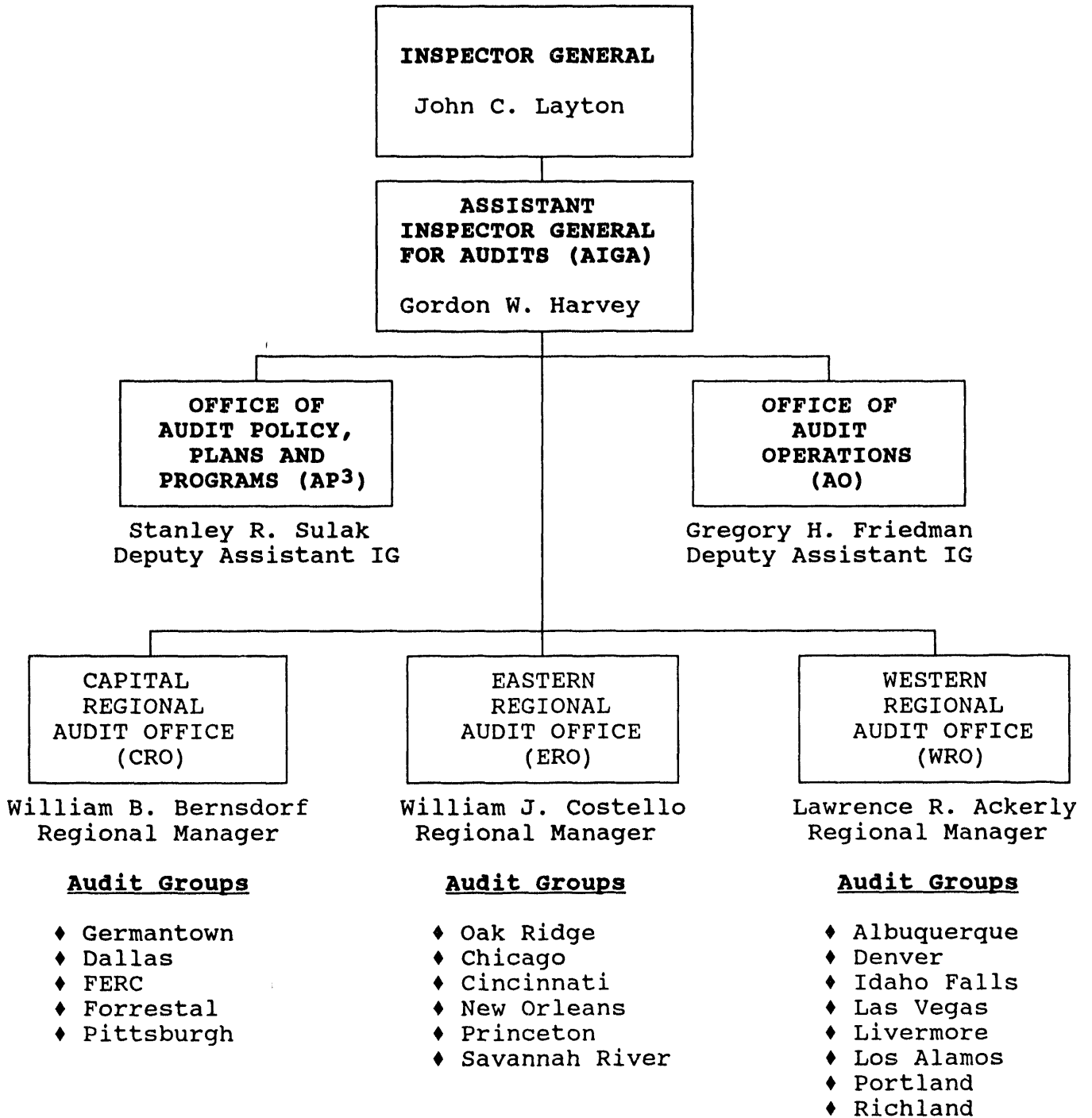
OVERVIEW

The Office of Inspector General was established by the Department of Energy Organization Act of 1977 to provide audit, inspection, investigative, and related services to the Department. Under the Act, the Inspector General is responsible for recommending policies for the purpose of promoting economy and efficiency in the administration of, and preventing and detecting fraud and abuse in, the programs and operations of the Department.

Four Assistant Inspectors General (AIGs) report directly to the Inspector General. They include AIGs for Audits, Inspections, Investigations, and Policy, Planning and Management. The Assistant Inspector General for Audits is responsible for the internal auditing of the Department of Energy. The current organization of the AIGA is shown on page 3. The AIGA Headquarters, located in the Forrestal Building, Washington D.C., includes the Office of the Assistant Inspector General for Audits, the Office of Audit Policy, Plans and Programs and the Office of Audit Operations. The AIGA has three Regional Audit Offices located in Germantown, Maryland, Oak Ridge, Tennessee, and Albuquerque, New Mexico. Each Regional Office has responsibility for their respective audit groups.

Office of Management and Budget Circular A-73 and DOE Order 2321.1A require Federal audit agencies to prepare annual plans identifying audits to be made during the year. These publications also require the plan to be coordinated among other Federal audit, inspection, or investigative organizations to reduce duplication.

**DEPARTMENT OF ENERGY
OFFICE OF ASSISTANT INSPECTOR GENERAL
FOR AUDITS**



FY 1994 DOE BUDGET OVERVIEW

The work planning strategy for the Assistant Inspector General for Audits has for a number of years been driven by the overall budget of the Department. Therefore, it is important to keep in mind the size of DOE, the nature of DOE's mission, and the budget for that mission.

There are about 161,000 personnel working at DOE facilities throughout the country employed either directly or indirectly by DOE. About 141,000 of the employees work for the contractors that operate the Department's laboratories and industrial facilities. The remaining employees are federal workers who, among other things, provide administrative services and programmatic and management direction of the work done for the DOE by its operating contractors.

The Department of Energy FY 1994 budget shown on the following pages provides a detailed look into the Department's major missions, as identified and described in the FY 1994 DOE Budget Highlights. The budget is organized by the Department's major missions. These missions include (i) Meeting National Defense Needs, (ii) Environmental Restoration and Waste Management, (iii) Science and Technology, (iv) Energy Related Activities (including support for the National Energy Strategy), and (v) Management and Other Activities.

Following is a brief overview of the Department's major mission areas:

Energy-Related Activities - includes activities directed towards identifying alternatives to imported oil, including fusion energy, solar and renewable energy, and fossil energy; promoting increased use of domestically available energy resources; and increasing energy efficiency in all sectors of the economy. The FY 1994 budget request reflects a 14% increase over FY 1993 estimates. While most Energy-Related Activities would increase in FY 1994, significant decreases in funding for nuclear energy activities and the Power Marketing Administrations are anticipated.

Environmental Restoration and Waste Management - is one of the Department's most vital missions, and represents the fastest growing part of the Department's budget. The Department's FY 1994 budget request in this area totals \$6,462.3 million, or about one-third of the Department's total budget. This is an increase of approximately 18% above the FY 1993 amount appropriated by Congress. Activities associated with environmental restoration and waste management include waste

management operations, environmental restoration, and technology development. Major increases in this area include \$373.7 million for facilities transferred from Defense Programs and \$286.3 million for the Uranium Enrichment Decontamination and Decommissioning Fund created by the Energy Policy Act.

Science and Technology - provides funding for a substantial portion of the nation's basic research and development in areas such as high energy physics, nuclear physics, basic energy sciences and biological and environmental research. The FY 1994 Science and Technology budget request is approximately 8% higher than the FY 1993 budget estimate. The largest increases requested in this area are for the Superconducting Super Collider and Biological and Environmental Research.

Meeting National Defense Needs - includes a variety of activities that contribute to national security through DOE's defense programs and through certain non-defense activities. The FY 1994 budget request is about 17.5 percent less than the FY 1993 budget estimate. This reduction reflects adjustments resulting from the relaxation of world tensions and the President's initiatives to reduce the Nation's nuclear stockpile. In particular, because there are no immediate requirements for new weapons and a sufficient stockpile of nuclear materials is currently available, funding for weapon's stockpile support and materials support has dropped substantially. No additional funding for the new production reactor is being requested.

Management and Other Activities - includes general management and support activities of the Department, including the four DOE Field Offices which are not managed directly by the Department's Defense or Environmental offices. This area includes a wide array of policy development and analysis activities, institutional and public liaison functions, and other program support requirements necessary to ensure effective Departmental operation and management. It also includes the activities of the Energy Information Administration and various organizations which administer energy laws and regulations.

The following table displays the budget request for FY 1994 and the estimated FY 1993 funding levels. The budget is shown by major missions.

**SUMMARY FISCAL YEAR 1994
BUDGET BY MAJOR MISSIONS**

Major Missions of the Department of Energy	Budget Authority (in millions)	
	<u>FY 1993 Estimate</u>	<u>FY 1994 Request</u>
Energy-Related Activities	\$ 3,442.7	\$ 3,926.4
Environmental Restoration & Waste Management	5,495.1	6,462.3
Science and Technology	2,704.4	2,923.0
Meeting National Defense Needs	7,164.3	5,910.0
Management and Other Activities	183.8	341.9
Total, Department of Energy	<u>\$18,990.3</u>	<u>\$19,563.6</u>

The budget request of \$19.56 billion is about three percent over the estimated FY 1993 funding level. The funding decrease in the area of Meeting National Defense Needs is more than offset by increases in the other major mission areas of the Department.

DEPARTMENT OF ENERGY FY 1994 BUDGET BY MAJOR MISSION

The following table provides a more detailed look at the Department's FY 1994 budget request and compares it to FY 1993 estimates.

Budget Authority (in millions)			
<u>Major Missions</u>	<u>FY 1993 Estimate</u>	<u>FY 1994 Departmental Request</u>	<u>% Change</u>
<u>Energy-Related Activities</u>			
Increasing Energy Efficiency	\$ 584.5	\$ 788.8	
Securing Future Energy Supplies:			
Fossil Energy	430.0	657.4	
Nuclear Energy	345.4	284.0	
Nuclear Waste Disposal	379.8	380.7	
Uranium Enrichment Activities	(88.2)	160.0	
Fusion Energy	339.7	347.6	
Solar and Renewable Energy	257.3	327.2	
Power Marketing Administrations	804.4	451.5	
Preparing for Energy Emergencies:			
Strategic Petroleum Reserve	176.2	173.1	
Emergency Preparedness	9.2	8.9	
Naval Petroleum & Energy Emergencies	236.1	231.2	
Enhancing Environmental Quality	<u>167.9</u>	<u>184.8</u>	
Subtotal, Energy-Related Activities	\$3,642.3	\$3,995.2	
Use of Prior Year Balances	<u>(199.6)</u>	<u>(68.8)</u>	
Total, Energy-Related Activities	<u>\$3,442.7</u>	<u>\$3,926.4</u>	<u>+14.0</u>

Budget Authority
(in millions)

<u>Major Missions</u>	<u>FY 1993 Estimate</u>	<u>FY 1994 Departmental Request</u>	<u>% Change</u>
<u>Environmental Restoration & Waste Mgmt</u>			
Corrective Activities	\$ 60.5	\$ 26.5	
Environmental Restoration	1,852.2	1,913.7	
Waste Management	3,336.4	3,095.4	
Facility Transition and Management	17.9	721.4	
Technology Development	336.9	401.0	
Transportation Management	19.8	20.1	
Program Direction	50.8	91.9	
Uranium Enrichment Decontamination and Decommissioning Fund	—	286.3	
Subtotal, Environmental Restoration and Waste Management	\$ 5,674.5	\$ 6,556.3	
Use of Prior Year Balances	(179.4)	(94.0)	
Total, Environmental Restoration and Waste Management	<u>\$ 5,495.1</u>	<u>\$ 6,462.3</u>	<u>+17.6</u>
<u>Science and Technology</u>			
Fundamental Science Research			
Basic Energy Sciences	\$ 860.7	\$ 802.0	
Superconducting Super Collider	517.0	640.0	
High Energy Physics	613.4	627.8	
Biological and Environmental Research	385.2	416.1	
Other Science and Technology	478.6	534.1	
Science and Mathematics (non add)	104.5	128.4	
Technology Transfer (non add)	208.8	255.9	
Technical Information Management	15.0	14.9	
Subtotal, Science and Technology	\$ 2,869.9	\$ 3,034.9	
Less: Use of Proposed Supplement	(47.0)	—	
Use of Prior Year Balances	(118.5)	(111.9)	
Total, Science and Technology	<u>\$ 2,704.4</u>	<u>\$ 2,923.0</u>	<u>+8.1</u>

