United States
Department of Energy

Semiannual Report to Congress on Inspector General Audit Reports

October 1, 1996, to March 31, 1997

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U. S. Department of Energy
Semiannual Report to Congress
on
Inspector General Audit Reports

For the Period October 1, 1996 through March 31, 1997

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Foreword

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

This report records the progress we have made to improve operations as we deliver our missions to the American people. Fiscal discipline and "best practices" management are key objectives of the Department's commitment to provide for our Nation's future--a commitment that lies at the heart of the Department's missions.

The Department's priorities are:

- Enhanced energy security by developing and deploying clean, affordable energy supplies, and by improving the energy efficiency of our economy;
- Assurance of a safe and reliable nuclear weapons stockpile and reduced global nuclear danger;
- Clean up of former nuclear weapons sites and address the challenge of disposing of nuclear waste; and
- Leveraged science and technology that advances fundamental knowledge and our country's economic competitiveness with a stronger partnership with the private sector.

The audit resolution and follow up process is an integral part of the Administration's effort to honor its commitment to future generations, challenging us to deliver our priorities more effectively and at the least cost to the taxpayer. Actions taken by the Department to implement audit recommendations increases both the efficiency and effectiveness of our operations and strengthens our standards of accountability. The progress reported here reflects the Department's dedication to continued improvement.

Federico Peña
Secretary of Energy

Introduction

This is the Secretary of Energy's sixteenth 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, October 1, 1996, through March 31, 1997, the Department took final action on 31 operational, financial, and preaward audit reports. At the end of the period 74 reports awaited final action. Final action was taken on 11 contract and financial assistance audits, leaving no 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 those reports.

Significant Management Accomplishments

During the period October 1, 1996, through March 31, 1997, management decisions were reached on 18 Inspector General reports and final actions were implemented on 31 other Inspector General reports. The following information is provided on selected reports where corrective action has been accomplished.

IG-FS-97-01 "Audit of the U.S. Department of Energy's Consolidated Financial Statements for Fiscal Year 1996" The Inspector General audited the Department's Consolidated Financial Statements as of September 30, 1996, which were prepared in accordance with the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. In order to obtain reasonable assurance that the statements were free of material misstatement, this audit included an examination of the evidence supporting the amounts and disclosures in the statements, an assessment of the accounting principles used and significant estimates made, as well as an evaluation of the overall presentation of the financial statements. In addition, the Inspector General tested compliance with those laws and regulations directly affecting the financial statements and certain other laws and regulations designated by the Office of Management and Budget and the Department. The audit also determined whether significant management control structure policies and procedures were in place, assessed the level of control risk relevant to all significant account balances, and performed sufficient tests to assess whether management controls were effective and working as designed. The audit disclosed no reportable compliance matters and no material weaknesses in management controls. Finally, the Inspector General rendered an unqualified opinion that the statements presented fairly, in all material respects, the financial position of the Department as of September 30, 1996.

IG-0375 "Audit of the Department of Energy's Management of Precious Metals" The Inspector General concluded that DOE field organizations were not identifying and disposing of excess precious metals adequately and that the Department had not developed effective procedures for the sale of those assets. The Department issued guidance that required the elimination of all unauthorized precious metals pools and reiterated the requirements for the conduct of annual physical inventories of these metals, the transfer of all excess to the central pool, and the provision of current, complete, and accurate information to the DOE financial information system. In addition, the Oak Ridge Operations Office was established as the Department's Business Center for Precious Metals Sales and Recovery. The Business Center developed operating procedures for effective management of precious metals within DOE that include criteria and requirements for acceptance and processing of excess precious metals identified by using organizations. The Business Center has contracts with industrial refiners to process and refine precious metals. Any excess precious metals are now routinely returned to the Business Center where they are processed for reuse and/or sold on a competitive bid basis.

