United States
Department of Energy

Semiannual Report to Congress on Inspector General Audit Reports

April 1, 1995 to September 30, 1995

November 1995

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U. S. Department of Energy

Semiannual Report to Congress

on

Inspector General Audit Reports

For the Period April 1, 1995 through September 30, 1995

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Foreword

It is my pleasure to transmit to the Congress of the United States, the Department of Energy's thirteenth Semiannual Report on Inspector General Audit Reports, in accordance with the 1988 Amendments to the Inspector General Act.

The Department of Energy (DOE) is vested with public missions that fundamentally affect the security, prosperity and quality of life of this and future generations. Our fundamental missions are:

- Protecting national security and reducing the nuclear danger
- Enhancing the nation's energy security
- Providing environmental cleanup and stewardship
- Advancing the frontiers of science and technology

This report records our progress in achieving improvements in our operations as we deliver our missions to the American people. The audit resolution and followup process plays a fundamental role in the Department's strategic alignment and reengineering efforts. Actions taken by the Department on audit recommendations will increase both the efficiency and effectiveness of the Department's operations while strengthening our standards of accountability.

A handwritten signature in black ink, reading "Hazel R. O'Leary". The signature is fluid and cursive, with the first name "Hazel" and last name "O'Leary" clearly distinguishable.

Hazel R. O'Leary
Secretary of Energy

Introduction

This is the Secretary of Energy's thirteenth Semiannual Report to Congress submitted under the Inspector General Act of 1978, as amended. Pursuant to the Inspector General Act Amendments of 1988 (Public Law 100-504), agency heads are to report to Congress on the status of final action taken on audit report recommendations. This report complements a report prepared by the Department's Office of Inspector General that provides information on audit reports issued during the period and on the status of management decisions made on Inspector General audit reports.

During the period covered by this report, April 1, 1995, through September 30, 1995, the Department took final action on 33 operational, financial, and preaward audit reports. At the end of the period 96 reports awaited final action. Final action was taken on 2 contract and financial assistance audits, leaving 2 reports requiring final action at the end of the period.

This report has three sections. The first section outlines significant audit resolution and followup accomplishments achieved by the Department during the reporting period. The second section contains the statistical tables that illustrate the status of final action on Inspector General audit reports. The third lists the audit reports that are one year or more past management decision and have not completed final action. This section also provides the status of corrective actions on each of these reports.

Significant Management Accomplishments

During the period April 1, 1995, through September 30, 1995, management decisions were reached on 39 Inspector General reports and final actions were implemented on 33 other Inspector General reports. The following information is provided on selected reports where corrective action has been accomplished.

CR-B-94-05, "Audit of Aircraft Management at the Albuquerque Operations Office." This audit disclosed that the Albuquerque Operations Office safely operated eight aircraft in accordance with safety orders and standard regulations. While Albuquerque was in compliance with all Department of Energy aviation safety orders and directives, and all Federal Aviation Administration regulations, the Inspector General noted that Albuquerque operated a costly air service between Los Alamos National Laboratory and Albuquerque that was used by approximately 20 percent of the Los Alamos employees who traveled between these two sites, while 80 percent used automobiles. Albuquerque evaluated the current travel requirements of both the Department and the Laboratory, ongoing programs, and budgetary constraints, which led to a management decision to reduce scheduled flights by 50 percent beginning June 1, and to terminate all scheduled passenger service on September 30. Albuquerque no longer uses a contractor for this service and the Department has signed agreements for the use of the Los Alamos airport facilities for commercial flights. Lease agreements for the airport property were also signed with the County of Los Alamos. These arrangements are an innovative and effective approach to retaining air service to Los Alamos, transferring surplus land and facilities to the county, fostering local economic development, and saving costs.

IG-0354, "Audit of the Management and Cost of the Department of Energy's Protective Forces." This audit disclosed that the cost of physical security at some Departmental sites had grown beyond those costs incurred when the site was in full production. This increase was due to a combination of factors including concerns about the adequacy of physical security, reactions to the increase in terrorism, and the selection of security system upgrades without adequate consideration of the cost effectiveness of these actions. The audit report made recommendations to improve the efficiency of protective force operations. In addition to the annual Resource Reviews, the Office of Security Affairs started participating in a Secretarial Task Force aimed at Departmental overhead costs and specifically the reduction of safeguards and security costs. A revised directive on these issues and a complementary manual were issued, including guidance on graded physical protection. Guidance was also provided regarding protective forces overtime and proposed union agreements and major upgrades are being reviewed by Headquarters. Cost savings have already been realized as a result of these management actions.