Budget Authority
(in millions)

<u>Major Missions</u>	<u>FY 1993 Estimate</u>	<u>FY 1994 Departmental Request</u>	<u>% Change</u>
<u>Meeting National Defense Needs</u>			
Weapons Research, Development & Testing	\$ 1,955.4	\$ 1,784.5	
Weapons Stockpile Support	2,350.8	1,892.5	
Program Direction	329.8	284.1	
Complex Reconfiguration	26.0	163.5	
Materials Support	1,602.4	1,137.2	
Verification & Control Technology	342.5	368.8	
Safeguards & Security	83.1	90.2	
Security Evaluation	15.2	15.0	
Security Investigations	57.3	53.3	
Worker Training and Adjustment	—	100.0	
New Production Reactors	184.0	—	
Naval Reactors	<u>807.0</u>	<u>767.7</u>	
Subtotal, Meeting National Defense Needs	\$ 7,753.5	\$ 6,656.8	
Use of Prior Year Balances	<u>(589.2)</u>	<u>(746.8)</u>	
Total, Meeting National Defense Needs	<u>\$ 7,164.3</u>	<u>\$ 5,910.0</u>	<u>-17.4</u>
<u>Management and Other Activities</u>			
Energy Information Administration	\$ 33.3	\$ 89.4	
Administering Energy Laws & Regulations	20.0	15.2	
Departmental Management	<u>130.5</u>	<u>237.3</u>	
Total, Management & Other Activities	<u>\$ 183.8</u>	<u>\$ 341.9</u>	<u>+86.0</u>
Total, Department of Energy	<u>\$18,990.3</u>	<u>\$19,563.6</u>	<u>+ 3.0</u>

Source: United States Department of Energy Budget Highlights for Fiscal Year 1994

PLANNING FACTORS

In February 1993, the Associate Inspector General issued the FY 1994 OIG Strategic Plan. In part, this plan provides program guidance to the AIGs which identifies and establishes priorities for OIG coverage of important DOE issues and operations and provides direction for formulating their FY 1994 Work Plans. The guidance and direction is primarily driven by DOE budget considerations, key issue areas identified by the Secretary, Congressional interests, and program policy issues. This section summarizes the program guidance as it relates to the audit work planned in FY 1994 and discusses other factors impacting on the audit planning process.

Audits Specifically Required by Law, Regulation or DOE Policy

As a result of requirements mandated by statute, regulation, or DOE policy, the OIG must perform a number of audits either annually, or on an as required basis. The largest resource commitments are to those audits required by the Federal Managers' Financial Integrity Act (FMFIA), where the OIG is required to review and render an opinion on all FMFIA assurance letters sent to the Secretary by subordinate managers, and the Chief Financial Officers (CFO) Act, which requires audited financial statements of selected DOE entities. Other requirements include audits of:

- o grants required by Office of Management and Budget (OMB) Circular A-128;
- o DOE's use of Superfund monies;
- o DOE's progress in establishing effective management controls for consulting services;
- o DOE's progress in establishing effective management controls on lobbying activities;
- o management & operating contractor cost certifications;
- o the Department's audit follow-up system;
- o certain contract and preaward cost audits; and
- o in-house energy management.

Responding to Requests and Providing Policy Guidance

Priority is given to fulfilling requests for services from the Secretary of Energy, Congress, OMB, or other appropriate Government authorities. Additionally, as the organization responsible for all audit activities in the Department of Energy, the OIG, through the AIGA, establishes and provides audit policy for DOE programs and operations. Activities relating to requests or policy guidance take place on an as needed basis.

OIG Key Issue Areas

From FY 1990 through FY 1992, the AIGA focused on 12 major issue areas in planning annual audit activities. In FY 1993 this was reduced to 11. For FY 1994, the 11 major issue areas, sometimes referred to as "thematic areas", have been consolidated into 6 key issue areas. This new approach brings OIG terminology and emphasis more in line with congressional, OMB, and DOE usage and concerns. The six key issue areas the FY 1994 Audit Work Plan will focus on, and the thematic areas they encompass, shown in parenthesis, are:

1. Contract Administration: This key issue area encompasses all of DOE's procurement and grant management activities. The Department accomplishes many of its missions through management and operating (M&O) contractors who run DOE's major facilities and other operations. Accordingly, much OIG work involves the Department's direction and administration of its M&O contractors and their activities. The Defense Contract Audit Agency (DCAA) provides pre-award, cost-incurred, close-out, and other related contract audit services for most DOE-awarded contracts on a cost reimbursable basis. However, the Department's M&O contractors are specifically excluded from this arrangement, and the OIG retains cognizance over these contracts. The OIG also maintains oversight of the DOE's total procurement process, including the effectiveness of the Department's relationship with the DCAA.

(Procurement and Grants Management)

2. Program Management: This key issue area includes the development, implementation, administration and operation of programs mandated by statute or regulation. These programs include those relating to intelligence activities, security, equal employment opportunity, small and disadvantaged business utilization, Federal Energy Regulatory Commission operations, Energy Information Administration operations, Economic Regulatory Administration operations, Naval Reactors, Naval Petroleum and Oil Shale Reserves, Strategic Petroleum Reserve, Power Marketing Administrations, the Superconducting Super Collider, and defense programs.

(Expansion of Laboratory Missions; Power Marketing Administrations; Safeguards & Security; Strategic Petroleum Reserve; Superconducting Super Collider - management; and Weapons Programs - management)

3. Environment, Safety & Health: The Department's activities have generated considerable radioactive and hazardous wastes. The Department recognizes that there are significant environmental compliance and waste management problems at the Department's facilities. Many of these problems are the result of activities conducted in a different atmosphere and under less

stringent standards than today's. This key issue area includes all DOE activities related to the cleanup, storage, and disposal of radioactive and hazardous waste, including all work involving the civilian and defense radioactive waste repositories.

(Environment, Safety & Health; and Nuclear Waste Disposal - management)

4. Infrastructure: Many of the Department's facilities (particularly in the area of weapons development and production) are old, and their operating availability and efficiency have declined. Modernization of these aging facilities and restoration of sites to make them safe and viable are two of the most important tasks facing DOE. As part of this initiative, the Department is embarking on a long-range program to consolidate and build a smaller, modern and more efficient weapons production complex. In addition to repair and improvement of existing facilities, the Department is in the process of building additional roads, utilities, and mission support structures.

(Nuclear Waste Disposal - facilities; Superconducting Super Collider - facilities; and Weapons Program - facilities)

5. Financial Management: This area focuses attention on the management controls, accounting systems and other processes that ensure that DOE and its M&O contractors exercise proper accountability over the Government resources entrusted to them. A number of processes have been developed in DOE to ensure this is achieved. These processes include the annual reviews of DOE's internal control systems under the FMFIA, the expression of an opinion on the DOE financial statements required by the CFO Act, and other reviews of DOE's financial management systems. Also, before the Department approves a contractor's annual accounting for its net expenditures, the OIG examines the reliability of the internal controls of contractors and DOE Field Elements which are used to ensure that only allowable costs are claimed and reimbursed.

(Financial Management)

6. Administrative Safeguards: This area concentrates on various administrative operations where there is a high inherent risk of vulnerability to waste, abuse, and mismanagement. Included in this category are audits of imprest funds, payrolls, travel claims, time cards, overtime claims, and telephone use. Although the dollar amounts involved in the reviews may be comparatively small, OIG activities falling within this category have significant value in deterring others from committing the same acts.

(Deterrents)

Integrated M&O Contractors

The Department of Energy has contracts with a number of large firms for the operation, maintenance, or support, on its behalf, of government-owned or controlled research, development, special production, or testing facilities. DOE relies heavily on these integrated management and operating contractors to carry out the management and operation of most of its programs, activities, and functions. These contractors are prefinanced by DOE through cost-type contracts and are required to maintain a separate and distinct system of accounts, records, documents, and other evidence supporting all claimed costs incurred, revenues, or other applicable credits. The system of accounts used by the contractor must be satisfactory to DOE and in accordance with generally accepted accounting principles consistently applied unless DOE requires the use of an alternate accounting policy or procedure.

The OIG is responsible for conducting audits of the Department's integrated contractors. However, significant resource limitations have made it impossible for the OIG to provide the necessary audit coverage for these contractors. To help alleviate this problem, the OIG has implemented a plan that relies heavily on the audit work done by internal auditors at the M&O's. This approach is only a partial solution to the resource limitation and is not a wholly satisfactory arrangement. However, it is the only solution available unless additional audit resources are obtained. In FY 1993, a pilot program was started at 15 M&O's. Guidance has been provided to the internal auditors to ensure that audit work is done in accordance with generally accepted accounting principles. A tracking system was implemented to track audits being done at the M&O's by both the internal and OIG auditors. The system provides the AIGA with the tools to track and identify audits planned, audits accomplished, the results of completed audits, and avoid duplicate audit coverage. This program will be expanded to the remaining M&O's during FY 1994.

Audit Staffing and Contract Audit Support

Since FY 1990, the resource mix of the AIGA has significantly changed. In FY 1990, the AIGA was authorized 128 full time employees (FTEs), and provided contract funds to hire the equivalent of 69 contractor employees. By FY 1993, the number of authorized FTEs had increased to 213, and contract funds had been reduced to a level that would allow hiring the equivalent of 18 contract employees. The increase in full time employees afforded the AIGA the opportunity to open new offices in several key locations and provide the Department with additional on-site audit support.

During FY 1993, the AIGA's authorized staffing was decreased from 213 to 209. In FY 1994, authorized staffing will decrease to 206, and contract funds will be limited to hiring the equivalent of 8 contract employees. These contractor personnel will be used exclusively to help us meet our audit obligations under the CFO Act.

Currently, the OIG is required by the CFO Act to audit or oversee the audits of 11 DOE trust or commercial entities. If the Act is fully implemented by the Congress and extended to the full DOE, annual financial statement audits will be required at all DOE integrated M&O contractors, an increase of some 48 additional financial statement audits. This requirement cannot be accomplished without a significant increase in audit resources or diversion of resources from management audits.

The OIG's audit staffing and resource limitations were recognized in an October 1991 General Accounting Office (GAO) report. The GAO reported that because of these limitations, the OIG has not been able to provide the audit coverage necessary at the Department's M&O contractors. As a result, the Department's managers lack adequate assurance that the DOE's contractors are only being reimbursed for costs that are reasonable and allowable. In both 1991 and 1992 the Department reported the lack of OIG audit resources as a material weakness in the annual FMFIA letter to the President.

National Performance Review

On September 7, 1993, the Vice President's "Report of the National Performance Review" was issued. This report contains a number of recommendations relating to the Offices of Inspector General and certain specific recommendations relating to the Department of Energy. About 75% of the time scheduled in this plan is for reviewing management controls over Departmental functions, the type of review recommended by the NPR. Most of the remaining time is dedicated to audits required by statute, regulation, or DOE policy.

KEY AUDIT ISSUE AREAS

The process for identifying and developing areas for audit continues to focus on DOE's major mission areas. As mentioned above, the work plan includes strategies for auditing six key issue areas. Beginning on page 15 is a summary of each key audit issue area that includes a brief discussion of audit reports issued in FY 1993, audits in process that will carry-in to FY 1994, and audits planned for FY 1994.

CONTRACT ADMINISTRATION

BACKGROUND

This key area encompasses all of DOE's procurement and grant management activities that affect every program and activity in the Department of Energy. However, unlike most other Federal agencies, DOE does not spend the majority of its procurement dollars on goods and services for its own use. DOE spends its procurement dollars more as a catalyst for technology development, supporting basic and applied research in a wide range of energy related technology areas, including nuclear energy, nuclear waste management, fossil energy, conservation, renewable energy, and nuclear weapons development. DOE procurement activities also support national security in the production and testing of nuclear weapons, the management of the Strategic Petroleum Reserve, and the Naval Petroleum and Oil Shale Reserves.

DOE is one of the most active procuring agents in the Federal Government. A substantial portion of this procurement activity is carried out at locations and facilities owned by the DOE, but operated for DOE by its M&O contractors.