IG-0310 "General Management Review of the Nevada Operations Office" The 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. The Department has completed corrective action on all 177 recommendations. These actions included developing or revising guidance and policy in many areas, taking aggressive steps to improve deficiencies of nuclear facility safety and nonconformance with basic occupational safety and health administration standards, and making significant improvement to environmental compliance and waste management at targeted facilities. In addition, the Department restructured the award fee process to promote accountability and reward excellent performance by providing strong financial incentives and strengthened contract administration to ensure compliance and consistency with departmental policy. Actions were also taken to improve safeguards and security activities, including establishing training programs and modifying automated intelligence systems. Many other corrective actions were taken in response to the report recommendations.

INS-O-94-04 "Inspection of the Implementation of Selected Department of Energy Environment, Safety and Health, and Security Requirements at the Continuous Electron Beam Accelerator Facility" This audit disclosed that the management and operating contractor was not following certain provisions of the Department of Energy's environmental, safety, and health orders required under the Continuous Electron Beam Accelerator Facility contract. In addition, the report stated that the determination and implementation of appropriate security requirements for the Facility should be expedited. The contractor is now fully in compliance with the requirements of the pertinent directives, has revised its security manual, and has corrected all deficiencies in the environmental program plans that were identified by the Department.

INS-O-95-01 "Inspection of Federal Employees' Compensation Act Compliance at the Oak Ridge Operations Office" This inspection was conducted to determine if management and employees were complying with the Federal Employees' Compensation Act rules applicable to filing, processing, and paying claims for workers' compensation benefits. The inspection evaluated Oak Ridge compliance with the Act and found problems with the use of time and attendance codes and with communication between the Personnel Office and the programs. Guidance on the processing of worker compensation claims has been issued. The Personnel Office has prepared a standard operating procedure for processing and administering workers' compensation cases. Personnel management specialists have been trained at an Employee Labor Relations conference and an Occupational Health Nurse seminar, "Workers' Comp Update 1997," presented by the Council on Education in Management. Finally, a compensation benefits overpayment has been collected.

AUDIT REPORT STATISTICAL TABLE

For the Period October 1, 1996 through March 31, 1997

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	2	\$ 98,753
Audit Reports on which management decisions were made during the period	9	<u>1,044,874 ^{b/}</u>
Total audit reports pending final action during the period	11	946,121
Audit reports on which final action was taken during the period:		
Recoveries	9	1,044,874 ^{b/}
Reinstatements	2	<u>98,753</u>
Audit reports needing final action at the end of the period	<u>0</u>	<u>\$ 0</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.

^{b/} Due to rounding, this amount is \$5,728 higher than the amount reported in the Office of Inspector General's complementary report.

AUDIT REPORT STATISTICAL TABLE

For the Period October 1, 1996 through March 31, 1997

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	87	\$357,270,857
Audit reports on which management decisions were made during the period:		
Operational and Financial	18	\$ 15,407,312
Preawards	<u>0</u>	<u>0</u>
Total	18 ^{a/}	\$ 15,407,312
Total audit reports pending final action during period	<u>105</u>	<u>\$372,678,169</u>
Audit reports on which final action was taken during the period:		
Operational and Financial	31	\$ 32,357,461
Preawards	<u>0</u>	<u>0</u>
Total	<u>31</u>	\$ <u>32,357,461</u>
Audit reports needing final action at the end of the period	<u>74</u>	<u>\$340,320,708</u>

a/ Includes three 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 \$15,407,312 in recommendations that funds be put to better use with which the Department agrees, there is \$6,821,093 with which the Department disagrees. This amount is associated with six operational and financial audits. The Department partially agreed with the estimated amount of cost avoidance in five of these reports and disagreed entirely with the estimate in one report. 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 March 31, 1997*

REPORT

STATUS

HEADQUARTERS' OFFICES

Office of Chief Financial Officer

CR-94-003 ISSUED 10/28/93 (Management Decision 05/24/94)
REPORT NUMBER: IG-0335
REPORT TITLE: Inspection of Selected Intelligence and Special Access
Program Work for Other Projects

The 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 45 of the 46 recommendations. Final action will occur with the issuance of a directive on pricing policy. This is expected in December 1997.