IG-0365, "Inspection of the Status of the Disposal of Technical Surveillance Equipment at the Central Training Academy, Albuquerque." The inspection was a follow-up to Inspection Report No. IG-0299, "Inspection of Surveillance Equipment and Activities at DOE Field Office, Richland," dated September 30, 1991. This inspection found that the extent of equipment in storage at the Central Training Academy had not been determined and arrangements had not been made to transfer this equipment to other appropriate organizations. The Department's equipment applicable to law enforcement has now been turned over to the Federal Bureau of Investigation, the Department of Interior National Park Service, and the Albuquerque Operations Office Property Management Group. There are no additional technical surveillance equipment items stored at the Central Training Academy.

IG-0379, "Audit of Bonneville Power Administration's Energy Resource Program." This audit was conducted to determine if Bonneville was spending excessive amounts to purchase electricity from natural gas fired combustion turbine facilities. The Department now requires a comprehensive cost-benefit analysis process for all new resource purchases that includes a forecast of expected market conditions. The Department also notified the developer and other project developers that it was interested in renegotiating the price to bring costs more in line with current market realities.

The following management action was taken to improve the Department of Energy's process for responding to Inspector General audits and inspections, establishing Departmental positions on Inspector General reports, and implementing agreed upon corrective actions to better meet the needs of customers and stakeholders.

The Chief Financial Officer and the Inspector General jointly established a Process Improvement Team to review the Department's audit resolution and follow up process. The Team explored options for enhancing and streamlining the process and made recommendations for improvement. These improvements will create a process that is less time consuming and resource intensive, that facilitates earlier management decisions on audit results, provides greater assurance that corrective actions are implemented, and emphasizes the use of lessons learned. Many recommendations have been implemented already and others are currently being implemented. These improvements will ensure that the Department maintains the most efficient and value-added audit resolution and followup process possible.

AUDIT REPORT STATISTICAL TABLE

For the Period April 1, through September 30, 1995

Total Number of Audit Reports (Contract and Financial Assistance) and the dollar value of disallowed costs:

	<u>Number of Reports</u>	<u>Disallowed ^{a/} Costs</u>
Audit reports with management decisions on which final action had not been taken at the beginning of the period	4	\$ 327,130
Audit Reports on which management decisions were made during the period	0	<u>- 0</u>
Total audit reports pending final action during the period	4	\$ 327,130
Audit reports on which final action was taken during the period:		
Recoveries (Payments to Contractors).	2	<u>228,377</u>
Audit reports needing final action at the end of the period	<u>2</u>	<u>\$ 98,753</u>

^{a/} The amount of costs questioned in the audit report with which the contracting officer concurs and has disallowed as a claim against the contract. Recoveries of disallowed costs are usually obtained by offset against current claims for payment and subsequently used for payment of other eligible costs under the contract.

AUDIT REPORT STATISTICAL TABLE

For the Period April 1, 1995 through September 30, 1995

Total Number of Audit Reports (Operational, Financial and Preaward) and the dollar value of recommendations that funds be put to better use agreed to by management in a management decision:

	<u>Number of Reports</u>	<u>Agreed Upon Funds Be Put To Better Use</u>
Audit reports with management decisions on which final action had not been taken at the beginning of the period	90	\$551,987,381
Audit reports on which management decisions were made during the period:		
Operational and Financial	39	\$ 51,615,468
Preawards	<u>0</u>	<u>0</u>
Total	39 ^{a/}	\$ 51,615,468
Total audit reports pending final action during period	<u>129</u>	<u>\$603,602,849</u>
Audit reports on which final action was taken during the period:		
Operational and Financial	33	\$136,797,399
Preawards	<u>0</u>	<u>0</u>
Total	<u>33</u>	<u>\$136,797,399</u>
Audit reports needing final action at the end of the period	<u>96</u>	<u>\$466,805,450</u>

^{a/} Includes four inspection reports not included in the Office of Inspector General's complementary report and excludes one audit report addressed to the Federal Energy Regulatory Commission.

In addition to the \$51,615,468 in recommendations that funds be put to better use with which the Department agrees, there is \$21,773,244 with which the Department disagrees. This amount is associated with ten operational and financial audits. The Department partially agreed with the estimated amount of cost avoidance in six of these reports and disagreed entirely with the estimate in the other four reports. These amounts are displayed in a similar statistical table in the complementary Office of the Inspector General's Semiannual Report to Congress.