DOE also makes financial assistance awards to State and local governments, colleges, universities, and private sector firms. These financial assistance awards are made for a variety of purposes, including:

- o weatherization of the residences of low income citizens;
- o promotion of energy conservation by State and local governments, schools, and hospitals; and
- o the encouragement of new and emerging energy techniques.

Funds used for these financial assistance programs come from Congressional appropriations and payments collected from the petroleum industry in settlements for violations of DOE's oil price and allocation controls in effect from 1973 to 1981.

Following are some FY 1992 highlights (the most recent data available) relating to contract administration in the Department of Energy:

- o DOE's procurement and financial assistance obligations in FY 1992 were \$20.4 billion, an increase of 2 percent from FY 1991.

- o Obligations for management and operating contracts totaled \$15.8 billion.
- o The number of active procurement awards over \$25,000 (excluding management and operating contracts) on September 30, 1992, was 2,115 with a total award value of \$21.9 billion.
- o The number and award value of financial assistance instruments active on September 30, 1992, was 5,363 and \$13.5 billion.
- o The number of subcontracts awarded in FY 1992 totaled \$5.6 billion, of which \$2.5 billion (45%) were awarded to small businesses.
- o The Department funded 100 unsolicited proposals with total obligation of \$55.4 million in FY 1992.

The area of contract/project management was one of the material weaknesses reported in the Secretary of Energy's Federal Managers' Financial Integrity Act letter to the President, dated December 22, 1992. This FMFIA material weakness was also an Office of Management and Budget high risk area. Additionally, the Inspector General designated subcontract administration for audit emphasis in FY 1994 by the Department's Federal and contractor internal audit staffs. Specifically, the auditors will determine whether preaward cost price analyses, and audits required by the Department of Energy Acquisition Regulations and Federal Acquisition Regulations are requested and completed in a timely manner. Further, auditors will determine that goods and services that were accepted and paid for by the Department were properly authorized.

FISCAL YEAR 1993 AUDITS COMPLETED OR IN PROCESS

Through the first 10 months of the fiscal year, over 31 staff years of audit effort have been spent in this key issue area. Audit reports issued included the following:

- o A Departmentwide audit of control and management of indirect costs disclosed that M&O contractors were not always allocating indirect costs to final cost objectives on a causal benefit relationship basis as required and that they were not keeping accounting practice disclosure statements current as required by contract. The report concluded that DOE had only limited assurance that indirect functions were being accomplished efficiently. (IG-0318)
- o In April 1990, the Office of Inspector General issued two reports that criticized the Department for paying

excessive costs to purchase and transport natural gas and for leasing its pipeline at less than fair market value. A followup audit disclosed that the Albuquerque Operations Office had not implemented the earlier recommendations which could have produced annual savings of \$3.6 million. (IG-0322)

- o Another report disclosed that TRW Environmental Safety Systems (TESS) lacked effective financial controls in certain areas. As a result, competitive contracts were not obtained and the cost advantages of GSA schedule vendors and competitive contracting was lost to the Government. The report recommended specific actions to recapture excess taxes paid, as well as actions to bring TRW into compliance with Federal Travel Regulations. We also recommended that the Department work with TRW to ensure that known weaknesses in the company's procurement system, particularly relating to subcontract operations, are corrected. (CR-B-93-1)
- o A report on subcontract administration at EG&G Rocky Flats disclosed that EG&G did not follow established procedures and initiated procurement actions that were uneconomical and inefficient. As a result, EG&G incurred about \$1.4 million in costs that were questionable. (WR-B-93-04)

Audits currently in process that will carry over to FY 1994 include:

- o A review of the administration of the Small Disadvantaged Business Program at selected sites to determine whether DOE's program is managed in accordance with established regulations.
- o A review of the Department's Cognizant Federal Agency responsibilities to determine whether the Department meets the applicable contract administration requirements of the FAR and DEAR.
- o A review of the management control of construction projects at Richland to determine whether the internal control structure for the Richland Operations Office and M&O contractor are adequate to assure that construction project activities are managed effectively and at the least cost to the Department.
- o A review of the use of Government supply sources by selected M&O contractors to determine whether M&O contractors used Government supply sources when these sources were available, economically advantageous, or otherwise in the Government's best interest.

- o A review of M&O contractor microcomputer acquisitions/ upgrades planned for FY 1992 and FY 1993 at the Hanford Site in Richland, WA. to determine whether the purchases of new personal computers, related software and upgrades were necessary, and if there were less costly alternatives to increase existing personal computer capabilities.
- o A review of M&O contractor management controls and practices over construction activities to determine whether the award fee paid to Kaiser Engineers Hanford Company was excessive based on Kaiser's performance relative to health, safety, and environmental factors.
- o A review of contract management functions at non-management and operating prime contractors where DOE is the cognizant Federal agency to determine whether the Department is ensuring that all applicable contract management functions are being accomplished.

FISCAL YEAR 1994 PLANNED AUDITS

Over 19 staff years of audit effort are currently planned in the area of Contract Administration. Audits scheduled to start include:

- o An audit of subcontract administration at the Idaho National Engineering Laboratory to determine whether subcontract oversight and administration are adequate.
- o An audit of supply sources at the Albuquerque Operations Office to determine whether the Department (i) uses the Multiple Award Schedule Program to obtain the lowest overall costs for commonly used commercial goods and services, and (ii) has adequate controls in place to prevent the award of classified contracts to firms that are foreign-owned or controlled.
- o An audit to determine if the fees paid to M&O contractors are monitored, evaluated and controlled.
- o A review of Headquarter's contracting procedures to ensure compliance with OMB Circular A-76 requirements that cost comparisons are made showing the activity can be done less expensively by a contractor than by the Department.

PROGRAM MANAGEMENT

This key issue area includes the development, implementation, administration and operations of programs mandated by statute or regulation. The thematic areas encompassed by program management include:

- o Expansion of Laboratory Missions;
- o Power Marketing Administrations;
- o Safeguards and Security;
- o Strategic Petroleum Reserve;
- o Superconducting Super Collider; and
- o Weapons Programs.

EXPANSION OF LABORATORY MISSIONS

BACKGROUND

DOE's national laboratories are federally owned facilities operated for the Department by universities, university consortia, or industry under contract to the Department. These operators provide the scientific, technical, and support staff to conduct the work under the general guidance of the Department's program managers. Contract management and laboratory performance appraisals are conducted by the Department's field offices. The detailed day-to-day management of each laboratory is provided by the contractor, who commands the best talent from the private sector and operates, usually in an academic environment, with considerable flexibility.

The 10 Department-owned national laboratories are:

Argonne National Laboratory	Argonne, IL
Brookhaven National Laboratory	Upton, NY
Fermi National Accelerator Laboratory	Batavia, IL
Idaho National Engineering Laboratory	Idaho Falls, ID
Lawrence Berkeley Laboratory	Berkeley, CA
Lawrence Livermore National Laboratory	Livermore, CA
Los Alamos National Laboratory	Los Alamos, NM
Oak Ridge National Laboratory	Oak Ridge, TN
Pacific Northwest Laboratory	Richland, WA
Sandia National Laboratory	Albuquerque, NM

These laboratories focus on basic and applied research and development programs, requiring a combination of capital-intensive facilities, long-term sustained efforts, and multi-disciplinary team efforts. General management oversight of each national laboratory is assigned to the secretarial officer, with a major share of programmatic activities carried out at the laboratory. Four of the multi-program laboratories are assigned to the Assistant Secretary for Defense Programs. Six of the laboratories are assigned to the Director of the Office of Energy Research, who is also responsible for a number of Departmentwide laboratory management activities including the planning process, the Laboratory Directed Research Program, and the laboratory appraisal process.

The Secretary of Energy has made the transfer of technology from DOE's laboratories and facilities to the private sector a high priority mission. Technology transfer provides benefits to industry, the taxpayers and the nation as a whole by commercializing the results of federally-funded research and development. This can mean technical assistance to solve a specific problem; training in the use of advanced equipment, techniques, and processes; the use of expensive or unique facilities; access to patents and software; exchange of personnel; and cooperative research. Through the technology transfer program, the private sector has access to the 10 national laboratories and many other specialized facilities with a replacement value approaching \$100 billion; about 60,000 highly skilled and experienced scientists, engineers, and technicians; thousands of licensable patents and software packages; and annual research and development investments of more than \$6.5 billion.

Historically, technology transfer was funded by the Department's laboratories solely through overhead charges to all programs conducting work at these sites. However, starting with FY 1993, technology transfer activities were included in the Department's budget request. This year's request is for \$256 million, an increase of 22% from FY 1993.

The Office of Audits has maintained a presence at many of the National Laboratories over the past several years. Although resources are not available to perform all necessary audit work, the Office has conducted annual financial audits and some performance audits at the facilities to ensure the reasonableness of expenditures.

FISCAL YEAR 1993 AUDITS COMPLETED OR IN PROCESS

During the first 10 months of FY 1993, over 5 staff years of audit time was spent on operational audits related to the Department of Energy's laboratories. In addition, almost 7 staff years were spent on other laboratory-related audits. That

time has been captured in other key issue areas such as financial management. Reports issued during the year include:

- o A report that found the Los Alamos National Laboratory's policies and procedures regarding conflicts of interest in technology transfer did not meet contract requirements. As a result, four employees, who founded and operated spin-off businesses while still employed at the Laboratory, apparently used Government resources and privileged information to further their financial interests in their spin-off businesses. Management agreed to implement the report's corrective recommendations. (IG-0319)
- o In a November 1992 report, we found that Martin Marietta Energy Systems (MMES) had not developed and implemented adequate controls for its technology transfer activities. As a result of the management control weaknesses, MMES could provide the Department only limited assurances that (1) the technology transfer program was adequately managed and the objectives were being realized, and (2) all monies due from licenses were collected. Department management concurred with our recommendations and indicated that MMES had developed action plans to address each of them. (ER-BC-93-01)

An audit at Sandia National Laboratory is in process and will carry over to FY 1994. The Audit objective is to determine whether policies and procedures in place are adequate for verification of funds-in-kind contributions from industrial technology transfer research partners.

FISCAL YEAR 1994 PLANNED AUDITS

Eight audits are scheduled to start in Fiscal Year 1994 and over 8 years of staff time are planned. Audits scheduled to start include:

- o An audit of the technology transfer program at Lawrence Livermore National Laboratory to determine whether the laboratory is accomplishing its technology transfer mission and complying with DOE technology transfer policies and procedures.
- o An audit of DOE's Advanced Neutron Source Project in Oak Ridge, Tennessee, to review project cost growth projections. There have been significant escalations in estimated costs as a result of a recently completed independent conceptual design review.

POWER MARKETING ADMINISTRATIONS

BACKGROUND

The Department of Energy Organization Act of 1977 transferred the five Power Marketing Administrations (PMAs) - Alaska, Bonneville, Southeastern, Southwestern, and Western Area - to the Department while preserving them as separate and distinct entities. Each PMA markets low cost, subsidized hydroelectric power within its own geographic boundaries. Revenues from selling power and transmission services are used to repay annual operations and maintenance costs, repay the capital investment with interest, and assist capital repayment on irrigation features of certain projects. Revenues are also used to pay for certain conservation and wildlife programs.

The five PMAs market the hydroelectric power generated at all Federal multiple-purpose water projects except those under the jurisdiction of the Tennessee Valley Authority. To carry out their responsibilities, the PMAs contract for the purchase and sale of power; develop rates; construct and maintain transmission lines, substations, switchyards, and attendant facilities; and conduct appropriate energy conservation programs.

In FY 1994, the Department has requested \$445.7 million for the PMAs. This is a 41.5% (\$317 million) reduction from FY 1993 estimates. Most of this reduction is due to a reduced need for borrowing authority and an increased level of Federal debt repayment at the Bonneville Power Administration. The borrowing authority decreases because of completion of major construction projects, and Federal debt repayment increases because of an unscheduled amortization payment received from non-Federal participants.