CR-95-003 ISSUED 12/08/94 (Management Decision 09/29/95)
REPORT NUMBER: IG-0363
REPORT TITLE : Inspection of Administrative Procedures for Legal
Services Acquired by Selected Management and Operating Contractors

The inspection found that additional management attention was needed to improve controls over the acquisition of legal services by management and operating contractors. A Notice of Final Policy has been published that requires such contractors to include the Department's Litigation Management Procedures in the terms of engagement with outside law firms. In addition, a clarifying Acquisition Letter was issued. Pending is a determination of financial control adequacy. It is estimated that final action will occur by January 1998.

CR-96-001 ISSUED 03/07/96 (Management Decision 03/07/96)
REPORT NUMBER: IG-FS-96-01
REPORT TITLE: Audit of the U.S. DOE's Consolidated Statement of
Financial Position as of September 30, 1995.

The Office of Inspector General was unable to express an opinion on the reasonableness of the Department's FY 1995 Financial Statement. It noted the need for improved identification of unfunded liabilities and strengthened controls over property and equipment. It should be noted that the Inspector General rendered an Unqualified Opinion on the FY 1996 Statement. Corrective action is complete on six of the eight recommendations. Pending is the issuance of policy regarding the allocation of general and administrative expenses, a memorandum reasserting property, plant and equipment accounting policy, and the identification of closed construction projects and the proper allocation of their expenses. Final action is estimated for September 1997.

REPORT

CR-96-002 ISSUED 03/29/96 (Management Decision 03/29/96)
REPORT NUMBER: CR-FS-96-02
REPORT TITLE: Management Report Audit of the DOE's Consolidated
Statement of Financial Position as of September 30, 1995

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

Defense Programs

DP-96-001 ISSUED 10/11/95 (Management Decision 10/11/95)
REPORT NUMBER: IG-0380
REPORT TITLE: Audit of DOE's Transportation Accident Resistant
Container Program
(Agreed Upon Savings: \$46,000)

Economic Impact and Diversity

ED-96-001 ISSUED 03/27/96 (Management Decision 03/27/96)
REPORT NUMBER: IG-0386
REPORT TITLE: Summary Results of the Inspection of Issues Regarding
the Scope of the Accident Investigation of the TRISTAN Fire at the
Brookhaven National Laboratory

STATUS

The audit found problems in the accumulation and reporting of financial information, the valuation of certain accounts receivable, the accounting for excess nuclear materials and the capitalization of purchased assets. Corrective action is complete on seven of the nine recommendations. Final action is awaiting the transfer of certain delinquent receivables to the Treasury Offset Program and the issuance of clarifying guidance on capitalization of assets. This should occur by September 1997.

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 credit to the Nuclear Waste fund. The eligibility criteria and the methodology for crediting the Federal contributions were established in October 1996. Pending is the development of detailed guidelines for the submission and evaluation of credit proposals. Final action is expected in October 1997.

The audit concluded that the Department designed and produced the accident resistant containers without ensuring that they met consumer expectations. Procedures are in place to prevent such an occurrence in the future. Final action involves disposition of the remaining containers, which is expected by September 1997.

The Inspector General concluded that the accident investigation and the subsequent report did not adequately address the root cause of the accident. Corrective action on all but one of the 17 recommendations is complete. Pending is the review and revision of a departmental directive on whistle blower protection. This is expected to occur by September 1997.

REPORT

STATUS

Environment, Safety and Health

EH-95-001 ISSUED 06/21/95 (Management Decision 06/21/95)
REPORT NUMBER: IG-0374
REPORT TITLE : Audit of DOE's Commercial Laboratory Quality Assurance Evaluation Program

The report stated that quality assurance evaluations of laboratory supplier services were not cost effective or efficient and recommended that the Department develop and implement a coordinated third party commercial laboratory quality assurance program. A process improvement team has been created and is exploring alternatives for implementing the recommendation. Final action is expected by September 1997.