***Inspector General Operational and Financial Audit and Inspection Reports
Open One Year or More After Management Decision
as of September 30, 1995***

REPORT

STATUS

HEADQUARTERS OFFICES

Civilian Radioactive Waste Management

RW-90-005 ISSUED 08/14/90 (Management Decision 02/22/91)
REPORT NUMBER: IG-0287
REPORT TITLE: Credits Due the Department of Energy for
Funding High Level Nuclear Energy Waste Management Research
and Development

The report recommended that action be taken by the Office of Civilian Radioactive Waste Management and the Assistant Secretary for Environmental Management to complete a Memorandum of Agreement that includes criteria to be applied in determining eligibility for disposal fee credits. Once eligibility criteria are established, a system will be developed to identify all qualifying research and development activities, and to credit DOE for contributions to the Nuclear Waste Fund for those appropriated funds determined to have been spent on research and development projects that benefit the Office of Civilian Radioactive Waste Management programs. A Steering Committee to address issues related to geologic disposal of DOE radioactive waste was formed in August 1994. The Committee assigned the development of the Memorandum of Agreement to the Waste Acceptance and Transportation Task Team; its work is ongoing.

Defense Programs

DP-94-002 ISSUED 02/14/94 (Management Decision 09/30/94)
REPORT NUMBER: CR-BC-94-02
REPORT TITLE: Audit of the Y-12 Construction Program

The Inspector General made recommendations regarding the reassessment of the Y-12 plant's planned construction activity and the management of nuclear components returned to Y-12. Corrective action is complete on all but one of the five recommendations. The Department is developing a long-term dismantlement schedule for Y-12; its completion is anticipated by March 1996.

REPORT

STATUS

Economic Impact and Diversity

ED-92-001 ISSUED 11/15/91 (Management Decision 02/14/92)
REPORT NUMBER: IG-0302
REPORT TITLE: Inspection of DOE's Equal Opportunity
Complaint Processing System

The Inspector General found that the reporting relationship of some field office Equal Employment Opportunity managers was inappropriate; that organizational inefficiencies had delayed complaint processing; that counselors needed more training; and that a pertinent DOE Order needed updating. Corrective action is complete for five of the eight recommendations. The remaining three involve the revision of DOE Order 1600, which was issued in September 1992, in response to this report. The June 1993 DOE reorganization, as well as recent changes in Federal regulations and directives, required that the Order be revised. In addition, it has become part of an omnibus Order on civil rights and procedures. The draft Order has been developed and was issued for formal Departmental coordination in September 1995.

Environmental Management

II

EM-92-001 ISSUED 05/05/92 (Management Decision 12/02/92)
REPORT NUMBER: IG-0308
REPORT TITLE: Packaging, Transporting, and Burying
Low-Level Waste
(Agreed Upon Savings: \$8,280,000)

This audit found that DOE and its contractors were not using cost-effective methods for packaging, transporting, and burying low-level waste shipped to off-site burial facilities. The Inspector General made seven recommendations for improvement of operations and corrective actions are ongoing. Actions completed include the revision of DOE policy to allow for the use of commercial disposal of low-level waste generated at off-site locations and the enhanced monitoring of contractors' disposal activities, including cost effectiveness. Completion of corrective action is expected by March 1996.

EM-92-006 ISSUED 09/23/92 (Management Decision 02/04/93)
REPORT NUMBER: IG-0315
REPORT TITLE: Followup Audit of Depleted Uranium Metal
Production at the Fernald Environmental Management Project,
Fernald, Ohio

The report stated that the Department did not complete all corrective actions pertaining to an earlier Inspector General report because it did not fully comply with its audit followup requirements. DOE has now decided which projects can be used for environmental restoration at Fernald and has canceled the others. A site development plan was issued in June 1994, and Environmental Management is developing an audit followup tracking system. Final action is expected by January 1996.

REPORT

STATUS

Environmental Management

EM-93-005 ISSUED 04/15/93 (Management Decision 09/22/93)
REPORT NUMBER: IG-0326
REPORT TITLE: Fernald Environmental Management Project
Remedial Investigation and Feasibility Study

The audit revealed that the remedial investigation and feasibility study process at Fernald was not planned well, nor were costs controlled effectively. Of the seven recommendations, three remain open. The Department is participating in an ongoing joint pilot project with the Environmental Protection Agency using a streamlined approach for environmental restoration. The Fernald Citizens Task Force has issued its final report on waste disposal strategy and future site use. A formalized lessons learned program is being developed in conjunction with a DOE-wide effort. A Lessons Learned Standard and Handbook have been issued and an electronic information service has been established. Final action is expected in December 1995.