FISCAL YEAR 1993 AUDITS COMPLETED OR IN PROCESS

During the first 10 months of FY 1993, about 2.5 staff years of time were spent on operational audits of PMA activities. An additional 7 staff years were spent on financial or financial-related audits of the PMA's. Examples of audits completed in this area include:

- o A report on Bonneville Power Administration's management of its workers' compensation program disclosed that BPA was paying Workers' Compensation to claimants who were capable of working and to individuals with invalid or inaccurate claims. These unnecessary claims occurred because BPA did not follow guidelines developed to help

Federal agencies reduce costs by identifying and offering appropriate jobs to injured workers, and validating all workers' compensation costs. As a result, BPA has already spent an estimated \$350,000 in unnecessary workers' compensation costs. Unless BPA's controls are improved, we estimate that BPA will spend substantially more in unnecessary workers' compensation costs. (WR-B-93-3)

- o A report of BPA's debt management practices documented that, for the period 1980 through 1991, BPA had obtained funds from authorized sources, made payments on the debts of the Federal Columbia River Power System from approved funds, and was materially accurate in its official reports of debt related activities. (WR-LC-93-4)
- o Reviews required by the Federal Managers' Financial Integrity Act were conducted at each of the Power Marketing Administrations.
- o Our review of Bonneville's Assurance Memorandum disclosed that BPA continued to ignore requirements of the FMFIA during FY 1992. For the third year in a row, BPA did not report the same significant uncorrected internal control deficiency. BPA refused to report its failure to respond to a directive by the Deputy Secretary to develop and provide specific guidance to BPA employees concerning which of its acquisitions are for "program operations" and therefore subject to the Federal Acquisition Regulations. BPA's continuing unwillingness to address the needed improvement demonstrated a material deficiency in BPA's management control environment. (WR-L-93-4)
- o Fiscal year 1992 financial statement audits for each of the five Power Marketing Administrations were conducted by or reviewed by the Office of Audits.

Several audits will continue into FY 1994, including:

- o An audit of BPA's Residential Conservation Program to determine if (1) adequate controls are in place to safeguard inventory against waste, loss, and unauthorized use; (2) controls over the voucher system are sufficient to safeguard against inaccurate and inappropriate expenditures; and (3) the quality assurance process and procedures are sufficient to ensure that BPA's resources are efficiently utilized and that program goals are met.
- o An audit to determine if BPA is effectively and efficiently managing its Fish Recovery Program.

FISCAL YEAR 1994 PLANNED AUDITS

About 3 staff years of effort are planned for operational audits of the Power Marketing Administrations, and an additional 7 years of effort will be expended on financial statement audits required by the CFO Act, other financial and financial-related audits, and on reviewing the FMFIA reports prepared by each of the five PMAs.

In addition to the carry-in audits discussed above, a review of BPA's Energy Resource Programs will be started. In a memorandum from OMB to the Department's Assistant Secretary for Conservation and Renewable Energy, OMB stated that BPA's energy resource programs were inconsistent with the National Energy Strategy because they increased the demand for electricity and new generating capacity, unnecessarily increased costs for BPA's ratepayers and the region's economy, and may produce unnecessary environmental impacts. The purpose of this audit will be to substantiate or refute OMB's claims.

SAFEGUARDS AND SECURITY

BACKGROUND

The Nuclear Safeguards and Security Program is responsible for the development of measures to assure adequate, cost-efficient, and effective protection of the Department's nuclear weapons, nuclear materials, facilities, and classified information against theft, sabotage, espionage and terrorist activity. Substantial audit work has been done in this area, but because of its sensitivity and high visibility, the safeguards and security program warrants continued audit attention.

Although nuclear production activity has stopped, the need to maintain a strong safeguards and security program has not. The reduced strategic military threat, due to the end of the Cold War and break-up of the Soviet Union, has provided the opportunity to redirect funds from weapons production activities to other DOE critical missions. The main tasks of the nuclear weapons complex, in the near term, will be the dismantlement of weapons, the protection of nuclear materials, and the maintenance and surveillance of the remaining nuclear weapons stockpile. These tasks require a strong safeguards and security program.

Although protection of nuclear material and the nuclear stockpile are important concerns, there are other areas of concern to DOE, including:

- o increasing physical security measures designed to protect against internal threats;
- o improving classified document/material control;
- o the continued emphasis on technology upgrades in the materials control and accounting area;
- o increased emphasis on computer security enhancement activities;
- o strengthening the personal security/clearance program; and
- o providing adequate physical security for the nation's Strategic Petroleum Reserve.

FISCAL YEAR 1993 AUDITS COMPLETED OR IN PROCESS

Through the first 10 months of FY 1993, the Office of Audits spent about 8 staff years on audits of the Safeguards and Securities area. Audit reports completed in this area included:

- o A report on DOE's Personnel Security Clearance Program disclosed that the Department continued to grant security clearances to individuals who did not specifically require access to classified material. Department officials did not consistently follow established procedures designed to limit the number and level of clearances being issued. The excessive numbers of clearances, in turn, resulted in excessive processing times for granting clearances. (IG-0323)
- o A report on classified computer security at Martin Marietta Energy Systems, Inc., disclosed that MMES had not implemented controls to adequately protect the 43 classified mainframe computer systems it manages and operates for the Department. As a result, MMES could not provide DOE with reasonable assurance that all classified computer systems are sufficiently protected against unauthorized access. (ER-BC-93-02)

Several audits in process will be continued in FY 1994. These include:

- o An audit of Protective Forces in the Post Cold War Environment to determine if improved operational efficiency and reduced protective forces costs could be obtained by adjusting the threat assessment to consider site specific conditions, eliminating payments to security guards for time used to exercise, limiting overtime, and standardizing supplies and equipment. The report recommendations should result in significant annual savings.
- o An audit to determine whether Hanford Patrol Operations are required to support the current mission of the Hanford Nuclear Site. Under the sites previous mission of producing and processing plutonium, Hanford Patrol had the responsibility for safeguarding and securing the site. However, Hanford's current mission is waste management and environmental restoration, and the Patrol Operation may not support this mission.

FISCAL YEAR 1994 PLANNED AUDITS

In Fiscal Year 1994, the Office of Audits plans to spend about 5 staff years auditing the safeguards and security area. New audits currently scheduled to begin during the year include:

- o A Departmentwide audit of security officer training to determine if training provided to DOE security officers is justified and is being accomplished in the most efficient and economical manner.

- o An audit to determine if the Department's transportation of nuclear materials and stockpile can be accomplished more economically or efficiently. Particularly, the audit will determine if the level of operations of the Transportation Safeguards Division is appropriate given the changed nature of the Department's nuclear weapons complex.
- o An evaluation of the Department's controls and accountability over nuclear material. We will also seek to determine if inventory requirements can be reduced.
- o An audit to evaluate security costs at the Strategic Petroleum Reserve and to determine whether DOE and the contractor have minimized security costs based on assessments of new, reduced, security requirements.

STRATEGIC PETROLEUM RESERVE

BACKGROUND

The Strategic Petroleum Reserve (SPR) was created in 1975 and since 1991 has been able to store an authorized 750 million barrels of crude oil. The SPR's purpose is to diminish U.S. vulnerability to the effects of interruptions in foreign crude oil and petroleum product supplies.

Crude oil is stored in underground salt caverns at five sites in southern Louisiana and eastern Texas and a marine terminal in Louisiana. These storage sites are organized into three distribution systems — the Seaway, Texoma, and Capline — and connected by Department of Energy pipelines to commercial crude oil pipeline networks and to commercial and U.S. Government-owned marine terminal distribution facilities. Typically, one or more large scale drawdowns of individual sites are made annually, with numerous other oil movements carried out at all sites as part of routine operations. Since April 1, 1993, DynMcDermott Petroleum Operations Company, a contractor, has operated the Reserve for the Department.

The FY 1994 budget request proposes continuation of a responsible level of operations and a maintenance program to assure a cost effective capability to respond to an emergency situation. At the end of February 1993, the SPR contained 576 million barrels of crude oil. The budget request provides for an additional 13,300 barrels per day to be added to the SPR during FY 1994. This is a decrease from the FY 1993 fill rate and represents one of the Administration's savings initiatives aimed at controlling the deficit.

Key strategic goals of the SPR include extending the useful life of aging SPR systems beyond 2000; filling the existing 750 million barrel capacity as soon as possible at lowest cost to taxpayers; and expanding distribution capabilities of the SPR to 4.3 million barrels a day. Options are being studied for expanding the Reserve from 750 million to 1 billion barrels to enable fill during periods of ample supply and lower prices.

FY 1993 AUDITS COMPLETED OR IN-PROCESS

During the first 10 months of FY 1993, the Office of Audits spent about 2 staff years of audit effort on audits of the Strategic Petroleum Reserve. Required financial audits and the FMFIA audit were completed, along with an audit of overtime use. The contractor referred to in the following discussions of work performed in FY 1993 was Boeing Petroleum Services, Inc. As

noted above, a new contractor took over operation of the SPR for the Department in April 1993.

- o The review of the Strategic Petroleum Reserve Project Management Office FY 1992 FMFIA assurance memorandum disclosed that the Project Management Office did not maintain a local tracking system for corrective actions. (ER-L-93-03)
- o An audit of internal controls that assure costs claimed by and reimbursed to the contractor are allowable was performed. The audit determined that the internal control structure of the contractor and the Project Management Office in effect on August 31, 1992, was sufficient to provide reasonable assurance that costs claimed by the contractor and reimbursed by DOE were allowable. (ER-V-93-02)
- o A report of overtime use at the Strategic Petroleum Reserve disclosed that the contractor had established procedures to minimize the use of overtime but did not enforce their use. Specifically, management was primarily concerned that overtime did not exceed the premium pay ceiling and did not (1) provide timely and adequate written overtime justifications; (2) prepare adequate work schedules; (3) properly implement two employee workshifts; or (4) adhere to DOE overtime budget constraints. During the audit, the Project Office manager directed Boeing to institute tighter overtime controls that should reduce overtime by an estimated \$2.2 million annually. (ER-B-93-01)

An audit of stores inventory to determine whether the contractor manages and controls stores inventory consistent with the demands for the repair and maintenance of equipment while controlling costs will carry over to FY 1994.

FISCAL YEAR 1994 PLANNED AUDITS

In addition to the required FMFIA and financial statement audits, about 2 staff years of operational audit work are planned at the Strategic Petroleum reserve during FY 1994. Audits scheduled to start include:

- o An audit of internal controls subsequent to the contractor transition on April 1, 1993.
- o An audit of maintenance activities at the SPR. The purpose of this audit is to determine whether maintenance at various SPR sites is planned, scheduled, and performed in a manner which promotes operational safety, property preservation, and cost effectiveness.

SUPERCONDUCTING SUPER COLLIDER

BACKGROUND

The Superconducting Super Collider (SSC) is a critical part of the Administration's initiative to strengthen the position of the Nation as a world leader in science and technology. It is expected to be the largest scientific instrument in the world and the most powerful particle accelerator.

In January 1989, DOE awarded a contract to Universities Research Associates, Inc. (URA) to perform research and development and to design, construct, manage, operate and maintain the SSC Laboratory. Through Fiscal Year 1992 a total of \$1.352 billion in funding had been provided for the SSC project, and the SSC Laboratory had reported \$957 million in expenditures. Until recently, DOE expected to complete the project in 1999 at a cost of \$8.2 billion. Presidential budget guidance, however, calls for a stretch-out of the SSC program to ensure that all components are technically effective and that adequate managerial controls are in place. As a result of a reevaluation of the project, there will be a reduction in planned outlays in FY 1994-1998, a 3-year delay in schedule, and a \$2 billion increase in project cost.

The SSC Project Office provides technical, managerial and administrative oversight of the SSC Laboratory. The Director of the Office also serves as the DOE Associate Director of Energy Research for the SSC. At September 30, 1992, the Project Office had 68 employees, including 9 personnel in the Contract Administration Division, and the SSC Laboratory had 1,665 employees.

FISCAL YEAR 1993 AUDITS COMPLETED OR IN PROCESS

During the first 10 months of FY 1993, we expended over 4 staff years on operational and financial audits relating to the Superconducting Super Collider. Audits completed in this area included:

- o An audit of the allowability of costs being billed by contractors. Through FY 1991 SSC's contractors accounting records were not integrated with the Department's accounting system. At SSC's request, we audited the costs incurred for this period. We found \$233,100 in questioned costs and about \$19.5 million in unresolved costs. (CR-C-93-01)
- o An audit of internal controls over payment of FY 1992 contractor costs disclosed internal audit deficiencies

which increased the risk that unallowable costs could be claimed by and reimbursed to the contractor. (CR-V-93-1)

- o An audit of the SSC laboratory small business program. In April 1993 we reported that small business program controls were not adequate to assure that an appropriate portion of awards were made to small and small disadvantaged businesses. Award goals over the life of the SSC project are expected to be met if the report recommendations are implemented. (IG-0324)

Several audits in process that will continue in FY 1994 include:

- o An audit of SSC laboratory controls over subcontracting expenditures. This audit has disclosed that the laboratory did not consistently exercise prudent business judgement in making expenditures. The audit disclosed that approximately \$60 million in expenditures made and \$128 million in planned expenditures with commercial subcontractors were either unnecessary, excessive, or represented uncontrolled cost growth. Additionally, the audit disclosed inadequate justification, accountability, and cost control over \$143 million in expenditures made and \$47 million in planned expenditures with other DOE labs.
- o Two Departmentwide audits include SSC activities. One audit is a review of the contractor's cost and schedule control system. The other audit will cover energy conservation in new buildings. Neither audit is expected to result in a separate report to SSC.