Environmental Management

EM-94-005 ISSUED 08/24/94 (Management Decision 01/25/95)
REPORT NUMBER: INS-O-94-07
REPORT TITLE: Inspection of Chain of Custody Procedures at the Oak Ridge Y-12 Plant Laboratory Building 9995

The Inspector General found that the personnel in Building 9995 may not have been implementing all of the conditions of their chain-of-custody controls. Oak Ridge has verified that these procedures are now being followed. The Office of Environmental Management is revising its guidance manual for sampling and analysis. Final action is expected in September 1997.

Energy Research

ER-95-004 ISSUED 08/02/95 (Management Decision 08/02/95)
REPORT NUMBER: IG-0376
REPORT TITLE : Audit of Program Administration by the Office of Energy Research.

The report stated that Energy Research generally did not clearly specify performance expectations for basic and applied research performed at DOE's National Laboratories. Corrective action on all but one recommendation has been completed. Action to evaluate research progress based on metrics in work authorizations is expected to be completed by June 1997.

Fossil Energy

FE-96-001 ISSUED 02/15/96 (Management Decision 02/15/96)
REPORT NUMBER: WR-FC-96-01
REPORT TITLE: U.S. Department of Energy Naval Petroleum and Oil Shale Reserves 1995 Financial Statement Audit Under the Chief Financial Officers Act

The audit disclosed internal control and compliance deficiencies that were not considered material weaknesses. Corrective action is complete on five of the eight recommendations. Pending are improvements to the acquisition approval process, which has been reviewed to determine the most effective and efficient means to ensure that all purchases are properly authorized. Implementation is expected in June 1997.

REPORT

Field Management

FM-94-002 ISSUED 07/12/94 (Management Decision 01/24/95)
 REPORT NUMBER: IG-0352
 REPORT TITLE: Inspection of the Cost Reduction Incentive Program
 at DOE's Idaho Operations Office

Human Resources and Administration

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)

HR-95-010 ISSUED 03/20/95 (Management Decision 08/31/95)
 REPORT NUMBER: IG-0367
 REPORT TITLE : Inspection of an Intelligence Work-For-Others Project
 at the Idaho Operations Office

HR-95-008 ISSUED 08/03/95 (Management Decision 11/28/95)
 REPORT NUMBER: IG-0377
 REPORT TITLE: Inspection of Westinghouse Savannah River Company
 Fees for Managing and Operating the Savannah River Site

STATUS

The Inspector General found that it is difficult for the reduction incentive program to validate the cost savings; such programs may result in conflicts of interest for the contractors; there is no written Department-wide policy for these programs; and there are other programs that can be used for incentives. Corrective actions for two of the three recommendations have been completed. The Cost Reduction Incentive Program Team has developed departmental guidance and an implementation plan. The Department is currently resolving the issue of responsibility for the program before issuing guidance. Final action is expected by September 1997.

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 contract negotiations with the University. Final action is expected by September 1997.

The Inspector General determined that additional DOE guidance and attention was needed to improve management effectiveness and controls over work-for-others projects. Corrective action is complete on all but one of the 22 recommendations. The remaining action is the issuance of the Work-For-Others Information Guide, which is expected by June 1997.

The Inspector General recommended that the Department make several changes to fee policy. A draft rule pertaining to Performance Based Incentive Contracting has been developed and addresses each of the report recommendations. The new fee policy requires Procurement Executive approval whenever a base fee is proposed or, otherwise, puts all fees at risk. In addition, fee incentive provisions will be evaluated based on performance over and above established baselines. Benchmarks will be established based on performance in prior periods. Issuance of the final rule should occur no later than September 1997.