Human Resources and Administration

AD-93-001 ISSUED 12/16/92 (Management Decision 03/23/93)
REPORT NUMBER: INS-O-93-01
REPORT TITLE: Inspection of Forrestal Parking Permit
Allocation and Assignment

The Inspector General found that the Parking Committee had not been formally established or defined and that there were no formal guidelines for its activities. It also found that there was no Employee Transportation Coordinator for the Forrestal building. Such a coordinator has been designated and trained. DOE Order 1400.2B, "Parking Management," has been revised to establish Forrestal parking policies and procedures. Issuance of the Order is awaiting the agreement of the Employees Union; collective bargaining is underway.

PR-87-004 ISSUED 06/01/87 (Management Decision 01/22/88)
REPORT NUMBER: IG-0240
REPORT TITLE: Management and Operating Contractors'
Pension Plans

The report stated that the Department needed to improve its oversight of management and operating contractor pension plans to reduce expenditures and to develop a policy to prevent contractors from unilaterally terminating pension plans and keeping excess assets. The Departmental policy on funding levels of contractor pension plans was revised to a goal of maintaining an equilibrium between assets and present value of accrued benefits. This policy was formally issued in a letter to all Operations Offices in November 1989. A second draft of Order DOE 3830.1, which establishes policy in all aspects of contractor pension plans, was coordinated within the Department and numerous comments were received. The Order is under legal review; issuance is anticipated by December 1995.

REPORT

PR-90-003 ISSUED 04/27/90 (Management Decision 04/27/91)
REPORT NUMBER: IG-0281
REPORT TITLE: Inspection of the Lawrence Livermore
National Laboratory's Drug-Free Workplace Program

PR-93-002 ISSUED 05/17/93 (Management Decision 12/28/93)
REPORT NUMBER: IG-0328
REPORT TITLE: Audit of Mound Plant's Reduction in Force

HR-93-005 ISSUED 08/10/93 (Management Decision 12/23/93)
REPORT NUMBER: IG-0332
REPORT TITLE: Inspection of the Department of Energy's
Procedures for Administering Contractors' Executive Employees'
Compensation

STATUS

The Inspector General found that Lawrence Livermore National Laboratory did not have a random drug testing program and recommended that publication of the federal rules regarding the Personnel Security Assurance Program and the contractor Drug-Free Workplace Program be expedited in order to provide the authority necessary for the DOE contractors' Human Reliability Program to fully function. The final rule, which incorporated all Human Reliability Program requirements, became effective on August 21, 1992. The Inspector General also recommended that the Department assign central responsibility for the Human Reliability Program and establish a reporting system, which also has been accomplished. Final action is awaiting the clarification of DOE policy regarding the confidentiality of contractor employees' self-referral to the employee assistance program for substance abuse problems. This will be affected by a directive, which is expected to be sent out for formal coordination in March 1996.

The Inspector General recommended that DOE develop and implement guidelines to impose limitations on voluntary separation allowances, early retirement incentive payments and inclusion of crucial employee classifications in voluntary reductions in force. Corrective action is complete on four of the five recommendations, with guidance provided on several of the issues. Guidance on voluntary separation allowances is contained in an Order which is to be sent out for formal coordination in March 1996.

The inspection disclosed, in part, that additional policy and procedures for monitoring contractors' executive employees' compensation are needed to ensure compensation is paid only after being approved by Departmental officials, and that a Department-wide policy on incentive compensation programs and additional training and guidance regarding certification of contractor compensation systems is needed. The Department has initiated improvements in several areas and most enhancements will be completed by January 30, 1996, when a directive that covers contractor compensation is issued. Final action is expected in March 1996.

REPORT

STATUS

Human Resources and Administration

HR-93-007 ISSUED 06/11/93 (Management Decision 12/06/93)
REPORT NUMBER: WR-B-93-03
REPORT TITLE: Audit of Bonneville Power Administration's
Management of Its Workers' Compensation Program

The Inspector General reported that Bonneville Power Administration employees were paid workers' compensation when they could have returned to work. The Inspector General recommended issuance of procedures to correct the problem. Bonneville intends to amend its procedures once Headquarters has issued its policy on workers' compensation, which is part of a draft health services Order. The Order has been formally coordinated and issues are being resolved. It is anticipated that the Order and a complementary guide will be issued by December 1995.