FISCAL YEAR 1994 PLANNED AUDITS

During FY 1994, we plan to spend about 3.5 staff years on audits of the SSC, including an analysis of the internal controls used to determine the reasonableness of salaries and fringe benefits at the SSC laboratory, and several required financial and FMFIA audits.

WEAPONS PROGRAM

BACKGROUND

The end of the Cold War and proposed conventional and nuclear arms agreements with the Commonwealth of Independent States have resulted in the reduced threat of nuclear war, and in changed budget priorities. Although the total DOE budget will increase three percent in FY 1994, the budget for national defense will decline about 17.4 percent, from \$7.16 billion in FY 1993 to \$5.91 billion in FY 1994. This follows the nine percent budget reduction experienced in FY 1993. However, the Department will continue to fulfill its primary mission for the maintenance of the Nation's nuclear weapons deterrent in a safe and environmentally acceptable manner and continue its expansion of the nuclear weapon nonproliferation program.

The national defense program continues its reorientation away from research and production. Increased emphasis will be placed on accelerated warhead dismantlement, storage, and disposal activities; preparation for limitations on underground testing; and technological support for reconfiguring the nuclear weapons complex. The budget for complex reconfiguration will grow five-fold, to \$164 million. For worker training and adjustment, which is a new item, \$100 million is budgeted.

FY 1993 AUDITS COMPLETED OR IN-PROCESS

During the first ten months of FY 1993, about 14 staff years had been spent on audits of the weapons program issue area. Additional time was spent on audits of other issue areas related to the weapons program, such as the areas of Safeguards & Security, Environment, Safety, and Health, and Financial Management.

A report issued on the Uranium Enrichment Program in FY 1993 disclosed that the Department was continuing to spend money to develop advanced technology for enriching uranium that is no longer needed. The development plan established in January 1990 had not been revised to reflect the changed world situation. We estimated that continuing work on the program as it now exists could result in unnecessary expenditures of up to \$550 million. (IG-0316)

An audit to determine if Nevada Test Site inventories are being controlled and managed in accordance with Property Management Regulations is currently in process and will continue in FY 1994.

FISCAL YEAR 1994 PLANNED AUDITS

In FY 1994, the Office of Audits plans to spend about eleven staff years on Weapons Program audits. Audits scheduled to start in FY 1994 include:

- o An audit of weapons dismantlement to determine the economy and efficiency of such matters as employee training and certification, work shift staffing, and parts inventories.
- o A survey of Defense Programs' management of nuclear materials. The objectives of the survey will be to:
 - determine if the Department's transportation program is fully utilizing its economic, material, and human resources;
 - evaluate the Department's security operation as it pertains to protecting nuclear material in transit, in inventory, or in storage;
 - assess DOE's policies and procedures relative to the growing inventory of nuclear weapons and nuclear weapons components; and
 - determine if DOE is recovering all costs associated with the production of weapons components when it sells nuclear materials to organizations like the United States Enrichment Corporation.

ENVIRONMENT, SAFETY AND HEALTH

Environment, Safety and Health issues, as they impact on the Department of Energy, have the greatest visibility to the American public of all DOE activities. Because of its direct impact on the public, the Department continues to expend a great deal of resources and effort in this area. In FY 1994, almost one-third of the Department's total budget is allocated to this area.

While much of the concern is over the safe site cleanup made necessary by previous nuclear activities, such as weapons production, the Department is also concerned with the disposal of nuclear waste, both military and civilian that is generated from current activities, such as nuclear reactor power production. Although much of the nuclear waste disposal portion of the budget is concerned with finding appropriate facilities to discard waste, part of the waste disposal activities relate to managing the disposal process and is also included in this area.

BACKGROUND

During the past several years, environment, safety, and health have become major concerns in the Department because of their outside visibility and their far reaching and extensive consequences. In more recent years, with the changes in Europe, the ending of the cold war, and the break-up of the Soviet Union, the United States has established objectives to reduce nuclear weapons production. Contaminated surplus facilities resulting from reduced production will need to be cleaned up and reused or decontaminated and dismantled.

The Department is responsible for the cleanup of active and inactive sites contaminated by past operations that include about 100 sites located in 34 States and territories. The nature of the cleanup measures required at each site varies considerably according to such factors as hydrologic conditions, geology, type of contaminant, and local regulations. The Department is also responsible for effectively managing the minimization, treatment, storage, and disposal of radioactive, hazardous, mixed and sanitary wastes generated as a result of ongoing operations. All of these activities must be accomplished while ensuring protection to public health, worker health and safety, and the environment. These are not new problem areas, but are receiving far greater attention than in the past. Today, stricter requirements are placed on the Department due to increased public concern, more recent interpretations of older laws, and the advent of new laws.

The DOE Environmental Restoration and Waste Management Five-Year Plan is the cornerstone of the Department's long-term strategy to consolidate and coordinate DOE's cleanup activities. The initial plan was published in August 1989. The latest update, for FY 1994 through 1998, was published in January 1993. The Five-Year Plan combines cleanup activities in the areas of Defense Programs, Nuclear Energy, and Energy Research, treats them as a unified program, and establishes an agenda for compliance and cleanup against which progress will be measured.

Responsibility for complying with environment, safety, and health standards is shared throughout the Department. Specifically, responsibility is shared among the Office of Environmental Restoration and Waste Management (EM); the Office of Facility Transition and Management within EM; the Office of Environment, Safety, and Health; Departmental Headquarters Program Offices; DOE Operations Offices; Power Marketing Administrations; the National Renewable Energy Laboratory; and the Contractors and Subcontractors which operate the Department's facilities.

The Department will require tens of billions of dollars over the next few decades to repair the well publicized environmental damage that has occurred at its facilities and to minimize new waste management problems. Although the Department has made progress towards bringing its facilities into compliance with environmental laws, much work remains to be done.

Environmental

The Environmental Restoration and Waste Management program has been the fastest growing area within the Department and will be the number one budget area in FY 1994. The President's FY 1994 budget of about \$6.5 billion constitutes almost one-third of the budget for the entire Department, and represents an increase of \$967.2 million (approximately 18 percent) over the FY 1993 level. However, the 18 percent increase for FY 1994 is less than the large increases seen in the last few years. In FY 1994, this area will out-rank defense spending by the Department for the first time.

The major line items in the EM budget are waste management (\$3.095 billion) and environmental restoration (\$1.914 billion). However, the line items with significant increases from FY 1993 to FY 1994 are Facility Transition, from \$17.9 million to \$721.4 million; Uranium Enrichment Decontamination and Decommissioning, from \$0 to \$286.3 million; and Technology Development, from \$336.9 million to \$401 million. The increase to Facility Transition includes \$373.7 million for facilities transferred from Defense Programs and \$347.7 million for certain major defense production facilities, formerly carried in Waste Management. Uranium Enrichment includes \$286.3 million from the

Uranium Enrichment Decontamination and Decommissioning Fund created by the Energy Policy Act. Technology Development increased \$64 million for FY 1994.

Waste Management

The Waste Management program focuses on effectively managing the minimization, treatment, storage, and disposal of radioactive, hazardous, mixed and sanitary wastes generated as a result of ongoing operations. The Department operates a large industrial complex located at various manufacturing, processing, testing, and research and development installations across the country. Operations include various basic and applied research activities and nuclear energy development and applications, in addition to manufacturing and processing enriched uranium and processing spent nuclear fuel and other irradiated materials.

Nuclear Waste Disposal

Nuclear Waste Disposal includes all activities directed toward the ultimate disposal of low-level waste, transuranic waste, spent nuclear fuel and high-level waste. Much of the cost of disposing of the different types of nuclear waste are in the budgets of the various program offices. However, the cost of disposing of spent nuclear fuel and high-level waste is in the Nuclear Waste Fund established by the Nuclear Waste Policy Act (NWPA) of 1982, as amended. The Nuclear Waste Fund program's goal is to dispose of spent nuclear fuel and high-level radioactive waste from commercial and defense activities in a permanent geologic repository. The Nuclear Waste Policy Amendment Act of 1987 provided a major refocusing of the nuclear waste program, including the designation of Yucca Mountain, Nevada, for detailed characterization to evaluate site suitability for a permanent geologic repository.

The FY 1994 budget request for activities mandated by the NWPA, as amended, totals \$380 million, including \$261.9 million requested from the Nuclear Waste Fund to continue site characterization activities at the Yucca Mountain candidate repository site. This includes construction of the Exploratory Studies Facility and ongoing surface-based testing. The remaining \$118.1 million is requested in the Defense Nuclear Waste Disposal appropriation. Although this is a separate budget request, all funding from this appropriation will be used to support Yucca Mountain site characterization activities.

Environmental Restoration

The Environmental Restoration program includes the assessment and cleanup of surplus facilities and inactive sites. The objectives of the program are to stabilize radioactive waste or decontaminate and decommission contaminated DOE and

legislatively authorized non-government facilities and sites; to assess and characterize DOE sites to determine the potential for radioactive and hazardous waste releases; and to protect human health and the environment. Funding provides for continued removal actions, remedial action design, waste management efforts, environmental monitoring, and landlord activities.

Facility Transition

Contaminated surplus facilities are being transferred to Environmental Restoration and Waste Management to be maintained in a safe, cost-effective and environmentally sound and worker protective status until they can be cleaned up and reused or decontaminated and dismantled. The FY 1994 budget includes \$347.7 million for former defense production facilities previously budgeted for in Waste Management, and \$343.7 million for newly transferred facilities. The Office of Facility Transition and Management will coordinate and oversee the orderly transition of contaminated facilities including transition planning, initiation of materials transfers, and landlord activities.

Uranium Enrichment Decontamination and Decommissioning

Uranium Enrichment Decontamination and Decommissioning will focus on activities undertaken to decontaminate and decommission inactive uranium enrichment facilities that have residual radioactive or mixed radioactive and hazardous chemical contamination. The Energy Policy Act of 1992 established the Uranium Enrichment Decontamination and Decommissioning fund.

Technology Development

Previously, Technology Development included development of new technologies and defining future needs. However, FY 1994 activities will also include technology transfer. Continuing to deliver complete technology systems that reduce cost and worker exposure during environmental restoration and waste management is an ongoing activity of the program. The program will also continue to include activities that define future restoration and waste management manpower needs as well as activities for implementing environmental educational programs to meet cleanup goals. Further, the national laboratories, other Federal agencies, universities, and appropriate international participants will facilitate technological transfers in FY 1994 in continuing partnerships with industry.

Safety and Health

Safety and health have become important areas in recent years. The Department intends to fully meet Occupational Safety and Health Act requirements. For example, building and equipment

improvements such as fall protection and machine guarding are being made. Other activities will include safety programs such as chemical safety.

Since health and safety has become an important issue, the Department is working on a new 5-year plan. The plan will consolidate health and safety instead of dividing these items among various programs. Currently, safety and health aspects are spread throughout the entire budget. No separate budget and reporting codes are used for these items. For example, Environmental costs are largely contained in the Environmental and Waste Management section of the budget. Safety and health funding is a part of each line item in the Environmental Safety and Health section as well as the other sections of the budget.

FY 1993 AUDITS COMPLETED OR IN PROCESS

During the first 10 months of FY 1993 over 12 staff years of time were spent on audits of ES&H activities. Reports completed during the year included:

- o A report on the Fernald Remedial Investigation/Feasibility Study found that the process was not planned and controlled in a cost effective manner. After about six years and expenditures of over \$100 million, no decision had been made as to future land use, cleanup methods, disposal sites, or the level of environmental protection needed at the Fernald site. (IG-0326)
- o A report that found that burial rates for low level radioactive waste at the Nevada Test Site were sufficient to recover costs as required by Department Orders. The Nevada Test Site received about 865,000 cubic feet of low level radioactive waste from Department activities and from the Department of Army. We made no recommendations in this audit report. (WR-L-93-13)

Several audits that started in FY 1993 will carry over to FY 1994, including:

- o An audit of Waste Management operations at Martin Marietta Energy Systems in Oak Ridge designed to evaluate the methods of characterizing waste when it is generated, waste storage and inventories, and shipping and disposal to determine if DOE is meeting requirements and goals.

- o An audit to determine whether the Los Alamos National Laboratory has procured environmental restoration services from subcontractors in the manner most advantageous to the Government. As of April 1993, there were 37 active subcontracts with a total value of \$115.6 million.
- o An audit at the Yucca Mountain Site Characterization Project Office to determine if there is duplication or overlapping of effort between the support contractor and the M&O contractor.

FISCAL YEAR 1994 PLANNED AUDITS

During FY 1994, the Office of Audits has scheduled over 18 staff years of audit effort in this area. A sample of audits currently planned includes:

- o An audit of Lawrence Livermore National Laboratory's Environmental Restoration Program to determine if the program has been implemented in a manner that ensures accomplishment of the goals and objectives of the Department's Environmental Protection Program.
- o An audit to determine whether the Department's management information system is adequate to meet its environmental compliance information needs.
- o An audit of Environmental Restoration at the Idaho National Engineering Laboratory to determine whether the Laboratory has (1) developed effective controls to ensure economy and efficiency; (2) implemented an effective quality assurance program; (3) considered less costly approaches to the remediation process; and (4) met cleanup and waste minimization deadlines.
- o A DOE-wide audit to review the Department's National Environmental Policy Act (NEPA) process. The audit will determine whether DOE and its M&O contractors have established a clear path for NEPA review of proposed actions in a timely manner to achieve DOE's overall mission and various program results. The audit will also determine whether DOE NEPA documentation requirements should apply to actions driven by other regulatory agencies, such as State and local authorities.

- o An audit of environmental sampling at Savannah River to determine whether environmental sampling costs, including planned laboratory expansion costs are necessary.
- o An audit to determine if computer equipment and software are properly controlled and accounted for by the Yucca Mountain Site Characterization Project Office and associated contractors. Approximately \$6.2 million has been spent on personal computer hardware and software.
- o An audit to determine if phased licensing of the proposed Yucca Mountain Nuclear Waste Repository is a viable alternative to the method of applying for a license after all the studies have been completed.
- o An audit to determine if the transition of contractors at the Yucca Mountain Site Characterization Project Office was accomplished in an efficient and economical manner. While the new contractor has incurred substantial costs and hired a significant number of personnel, there has been little decrease in costs or the number of personnel associated with the original contractor.

INFRASTRUCTURE

BACKGROUND

Many of the Department's facilities, especially those engaged in weapons development and production, are old, and their operating availability and efficiency have declined. Modernization of these aging facilities and restoration of sites to make them safe and efficient are important tasks facing the Department. As part of this initiative, the Department is embarking on a long-range program to consolidate and build a smaller, modern, and more efficient weapons complex--Complex-21. Although the final configuration of Complex-21 will not be known until after the Department completes its Programmatic Environmental Impact Statement on reconfiguration at the end of fiscal year 1994, it will spend approximately \$164 million during the fiscal year on modernization of weapons facilities.

In addition to Complex-21 activities, the Department is constructing various facilities in support of its nuclear waste disposal, environmental restoration, and energy research missions. For example, during fiscal year 1994, the Department plans to:

- continue drilling and tunneling activities to characterize the suitability of Yucca Mountain as a nuclear waste repository;
- construct an Environmental and Molecular Sciences Laboratory to support cleanup of the Hanford Environmental Restoration Site; and
- continue construction of high physics energy research projects, including the SSC.

FISCAL YEAR 1993 AUDITS COMPLETED OR IN PROCESS

Staff days spent during fiscal year 1993 on the Department's infrastructure activities have been accounted for under the program categories of Defense Program, ES&H and the SSC. However, major examples of reports that were issued during the year that had a major focus on DOE facilities included:

- o A report on the Fernald Environmental Restoration Project which concluded that the project was not planned and controlled cost effectively. DOE will spend about \$149 million for site support costs each year cleanup is delayed. Also, DOE was planning for the possible construction of waste storage buildings, estimated to cost \$2.6 billion, when the need for the buildings had not been validated and less costly facilities may satisfy the storage requirements. (IG-0326)

- o In a report on High-Level Waste activities at the Hanford site, we determined that the Department was planning to construct a waste vitrification facility, although it had not fully integrated the planned construction of the facility with the construction of pre-requisite support facilities. Costs were therefore obscured, and the Department did not clearly define system requirements or develop overall cost and schedule baselines. Also, the report noted that a vast array of technical uncertainties, including waste tank safety, and inadequate information about the make-up of the waste could significantly affect the program's cost and ultimate success. (IG-0325)

Audits started in FY 1993 that will carry over to FY 1994 include:

- o An audit of the construction of weapons production facilities. The objective of this audit is to determine if weapons activities construction projects are consistent with the Department's long-range planning.
- o An audit of the Y-12 Plant mission change plans and impact. The objective is to review the status of the Y-12 Plant mission change from one of nuclear weapons production to nuclear weapons disassembly. This action is part of the overall effort by the Department to reconfigure the nuclear weapons complex.
- o An audit to determine if refurbishment of the firing range at the Nevada Test Site is necessary. The Department is planning to spend about \$500,000 to refurbish the range which may not be necessary in a few years. It appears that alternative sites are available for security personnel to use for weapons training and certification.
- o An audit at the Yucca Mountain Site Characterization Project Office to determine if site characterization work, which includes the tunneling and drilling programs, is being managed effectively and efficiently. These programs have a proposed combined budget of \$1.2 billion.
- o An audit of the Management of Selected Energy Research Major System Acquisitions to evaluate the effectiveness and efficiency of actions being taken to facilitate the completion of the construction phases of several major systems acquisitions, including the SSC, Advanced Photon Source, and Relativistic Heavy Ion Collider. Planned FY 1993 expenditures on these three projects was about \$800 million.

FISCAL YEAR 1994 PLANNED AUDITS

During FY 1994, the Office of Audits will focus its efforts on determining whether management is recognizing changing program requirements in its construction of facilities. A sample of audits currently planned includes:

- o An audit to determine whether the deemphasis on weapons production has resulted in a commensurate change in weapons related modernization and construction activities at the Albuquerque Field Office.
- o An audit to evaluate the need for a proposed \$217.5 million Environmental and Molecular Sciences Laboratory at the Hanford Environmental Restoration Site.
- o An audit to determine if the development of Multi-Purpose Canisters is a viable option for meeting the Department's 1998 waste acceptance contractual obligations for the nuclear waste repository. Multi-Purpose Canisters are sealed metallic canisters that will be used to store, transport and dispose of nuclear fuel and waste.
- o An audit to evaluate plans and progress in acquiring the larger general purpose detectors needed for the SSC program. These detectors are needed to record the collisions of protons in the collider that will be analyzed by scientists working in experimental chambers.

FINANCIAL MANAGEMENT

BACKGROUND

Financial management cuts across all program areas in the Department of Energy and has as its focus the proper accounting for program funds. Processes have been developed within the Department to help ensure that proper accountability is achieved. These include:

- o Annual reviews of the Department's internal control system under the Federal Managers' Financial Integrity Act;
- o Audits of selected Departmental financial statements as required by the Chief Financial Officers' Act of 1990; and
- o Other reviews of the Department's financial management systems.

Much of the audit work done in the area of financial management is required by law. One of the largest undertakings in this area is the annual review required by the FMFIA. Under this Act, the OIG examines the assurance letters prepared by all Departmental elements, as well as the letter prepared by the Secretary, and expresses its views on the status of internal controls and material weaknesses in the Department.

The CFO Act requires audits of selected Departmental financial statements. Presently, the Act requires the OIG to conduct or oversee financial statement audits of DOE trust and commercial operations. For FY 1994, audits will be performed at ten entities. Program offices for four of the entities have been delegated to contract for the audits and the OIG will oversee compliance of these audits with OMB guidance. The OIG will perform the remaining six audits.

The audits will focus on the entities internal control structures and testing of transactions to produce an audit opinion and reports on internal controls and compliance with applicable laws. Also, in FY 1994, OIG staff will undertake a two-phase certification of the financial statements of a selected management and operating contractor's operation. This work will help maintain OIG's capability to conduct financial statement certifications should the CFO Act be extended to all the Department's M&O contractors.

The OIG is also required by law to annually audit and report to Congress on DOE's use of "Superfund" monies. The Environmental Protection Agency entered into agreements with various Department field offices to provide assistance for cleaning up areas polluted with radioactive residue. The agreements are then

assigned to the Department's contractors for actual performance of the projects. The audits are designed to determine if obligations, disbursements, and reimbursements are reasonable, allowable, and adequately supported.

In addition to these mandates, the OIG is required by DOE order to periodically examine the reliability of the internal controls used by the Department's integrated contractors and affected field elements to assure that only reasonable and allowable costs are claimed and reimbursed. As noted earlier in this plan, because of the lack of OIG audit resources, a new audit strategy utilizing the M&O internal auditors has been implemented. This new Cooperative Audit Strategy uses risk assessment methodologies as the basis for planning audits of DOE's M&O Contractors and creates an audit tracking and planning mechanism for the Department. It also emphasizes the need for internal audit staff to comply with professional audit standards. This new audit strategy has been endorsed by the Secretary and should improve communications and enhance the efficiency of the existing audit resources. Due to the magnitude of this effort and because the audit approach will be a phased-in approach, full implementation of the strategy is not expected to be completed until September 1994.

FISCAL YEAR 1993 AUDITS COMPLETED OR IN PROCESS

During the first 10 months of FY 1993, over 35 staff years of audit effort were spent on Financial Management audits. In meeting the Department's current requirements under the CFO Act, the OIG and a certified public accounting (CPA) firm under contract to the OIG performed financial statement audits at two of the five Power Marketing Administrations, the Naval Petroleum and Oil Shale Reserves, the Federal Energy Regulatory Commission, the Low-Level Radioactive Waste Fund, and the Isotope Production and Distribution Program. Additionally, we reviewed the work of other CPA firms under contract to the remaining three Power Marketing Administrations, the Uranium Enrichment Program and the Nuclear Waste Fund.

Other audit reports issued included:

- o A report of the treatment of indirect costs by the Department. In FY 1991 the Department incurred an estimated \$4 billion in indirect costs. Weaknesses disclosed during the audit included (1) not all indirect costs were being properly allocated to programs causing or benefiting from their incurrence; (2) the Department had limited assurance that contractors' cost records were accurate, reliable, and excluded indirect costs that should have been charged to the contractors' home office; and (3) the Department had only limited assurance

that indirect functions were being accomplished efficiently. (IG-0318)

- o A report of M&O compliance with the allowable cost provisions of their contracts. The report found that the Department's contract administrators did not always (1) enforce strict compliance with contract terms; (2) require contractors' internal auditors to perform allowable cost audits; (3) ensure that contract language that varied from DOE Acquisition Regulations was properly authorized and the consequences for contract noncompliance were adequately defined. (IG-0321)

Audits currently in-process that will carry over to FY 1994 include:

- o An audit of the new Westinghouse Savannah River Company accounting system to evaluate the accuracy and effectiveness of the Integrated Budget, Accounting and Reporting System for providing necessary information to adequately manage and control costs.
- o A review of the Rocky Flats Plant Cost Accounting Standards Board Disclosure Statement in order to provide DOE management with reasonable assurances that the cost distribution system at Rocky Flats is adequate to properly record costs consistent with DOE requirements and the contract.
- o An audit to validate the Department's quality control program for compliance with the Federal Prompt Payment Act and OMB Circular A-125.

FISCAL YEAR 1994 PLANNED AUDITS

Over 21 staff years of audit effort are currently scheduled in the financial management area in FY 1994. This includes 20 audits to meet the requirements of the FMFIA, 7 audits to meet the requirements of the CFO ACT, and 44 other financial statement related audits. In addition, several other audits of financial activities are planned, including a review of Albuquerque Operations management of "funds-in" agreements to determine whether there is reasonable assurance that charges for Department depreciation and added factor are waived only when M&O contractor reimbursable work benefits the Department.