PR-93-001 ISSUED 02/23/93 (Management Decision 03/31/94)
REPORT NUMBER: IG-0321
REPORT TITLE: Allowable Costs at the Department of Energy
Management and Operating Contractors
(Agreed Upon Savings: \$10,133,235)

This audit of nine management and operating contractors revealed that contract administrators did not always enforce strict compliance with contract terms, require internal audits to be performed or ensure that non-standard contract language was authorized properly. Corrective action on four of the six recommendations is complete. The Department's contract reform initiative has been implemented. Pending is the Inspector General's review of an acquisition letter and contracting officers' determinations regarding questioned costs. Final action is expected in December 1995.

HR-93-006 ISSUED 09/12/93 (Management Decision 01/10/94)
REPORT NUMBER: IG-0334
REPORT TITLE: Inspection of the Policies and Procedures for
the Designation and Continuation of the DOE's Federally Funded
Research and Development Centers

This inspection concluded that the decision to designate a management and operating contractor as a Federally Funded Research and Development Center is not adequately documented. A requirement that such a designation be reviewed as part of the extend/compete process was issued in Acquisition Letter 94-14 and in an interim rule last October. The final rule should be published in February 1996.

HR-92-100 ISSUED 09/22/92 (Management Decision 05/03/94)
REPORT NUMBER: IG-0314
REPORT TITLE: Pension Fund Activities as Department Laboratories
Managed By the University of California
(Agreed Upon Excess: \$304,000,000)

The audit found that the Department had not adequately administered its interest in the pension funds covering the employees of the three laboratories managed and operated by the University of California for DOE. The Department has completed 70 percent of the corrective actions to which it agreed. Pending is the issuance of a handbook outlining procedures for recording and analyzing pension costs and negotiations with the University regarding separate accounting for the three laboratories. Final action is expected by June 1996.

REPORT

HR-94-001 ISSUED 03/21/94 (Management Decision 08/17/94)
REPORT NUMBER: INS-O-94-01
REPORT TITLE: Inspection of the Department of Energy's Former
Office of New Production Reactors

Nonproliferation and National Security

SA-85-001 ISSUED 09/30/85 (Management Decision 01/17/86)
REPORT NUMBER: IG-0220
REPORT TITLE: Nuclear Safeguards and Security

NN-93-001 ISSUED 08/10/93 (Management Decision 03/31/94)
REPORT NUMBER: IG-0331
REPORT TITLE : Inspection of the Department's Export
Licensing Process for Dual-Use and Munitions Commodities

NN-94-001 ISSUED 10/08/93 (Management Decision 05/24/94)
REPORT NUMBER: IG-0335
REPORT TITLE: Inspection of Selected Intelligence and Special
Access Program Work-for-Others Projects

STATUS

This inspection was underway when the Department decided to defer the New Production Reactor Program. Therefore, the review was curtailed and the report included eight recommendations related to the orderly shutdown of the Program. Corrective actions on all but one of these is completed. Outstanding is the close-out of three academic grants, which is anticipated by March 1996.

This is an extensive classified report on nuclear safeguards and security at DOE facilities. It had 83 recommendations, 78 of which have been closed to date. Action on several of the five recommendations still open has been delayed because it is dependent on the availability of funds for capital improvements at DOE facilities. The target date for final action on these remaining recommendations is January 1997.

The inspection revealed several areas of the export licensing process which could be improved. Corrective actions are complete for all but one of the recommendations. The Export Control Division reviewed and revised their records procedures to come into compliance with the Export Administration Act of 1979. The only remaining recommendation addresses the interface between the Department of Energy and the Department of Commerce.

This inspection reviewed in detail six classified projects that were being undertaken by the Department for organizations outside DOE. It found a lack of proper management controls in four of these projects. The Department has completed corrective action on 32 of the 46 recommendations. The majority of the open recommendations are awaiting the Inspector General's validation of an internal audit report. Others are awaiting issuance of directives or guidance and the execution of a Memorandum of Understanding with another agency. Final action is expected by March 1996.

REPORT

STATUS

FIELD OFFICES

Albuquerque Operations Office

AL-93-006 ISSUED 03/26/93 (Management Decision 09/16/93)
REPORT NUMBER: IG-0322
REPORT TITLE: Followup on Audits of Purchase of Natural Gas
and Natural Gas Pipeline Lease
(Agreed Upon Savings: \$3,146,710)

This followup audit of two earlier reports on audits of the purchase of natural gas and of the natural gas pipeline lease, found that Albuquerque had not completed corrective actions; particularly, the pipeline lease had not been replaced. Gas supply and transportation contracts with the Defense Fuels Supply Center have been negotiated and are in place for all facilities. The Corps of Engineers has been selected to complete a Property Planning Report for disposal of the DOE-owned gas pipeline. Because of time frames and procedures set out in DOE and federal rules and regulations, corrective action relating to the pipeline will not be completed until October 1996.

AL-93-012 ISSUED 06/02/93 (Management Decision 08/18/93)
REPORT NUMBER: WR-B-93-02
REPORT TITLE: Audit of Computer Equipment Maintenance at
Los Alamos National Laboratory
(Agreed Upon Savings: \$132,375)

The Inspector General stated that Los Alamos did not acquire computer maintenance in the most economical manner. Los Alamos has revised its controls over computer equipment maintenance, and has reported that all corrective action is completed. The effectiveness of these controls has been verified by a desk review. It will be further evaluated during the next formal on-site computer resource management appraisal in November 1995. The target completion date is December 1995.

AL-94-002 ISSUED 12/07/93 (Management Decision 03/11/94)
REPORT NUMBER: IG-0338
REPORT TITLE: Audit of Personal Property Management at
Los Alamos National Laboratory
(Agreed Upon Savings: \$10,450,000)

The audit found several problems with Los Alamos Laboratory's management of personal property. Three of the eight recommendations are still open. Albuquerque conducted a comprehensive personal property review of Los Alamos in 1994 and it has prepared an action plan for correction of the deficiencies noted by the Inspector General and by Albuquerque. Many of the actions items have been corrected, including completion of a wall-to-wall inventory and reconciliation of book inventory to actual inventory. Albuquerque is monitoring the effectiveness of Los Alamos' corrective actions on a frequent basis. The target completion date for all action is January 1996.

REPORT

AL-94-004 ISSUED 03/03/94 (Management Decision 09/30/94)
REPORT NUMBER: IG-0343
REPORT TITLE: Inspection of the Management of Excess Personal Property at Sandia National Laboratory, Albuquerque, N.M.

Nevada Operations Office

NV-92-003 ISSUED 05/21/92 (Management Decision 03/10/93)
REPORT NUMBER: IG-0310
REPORT TITLE : General Management Review of the Nevada Operations Office

Oakland Operations Office

SF-90-006 ISSUED 09/28/90 (Management Decision 09/30/91)
REPORT NUMBER: IG-0290
REPORT TITLE: General Management Inspection of the San Francisco Operations Office

STATUS

The Inspector General found significant deficiencies in Sandia's practices for controlling, storing and disposing of excess personal property. Corrective actions for 17 of the 19 recommendations are complete. Albuquerque is closely monitoring Sandia's progress on completion of its corrective action plan for its property management system. It is anticipated that DOE verification of completion will occur by December 1995. The Department is also examining excess property availability DOE-wide in light of downsizing and reconfiguration. This should be completed by July 1996.

The Office of Inspector General conducted a general management inspection of the Nevada Operations Office and made recommendations for improvements in the areas of worker safety and health, environmental compliance, contract management, reimbursable work, safeguards and security, quality assurance, project management, and intelligence. Of the 177 recommendations made, five remain open pending finalization of corrective actions by Nevada and two Headquarters organizations. It is expected that all corrective actions will be completed by March 1996.

The Inspector General performed a general management inspection of the San Francisco Operations Office, now the Oakland Operations Office, and made recommendations in the areas of contract management, administration, environment and safety, quality assurance, facilities and management services, energy programs, and defense programs. Because a number of the findings related to implementation of DOE policies and procedures, some recommendations were addressed to Headquarters organizations. Of the 65 recommendations, 6 still require corrective action. The estimated completion date is September 1996.

REPORT

STATUS

Oakland Operations Office

SF-93-001 ISSUED 04/14/93 (Management Decision 06/23/93)
REPORT NUMBER: CR-B-93-03
REPORT TITLE: Administration of the Advanced Light
Water Reactor Program Contracts
(Agreed Upon Savings: \$28,334)

The Inspector General recommended that for the six Advanced Light-Water Reactor contracts, Oakland ensure timely submission of indirect rates so that audits can be conducted and recovery of any unallowable costs be completed. A computerized audit and indirect rate tracking system has been developed. The Defense Contract Audit Agency (Agency) has audited the Annual Indirect Rate Submissions and Incurred Direct Costs for General Electric, Combustion Engineering and Westinghouse through calendar year 1990. The Agency will be auditing these costs for subsequent calendar years according to their audit schedule. This action will be completed once the contractors have been audited through 1992, which is expected to occur by September 1996.