ADMINISTRATIVE SAFEGUARDS

BACKGROUND

The key issue area of Administrative Safeguards includes those audits that cover activities with a high risk for waste, fraud, or mischarging. Examples of such activities are:

- o Imprest funds disbursements
- o Travel reimbursements
- o Certification of time cards
- o Overtime claims
- o Telephone use
- o Contractor cost claims

These audits are performed to identify instances of waste, fraud, or mischarging and to deter similar instances from occurring in the future. For example, identification of fraudulent actions in an activity will often deter others from engaging in the same actions. Similarly, identification of claims for unallowable costs will alert the Department to such improper claims and help deter their recurrence. Prompt detection of problem areas in an activity will foster corrective actions before operations are significantly impacted.

Past audits of vulnerable activities have identified improper actions such as misuse of imprest funds, claims for overtime not worked, and fraudulent travel claims. In addition, past audits have identified numerous instances of claims for unallowable cost such as travel and relocation costs that were not in compliance with contract terms or applicable regulations. Generally, audits of these activities involve more than one major program area.

Most vulnerable activities have received some coverage. However, further audits in these areas can help reduce the risk of waste, fraud, and mischarging.

FISCAL YEAR 1993 AUDITS COMPLETED OR IN PROCESS

During the first 10 months of FY 1993, about 10 staff years were spent on audits related to Administrative Safeguards. Audits completed during the year included:

- o An audit of allowable costs at nine management and operating contractors where we found cost claims that were considered to be unallowable at six of the nine contractors. These unallowable costs amounted to about \$5.4 million for one fiscal year. At one contractor, unallowable relocation costs totaled about \$10 million over several years. (IG-0321)

- o Seven imprest fund audit reports were issued during the year. In one audit, we found that responsibility for the imprest fund was divided among one cashier and eight satellite custodians. In our report, we made several recommendations to strengthen the contractor's internal controls over the fund. (ER-B-93-02)

Several audits will continue into FY 1994, including an audit of timekeeping and payroll activities at the Fernald Corporation. The objective of this audit is to determine whether the corporation has timekeeping and payroll policies and procedures to ensure accurate pay to appropriate employees.

FISCAL YEAR 1994 PLANNED AUDITS

During FY 1994, the Office of Audits will look for instances of waste, fraud, and mischarging while performing work in the other major program areas. In addition, the AIGA plans to start several audits of vulnerable activities such as travel, overtime, and imprest and petty cash funds.

Also, the AIGA's cooperative audit strategy will require all management and operating contractors' internal audit staffs to perform audits of the allowability of costs claimed by management and operating contractors. Through risk assessments, internal audit staffs will identify and audit those activities found to be most vulnerable to waste, fraud, and mischarging.

**U.S. DEPARTMENT OF ENERGY
ASSISTANT INSPECTOR GENERAL FOR AUDITS
FISCAL YEAR 1994 AUDIT WORK PLAN SCHEDULES**

<u>AUDIT NUMBER</u>	<u>TITLE</u>	<u>TOTAL STAFF DAYS</u>	<u>PLANNED FY 1994 DAYS</u>	<u>AUDIT TYPE</u>	<u>MAJOR ISSUE AREA</u>	<u>SITE CODE</u>	<u>PLANNED STARTING QUARTER</u>
<u>CARRY-IN AUDITS</u>							
A92CG041	AUDIT OF PROTECTIVE FORCE COSTS	270	50	EAE	005	MRA	
A92CR040	CONSTRUCTION OF WEAPONS FACILITIES	321	10	EAE	002	MRA	
A93AL012	SANDIA TECHNOLOGY TRANSFER COSTS	280	50	EAE	010	MSA	
A93AT001	GERMANTOWN COMPUTER CENTER	350	200	EAE	011	MSA	
A93AT002	PAYMENT SYSTEM REVIEW	350	330	EAE	011	MSA	
A93AT003	DOE-WIDE SURVEY/SANDIA IRM ACTIVITY	486	20	EAE	011	MSA	
A93CF002	CONTRACTOR RELOCATION COSTS	400	350	EAE	012	MSA	
A93CF004	ADDED FACTORS FOR REIMBURSABLE WORK	260	140	PRR	080	MRA	
A93CF005	SUPERFUND INTERAGENCY AGREE. - FY92	150	10	FIN	001	MSA	
A93CF037	YUCCA MTN. SITE CHARACTERIZATION	490	150	EAE	003	MSA	
A93CG038	ERA CLOSEOUT ACTIONS	180	40	PRR	012	SSA	
A93CG040	ENERGY RESEARCH MAJOR SYSTEMS ACQ.	330	250	EAE	010	MSA	
A93CG041	DOE-WIDE PROMPT PAY ACT VERIFICATION	120	30	FIN	011	MSA	
A93CG042	ENVIRONMENTAL MIS FOLLOW-UP	480	162	EAE	001	MSA	
A93CH004	CHICAGO GRANTS MANAGEMENT ADMIN.	200	200	PRR	009	SSA	
A93CN009	FEMP WASTE MANAGEMENT	325	3	PRR	003	MSA	
A93CN014	GOVERNMENT SUPPLY SOURCES	200	75	EAE	009	SSA	
A93CN069	FERMCO TIMEKEEPING & PAYROLL	200	175	EAE	012	SSA	
A93CR017	SSC LAB SALARIES & FRINGE BENEFITS	425	395	EAE	007	MSA	
A93CR031	ENERGY USAGE IN NEW BUILDINGS	590	200	EAE	012	MRA	
A93DN023	WACKENHUT INCURRED COST-ROCKY FLATS	85	80	CIC	009	SSA	
A93DN057	M&O WORKERS COMP @ ROCKY FLATS	241	10	EAE	002	MSA	
A93DN079	RI/FS PROCESS AT ROCKY FLATS	400	160	EAE	002	MSA	
A93DN090	ROCKY FLATS COST ACCTG STDS REVIEW	120	60	FIN	011	MSA	
A93DN092	WAPA FY 1993 CFO AUDIT - PHASE II	745	735	CFO	011	MSA	
A93IF080	LIGHT VEHICLE FLEET MGMT WITHIN DOE	280	170	EAE	002	MSA	
A93LA027	LOS ALAMOS-ASSESSING INTERNAL AUDITS	45	5	FAC	011	SSA	
A93LA028	LOS ALAMOS PROPERTY MANAGEMENT	250	20	EAE	009	MSA	
A93LA089	LANL ENVIRONMENTAL SUBCONTRACTING	250	190	EAE	001	MSA	
A93LL033	LIVERMORE-ASSESSING INTERNAL AUDITS	45	5	FAC	011	SSA	
A93LL035	LLNL FACILITY MODIFICATION & REPAIR	220	20	EAE	002	SSA	
A93LL059	COMPUTER MAINTENANCE @ LIVERMORE	330	60	EAE	009	MSA	
A93LL082	NPSR FY 1993 CFO AUDIT	545	40	CFO	011	MSA	
A93LL088	LLNL COMPUTER SUPPORT L/R PLANNING	150	50	EAE	009	MSA	
A93LV038	EG&G ENERGY MEAS-ASSESS INT. AUDITS	45	5	FAC	011	SSA	
A93LV042	NEVADA TEST SITE INVENTORY MGMT.	245	45	EAE	002	MSA	
A93LV058	REECO HEALTH BENEFIT ADMINISTRATION	155	30	EAE	002	MSA	
A93LV083	NTS FIRING RANGE REFURBISHMENT	150	75	EAE	005	SSA	
A93LV084	YUCCA MTN SITE CHARACTERIZATION MGMT	300	165	EAE	003	MSA	
A93NO019	SPR STORES INVENTORY	250	170	EAE	006	SSA	
A93NO066	MINIMUM CAPABILITY/RESERVE CAPACITY	350	200	EAE	011	MSA	
A93OR023	Y-12 MISSION PLANS AND IMPACT	450	400	PRR	010	SSA	

**U.S. DEPARTMENT OF ENERGY
ASSISTANT INSPECTOR GENERAL FOR AUDITS
FISCAL YEAR 1994 AUDIT WORK PLAN SCHEDULES**

<u>AUDIT NUMBER</u>	<u>TITLE</u>	<u>TOTAL PLANNED STAFF DAYS</u>	<u>FY 1994 PLANNED DAYS</u>	<u>AUDIT TYPE</u>	<u>MAJOR ISSUE AREA</u>	<u>SITE CODE</u>	<u>PLANNED STARTING QUARTER</u>
A93OR026	MMES USE OF GOV'T. SUPPLY SOURCES	250	125	EAE	009	MSA	
A93OR027	NEW YORK STATE-INTERIM CLAIMED COSTS	100	50	CIC	001	SSA	
A93OR028	MMES' WASTE MANAGEMENT	250	200	EAE	001	MSA	
A93OR029	UEO FY 1993 FINANCIAL STATEMENTS	50	15	FSA	011	MSA	
A93OR030	UEA FY 1993 FINANCIAL STATEMENT	50	15	FSA	011	MSA	
A93PL085	BPA'S FISH RECOVERY PROJECT	250	160	EAE	008	MSA	
A93PL086	BPA RESIDENTIAL CONSERVATION	250	160	EAE	008	MSA	
A93PL091	APA FY 1993 CFO AUDIT	131	73	CFO	011	MSA	
A93PR038	PPPL USE OF GOV'T. SUPPLY SOURCES	100	40	EAE	009	SSA	
A93PR067	PRINCETON INDIRECT COSTS - FY 1986	150	100	CIC	009	SSA	
A93PR068	PRINCETON FINAL - NAVY 0021	20	5	CIC	009	SSA	
A93PT028	COGNIZANT FED AGENCY CONTRACT ADMIN	250	100	EAE	009	MSA	
A93PT033	CONTRACT MANAGEMENT FUNCTIONS	300	250	PRR	009	MSA	
A93PT041	PCIE AUDIT-DOE AIRCRAFT MANAGEMENT	310	150	EAE	012	MSA	
A93RL050	W'HOUSE-ASSESSING INTERNAL AUDITS	45	5	FAC	011	SSA	
A93RL051	HANFORD SAMPLE/CHARACTERIZATION	250	175	PRR	001	MSA	
A93RL053	MISSION CHANGE & THE HANFORD PATROL	250	10	EAE	005	MSA	
A93RL056	RICHLAND FY 92 & 93 PC PURCHASES	300	10	EAE	011	MSA	
A93RL087	HANFORD SITE SELECTION PROCESS	250	180	PRR	001	MSA	
A93SR047	GOVERNMENT SUPPLY SOURCE - ACP	50	40	EAE	009	MSA	
A93SR048	WSRC ACCOUNTING SYSTEM	250	45	CCA	011	SSA	
A93SR073	SRS ENVIRONMENTAL PROGRAMS SURVEY	80	70	EAE	001	SSA	
A93WR060	BPA'S INTERNAL AUDIT FUNCTION	100	20	PRR	008	SSA	
	FINANCIAL CERTIFICATION AUDITS - 30	1255	405	FIN	011	MSA	
	FMFIA AUDITS - 6	350	260	FIN	011	MSA	