Oak Ridge Operations Office

OR-93-101 ISSUED 07/27/93 (Management Decision 01/11/94)
REPORT NUMBER: ER-B-93-05
REPORT TITLE : Audit of Martin Marietta Energy Systems
Incorporated Subcontract Award and Administration

The audit disclosed that Energy Systems had not fully complied with its contract or pertinent regulations in awarding and administering its subcontracts. Corrective actions are ongoing for three of the five recommendations. Oak Ridge is making a determination on the allowability of questioned costs and is working on refining quick close-out procedures. Energy Systems is revising its procedures. The target completion date is March 1996.

OR-94-046 ISSUED 02/10/94 (Management Decision 09/30/94)
REPORT NUMBER: ER-BC-94-01
REPORT TITLE : Audit of Maintenance Activities at the K-25 Site,
Martin Marietta Energy Systems, Inc.

The Inspector General found that there were additional opportunities for reducing operating costs at K-25. Corrective actions are complete on four of the seven recommendations made in that regard. Oak Ridge is in the process of comparing detailed cost data between the General Services Administration vehicle lease program and the contractor's vehicle operations. A decision on how to manage the vehicles at all Oak Ridge sites should be made by March 1996.

OR-94-072 ISSUED 04/04/94 (Management Decision 07/21/94)
REPORT NUMBER: ER-B-94-04
REPORT TITLE : Audit of Martin Marietta Energy Systems,
Inc.'s Use of Government Supply Sources

The audit concluded that Energy Systems missed opportunities to save federal funds by procuring goods from Government supply sources. The contractor is revising its written procurement procedures, including requiring more detail on purchase requests. Oak Ridge is making a determination on the allowability of questioned costs. Final action is expected by March 1996.

REPORT

OR-94-115 ISSUED 06/17/94 (Management Decision 09/27/94)
REPORT NUMBER: INS-O-94-03
REPORT TITLE : Inspection of Quality Assurance Receipt Inspection Procedures at the Oak Ridge Operations Office.

OR-94-121 ISSUED 07/07/94 (Management Decision 09/27/94)
REPORT NUMBER: INS-O-94-04
REPORT TITLE : Inspection of the Implementation of Selected DOE Environment, Safety and Health, and Security Requirements at the Continuous Electron Beam Accelerator Facility

Ohio Field Office

FN-93-002 ISSUED 07/21/93 (Management Decision 03/31/94)
REPORT NUMBER: ER-B-93-04
REPORT TITLE: Audit of Subcontract Administration at Westinghouse Environmental Management Company of Ohio

Rocky Flats Field Office

RF-93-002 ISSUED 05/17/93 (Management Decision 09/23/93)
REPORT NUMBER: IG-0329
REPORT TITLE: Inspection of Management of Excess Personal Property at Rocky Flats

STATUS

The review found that inspections of critical application items by the contractors were incomplete and that adequate controls to prevent suspect or uninspected items from being used in safety or critical applications were not in place. Corrective action is complete on four of the five recommendations. Ongoing is the search for and removal of suspect counterfeit parts in critical applications. Verification of completion is expected by March 1996.

The report stated that the management and operating contractor was not following certain provisions of environment, safety and health directives required under its contract and that the determination and implementation of appropriate security requirements for the Facility should be expedited. Corrective action is ongoing on four of the five recommendations. The contractor is now fully in compliance with all but two of the requirements of the aforementioned directives, is close to correcting all deficiencies found in the functional appraisal, and is revising its security manual. Final action should occur by March 1996.

The audit found that Westinghouse did not establish adequate systems to award and administer subcontracts. Only one of the five recommendations remains open. The systems have been improved and Ohio has increased its oversight. Subcontractor costs are being reviewed for allowability; final action will occur when the reviews are completed.

The inspection found that contractor management of excess personal property at Rocky Flats was not efficient, timely, or cost effective. Corrective action is complete on 14 of the 16 recommendations. A Personal Property Management Review has been conducted and a Personal Property Manual is being revised after Rocky Flats review. Pending is completion of the property management system and Rocky Flats' approval thereof. Final action is expected in June 1996.

REPORT

Rocky Flats Field Office

RF-94-001 ISSUED 03/09/94 (Management Decision 09/30/94)
REPORT NUMBER: WR-B-94-03
REPORT TITLE: Audit of Management & Operating Contractors'
Workers' Compensation Programs at the Rocky Flats Plant.
(Agreed Upon Savings: \$216,000)

Savannah River Operations Office

SR-94-002 ISSUED 03/01/94 (Management Decision 06/06/94)
REPORT NUMBER: IG-0341
REPORT TITLE: Inspection of the Administration of
Integrated Contractors' Procurements from Affiliated Companies.

Western Area Power Administration

WP-94-001 ISSUED 02/22/94 (Management Decision 07/28/94)
REPORT NUMBER: WR-FC-94-02
REPORT TITLE: DOE's Western Area Power Administration FY 1993
Financial Statement Audit Under the Chief Financial Office Act.

COST ALLOWABILITY AUDITS

PR-92-205 ISSUED 07/29/92 (Management Decision 12/17/92)
REPORT NUMBER: CR-V-92-04
REPORT TITLE: Internal Controls for FY 1991 Costs Claimed
By and Reimbursed to TRW Environmental Safety Systems Under
DOE Contract DE-AC01-91RW00134
(Agreed Upon Savings: \$368,429)

STATUS

The Inspector General concluded that the cost of the management and operating contractor's workers' compensation programs was not reasonable. Since then a performance based contractor has taken over management of the Rocky Flats Plant. It is preparing a cost estimate on the conduct of a feasibility study comparing the costs of a self administered insurance program and the current arrangement. Final action is expected in June 1996.

This inspection concluded that there were conflicting contractual provisions between the prime and subcontracts and that documentation and review of the use of affiliated companies was inadequate. Corrective action is complete on five of the seven recommendations. A potential conflict of interest issue is being resolved between the contractors; Savannah River and the Defense Contract Audit Agency are reviewing an internal audit report. Action should be completed by March 1996.

This audit disclosed conditions in Western's internal control structure that required corrective action. Only one of the 13 recommendations remains open. The options with regard to accounting for \$11.1 million in abandoned project construction costs are being reviewed and commented on by the customers. Final action is expected by March 1996.

The Inspector General reported that TRW had not conducted required allowable cost audits, had made executive compensation without prior approval, and had incurred certain restaurant and equipment costs which were questionable. The audits have been performed and all disallowed costs have been recovered. The analysis of the executive compensation has been completed and an agreement should be reached by December 1995.

REPORT

AL-93-008 ISSUED 05/04/93 (Management Decision 12/06/93)
REPORT NUMBER: WR-V-93-06
REPORT TITLE: Audit of Internal Controls That Assure FY 1992
Costs Claimed By and Reimbursed to Chem-Nuclear Geotech, Inc.,
Are Allowable Under DOE Contract NO. DE-AC04-86ID12584

OR-94-014 ISSUED 10/27/93 (Management Decision 03/08/94)
REPORT NUMBER: ER-V-94-02
REPORT TITLE : Audit of Internal Controls That
Assure Costs Claimed By and Reimbursed to Martin Marietta
Energy Systems, Inc., Are Allowable Under DOE Contract
No. DE-AC-5-84OR21400
(Agreed Upon Savings: \$95,521)

OR-94-034 ISSUED 12/15/93 (Management Decision 03/17/94)
REPORT NUMBER: ER-V-94-03
REPORT TITLE : Audit of Internal Controls That Assure
Costs Claimed By and Reimbursed to Oak Ridge Associated
Universities Are Allowable Under U.S. DOE Contract
No. DE-AC-5-76OR0003

RF-92-002 ISSUED 03/17/92 (Management Decision 09/22/92)
REPORT NUMBER: WR-V-92-08
REPORT TITLE: Internal Controls That Assure FY 1991 Costs
Claimed By and Reimbursed to EG&G Rocky Flats, Inc., Are
Allowable Under DOE Contract No. DE-AC04-90DP62349

STATUS

The audit disclosed that Geotech did not have an internal audit function that complied with Department requirements. An internal auditor was hired and Albuquerque is continuing to monitor Geotech audit work to ensure that the quantity and quality are satisfactory. The target completion date is June 1996.

The Inspector General made recommendations regarding the audits performed by the contractor's internal audit staff and certain questioned costs. Corrective action on two of the four recommendations is still pending. Oak Ridge is making a determination on the allowability of certain costs. Final action is expected in March 1996.

The audit found questioned costs and the need for a clearer definition of certain allowable corporate activities. Oak Ridge is making an allowability determination on the questioned costs and better defining allowable corporate activities. Final action is expected in December 1995.

The audit revealed that EG&G had not established adequate internal controls. Corrective action is complete on three of the four recommendations. EG&G is working on reducing the backlog of subcontractor cost incurred audits. It is anticipated that the backlog will be sufficiently reduced by September 1996.

NOTE: Those reports for which the management decision agrees with recommendation(s) that funds be put to better use include the amount agreed to in parenthesis under the report title.