**U.S. DEPARTMENT OF ENERGY
ASSISTANT INSPECTOR GENERAL FOR AUDITS
FISCAL YEAR 1994 AUDIT WORK PLAN SCHEDULES**

<u>AUDIT NUMBER</u>	<u>TITLE</u>	<u>TOTAL PLANNED STAFF DAYS</u>	<u>FY 1994 PLANNED DAYS</u>	<u>AUDIT TYPE</u>	<u>MAJOR ISSUE AREA</u>	<u>SITE CODE</u>	<u>PLANNED STARTING QUARTER</u>
<u>FISCAL YEAR 1994 PLANNED AUDITS</u>							
A94AL001	DISMANTLEMENT OF NUCLEAR WEAPONS	325	325	EAE	002	MSA	1
A94AL002	AL WEAPONS RELATED CONSTRUCTION	250	250	EAE	002	MSA	1
A94AL003	MASON & HANGER FINANCIAL STATEMENTS	205	205	FSA	011	MSA	1
A94AL004	TRANS. SAFEGUARDS DIVISION SHIPMENTS	275	275	EAE	005	MSA	2
A94AL005	WAIVER OF ADDED FACTOR	240	240	FIN	011	MSA	2
A94AL006	MULTIPLE AWARD SCHEDULE PURCHASES	200	200	EAE	009	MSA	3
A94AL007	ROSS AVIATION COST INCURRED AUDIT	80	21	CIC	005	SSA	4
A94AT001	COMPUTER OPERATIONS/DOE FIELD SITES	250	250	EAE	011	MSA	1
A94CF001	CONTRACTOR OVERSTAFFING	650	273	EAE	012	MRA	2
A94CF002	MULTI-PURPOSE CANISTERS	350	200	EAE	003	MSA	2
A94CF003	REPOSITORY CERTIFICATION	350	150	PRR	003	MRA	3
A94CG004	SECURITY OFFICER TRAINING	500	500	EAE	005	MSA	1
A94CG005	AWARD FEE STRUCTURE	400	280	EAE	009	MSA	2
A94CG006	EIA FOLLOW-UP	200	200	EAE	009	SSA	3
A94CG007	HEADQUARTERS CONTRACTING CONTROLS	300	22	EAE	009	MSA	4
A94CH001	ANL PROGRAM ADMINISTRATION	250	10	PRR	010	SSA	3
A94CN002	FERMCO PROPERTY MANAGEMENT	200	200	EAE	002	SSA	1
A94CN003	RE-TRAINING PROGRAM SURVEY	50	50	PRR	002	MRA	1
A94CN004	DUPLICATION OF QA AUDITS AT LABS.	250	100	EAE	010	MSA	3
A94CR008	NUCLEAR MATERIALS MANAGEMENT SURVEY	300	273	EAE	002	MSA	1
A94CR009	AUDIT RESOLUTION & FOLLOW-UP	250	150	FAC	011	MSA	2
A94DL010	SSC GENERAL PURPOSE DETECTORS	385	335	EAE	007	SSA	3
A94DN008	EG&G INTRA COMPANY ORDERS	250	250	EAE	009	MSA	1
A94DN009	BOULDER CANYON POWER PROJ FIN AUDIT	75	75	FIN	008	MSA	2
A94DN010	NPOSR PETROLEUM RESERVES PRODUCTION	250	250	EAE	006	MSA	2
A94DN011	PARKER DAVIS POWER PROJECT FIN AUDIT	65	65	FIN	008	MSA	2
A94DN012	WAPA FY 1994 CFO AUDIT	1430	465	CFO	011	MSA	3
A94DN013	SPECIAL NUCLEAR MATL. ACCOUNTABILITY	250	120	EAE	005	MSA	4
A94FR011	ISOTOPE FY 1993 FINANCIAL STATEMENT	280	280	CFO	011	MSA	1
A94FR012	LOW LEVEL WASTE FY 93 FIN STATEMENT	260	260	CFO	011	MSA	1
A94FR013	FERC FY 1993 FINANCIAL STATEMENT	340	340	CFO	011	MSA	1
A94FR014	OCRWM FY 1993 FINANCIAL STATEMENT	50	50	CFO	011	MSA	1
A94FR015	CONSULTANT SERVICES	80	80	FAC	009	MSA	1
A94FR016	RESTRICTIONS ON LOBBYING	110	110	FAC	009	SSA	1
A94FR017	SURPLUS FACILITIES	650	290	EAE	001	MRA	3
A94FR018	SUPERFUND AGREEMENTS - FY 1993	125	125	EAE	001	MSA	3
A94FR019	FERC PROPERTY, PLANT & EQUIPMENT	200	100	EAE	009	MSA	3
A94IF014	INEL CONTRACT CONSOLIDATION	250	250	EAE	010	MSA	1
A94IF015	INEL ENVIRONMENTAL RESTORATION	325	225	EAE	001	MSA	2
A94IF016	INEL SUBCONTRACT ADMINISTRATION	300	250	EAE	009	MSA	2
A94LA017	LANL'S ADMINISTRATION OF CRADAS	250	250	EAE	010	MSA	1

**U.S. DEPARTMENT OF ENERGY
ASSISTANT INSPECTOR GENERAL FOR AUDITS
FISCAL YEAR 1994 AUDIT WORK PLAN SCHEDULES**

<u>AUDIT NUMBER</u>	<u>TITLE</u>	<u>TOTAL PLANNED STAFF DAYS</u>	<u>FY 1994 PLANNED DAYS</u>	<u>AUDIT TYPE</u>	<u>MAJOR ISSUE AREA</u>	<u>SITE CODE</u>	<u>PLANNED STARTING QUARTER</u>
A94LA018	LEASED FACILITIES AT LANI.	150	150	EAE	009	MSA	2
A94LA019	LANL WASTE MANAGEMENT PROGRAM	250	155	PRR	001	MSA	3
A94LA020	LANL PERSONAL PROPERTY RETIREMENTS	150	125	EAE	009	MSA	3
A94LA021	LOVELACE FY 93 & 94 INCURRED COSTS	100	60	CIC	011	SSA	4
A94LL022	LLNL TECHNOLOGY TRANSFER	330	330	EAE	010	MSA	1
A94LL023	LLNL WASTE MANAGEMENT PROGRAM	350	350	EAE	001	MSA	1
A94LL024	HIGH EXPLOSIVES R&D PROGRAMS-SURVEY	125	25	EAE	002	MSA	4
A94LL025	LLNL ENVIRONMENTAL RESTORATION	350	100	EAE	001	MSA	4
A94LL026	NPOS FY 1994 CFO AUDIT	445	125	CFO	011	MSA	4
A94LV027	YUCCA MNTN - PERSONAL COMPUTER MGMT.	250	250	EAE	003	MSA	1
A94LV028	YUCCA MOUNTAIN - M&O TRANSITION	250	250	EAE	003	MSA	2
A94NO005	SPR MAINTENANCE ACTIVITIES	400	269	EAE	006	MSA	3
A94NO006	SPR SECURITY LEVEL MAINTENANCE COST	200	115	EAE	005	MSA	4
A94OR007	MMES VENDOR INVENTORY DELIVERY SYS.	250	250	EAE	009	MSA	1
A94OR008	MMES - PETTY CASH AUDIT	100	100	FIN	012	SSA	2
A94OR009	NATL. ENVIRONMENT POLICY ACT MGMT.	450	200	EAE	001	MRA	3
A94OR010	ENVIRONMENTAL CLEANUP EQUIP.-SURVEY	50	50	EAE	011	MRA	3
A94OR011	ADVANCED NEUTRON SOURCE PROG REVIEW	400	100	PRR	010	MRA	4
A94PL029	BPA FY 1993 CFO AUDIT	25	25	CFO	011	MSA	1
A94PL030	BPA ENERGY RESOURCE PROGRAMS	250	230	EAE	008	MSA	2
A94PR012	INTRODUCTION OF TRITIUM AT PPPL	50	50	EAE	010	SSA	1
A94PR013	BNL PROJECT MANAGEMENT	80	80	EAE	010	SSA	2
A94PR014	PPPL IMPREST FUND	50	50	FIN	012	SSA	2
A94PT020	PITTSBURGH NAVAL REACTOR M&O WORK	200	200	EAE	012	SSA	1
A94PT021	SCHNECTADY NAVAL REACTOR M&O WORK	200	200	EAE	012	SSA	1
A94PT022	FOSSIL TECHNOLOGY TRANSFER	350	350	PRR	009	MSA	3
A94PT023	AUDITS OF FINANCIAL INSTRUMENTS	180	118	FAC	009	MSA	3
A94RL031	NEED FOR MOLECULAR SCIENCES LAB.	300	150	PRR	010	MSA	3
A94SR015	SRS ENVIRONMENTAL SAMPLING PROGRAM	350	350	EAE	001	SSA	1
A94SR016	SAVANNAH RIVER EQUIPMENT LEASING	175	175	EAE	002	SSA	1
A94SR017	SAVANNAH RIVER SITE OVERTIME	300	300	EAE	011	SSA	1
A94SR018	SRS CONSTRUCTION PROGRAM SURVEY	80	80	EAE	003	SSA	1
A94SR019	WESTINGHOUSE MAINTENANCE	400	400	EAE	001	SSA	2
A94SR020	SRS COST & TRAVEL AUDITS FOLLOW-UP	175	90	FIN	011	SSA	4
	FINANCIAL CERTIFICATION AUDITS - 44	1595	1215	FIN	011	MSA	
	FMFIA AUDITS - 21	703	415	FIN	011	MSA	

**ASSISTANT INSPECTOR GENERAL FOR AUDITS
FISCAL YEAR 1994 ANNUAL WORK PLAN
LIST OF ABBREVIATIONS**

ABBREVIATION	DEFINITION
ACP	Audit Control Point
ACQ	Acquisition
AIG	Assistant Inspector General
AIGA	Assistant Inspector General for Audits
AL	Albuquerque Operations Office
ANL	Argonne National Laboratory
AO	Office of Audits (AIGA)
AP3	Office of Audit Policy Plans and Programs (AIGA)
APA	Alaska Power Administration
BNL	Brookhaven National Laboratory
BPA	Bonneville Power Administration
CFO	Chief Financial Officers Act
CIC	Cost Incurred Audit
CPA	Contract Preaward Audit
CRADA	Cooperative Research and Development Agreements
CRO	Capital Regional Office (AIGA)
DCAA	Defense Contract Audit Agency
DEAR	DOE Acquisition Regulations
DOE	Department of Energy
EAE	Economy and Efficiency Audit
EG&G	EG&G Energy Measurement Systems
EIA	Energy Information Administration (DOE)
EM	Environmental Restoration and Waste Management
ERO	Eastern Regional Office (AIGA)
ES&H	Environment, Safety and Health
FAC	Financial and Compliance Audit
FAR	Federal Acquisition Regulations
FEMP	Fernald Environmental Management Project
FERC	Federal Energy Regulatory Commission
FERMCO	Fernald Environmental Restoration Management Company
FIA	FMFIA Audit
FIN	Financial Audit
FMFIA	Federal Managers' Financial Integrity Act
FSA	Financial Statement Audit
FTEs	Full Time Employees
FY	Fiscal Year
GAO	General Accounting Office
INEL	Idaho National Engineering Laboratory
IRM	Information Resource Management
L/R	Long Range
LANL	Los Alamos National Laboratory

ABBREVIATION**DEFINITION**

LLNL	Lawrence Livermore National Laboratory
M&O	Management and Operating (contractor)
MMES	Martin Marietta Energy Systems
MRA	Multi-Region Audit
MSA	Multi-Site Audit
MTN	Mountain
NEPA	National Environmental Policy Act
NPOSR	Naval Petroleum Oil Shale Reserve
NPR	National Performance Review
NTS	Nuclear Test Site
NWPA	Nuclear Waste Policy Act
OCRWM	Office of Civilian Radioactive Waste Management
OIG	Office of Inspector General
OMB	Office of Management and Budget
PCIE	President's Council on Integrity and Efficiency
PMA	Power Marketing Administration
PPPL	Princeton Plasma Physics Laboratory
PRR	Program Results Audit
QA	Quality Assurance
REECO	Reynolds Electrical and Engineering Co., Inc.
RI/FS	Remedial Investigation/Feasibility Study
SPR	Strategic Petroleum Reserve
SPRO	Strategic Petroleum Reserve Office
SRS	Savannah River Site
SSA	Single-Site Audit
SSC	Superconducting Super Collider
TESS	TRW Environmental Safety Systems
TRANS	Transportation
UEA	Uranium Enrichment Activities
UEO	Uranium Enrichment Office
URA	University Research Associates, Inc.
WAPA	Western Area Power Administration
WRO	Western Regional Office (AIGA)
WSRC	Westinghouse Savannah River Corporation

**FISCAL YEAR 1994 ANNUAL WORK PLAN
MAJOR PROGRAM AUDIT AREA CODES**

1	ENVIRONMENT, SAFETY & HEALTH
2	WEAPONS PROGRAM
3	NUCLEAR WASTE DISPOSAL
4	NAVAL REACTORS (NOT USED)
5	SAFEGUARDS & SECURITY
6	STRATEGIC PETROLEUM RESERVE
7	SUPERCONDUCTING SUPER COLLIDER
8	POWER MARKETING ADMINISTRATIONS
9	PROCUREMENT & GRANTS MANAGEMENT
10	EXPANSION OF LABORATORY MISSIONS
11	FINANCIAL MANAGEMENT
12	ADMINISTRATIVE SAFEGUARDS
80	WORK FOR OTHER FEDERAL AGENCIES

END

DATE

FILMED

3/29/94