REPORT

Human Resources and Administration

HR-96-002 ISSUED 02/01/96 (Management Decisions 02/01/96)
REPORT NUMBER: IG-0385
REPORT TITLE: Special Audit Report on the DOE's Arms and Military Equipment

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

Office of Policy

PO-94-001 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, NM

STATUS

The Inspector General found that the Department needs to improve management and control over its inventory of arms and military type equipment. Corrective action is complete on six of the seven recommendations. Remaining is the establishment of a formal process to transfer unneeded weapons and ammunition to an approved site. It is estimated that this will be accomplished by September 1997.

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 had 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 June 1997.

The Inspector General found significant deficiencies in Sandia's practices for controlling, storing and disposing of excess personal property. Corrective actions for 18 of the 19 recommendations are complete, including Sandia's completion of its corrective action plan and Albuquerque's approval of its property management system. The Department has examined excess property availability DOE-wide in light of downsizing and reconfiguration and developed the Asset Management Program, which focuses on the sale of excess property. A plan for the protection and proper management of excess personal property is being developed and is expected to be finalized by June 1997.

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: Follow-up on Audits of Purchase of Natural Gas and Natural Gas Pipeline Lease

(Agreed Upon Savings: \$3,146,710)

This follow-up audit of two earlier reports on audits of the purchase of natural gas and 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 tasked to dispose of the pipeline and secure rights of way. A contract has been awarded to the Public Service Company of New Mexico and approved by the New Mexico Public Utility Commission. In addition, several parcels of land require condemnation, which will require appropriate authorization. Because of the complexity of securing the right of way, it is estimated that corrective action will not be completed until October 1997.

AL-95-010 ISSUED 06/02/95 (Management Decision 06/02/95)

REPORT NUMBER: WR-C-95-05

REPORT TITLE: Review of Los Alamos National Laboratory Disclosure Statement Adequacy and Cost Accounting Standards Compliance

The Inspector General found that Los Alamos' disclosure statement did not adequately describe most of its cost accounting practices and that a number of those practices did not comply with the cost accounting standards. Los Alamos has improved the allocation of costs, and the Department has reviewed its depreciation policy regarding residual value of tangible capital assets. Corrective actions have been completed and verified on all but one recommendation. Final action is awaiting issuance of final DOE policy on recording residual estimated values.

AL-96-001 ISSUED 10/6/95 (Management Decision Date 10/6/95)

REPORT NUMBER: WR-B-96-02

REPORT TITLE: Audit of Construction of an Environmental, Safety and Health Analytical Laboratory at the Pantex Plant

The Inspector General questioned the necessity of this project, and all work has been suspended pending a reassessment of the facility. A need assessment report from Mason & Hanger was received by Albuquerque in early February 1997 and is currently under review. A final decision on the facility will be made by June 1997.

REPORT

STATUS

Albuquerque Operations Office

AL-96-002 ISSUED 10/2/95 (Management Decision Date 10/2/95)
REPORT NUMBER: WR-B-96-01
REPORT TITLE: Audit of Fire and Emergency Medical Cost Sharing
Between the DOE and Los Alamos County
(Agreed Upon Savings: \$18,3000,000)

The Inspector General found that fire and emergency medical costs were not shared equitably between Albuquerque and the County. Albuquerque's original decision was to transfer DOE fire department property to Los Alamos County and negotiate a separation plan with them. However, Albuquerque has since determined that the separation of the Los Alamos Fire Department/Emergency Medical Services is not in the best interest of DOE, the Los Alamos National Laboratory, or the County. A Steering Committee has recommended that Albuquerque retain the fire department contract and delegate responsibility for contract administration to Los Alamos National Laboratory. The Laboratory will also renegotiate the contract with the County for a better cost sharing arrangement. The new contract should be in place by December 1997.

AL-96-004 ISSUED 10/30/95 (Management Decision Date 10/30/95)
REPORT NUMBER: WR-C-96-01
REPORT TITLE: Review of M&H-SM Cost Accounting Standards Board
Disclosure Statement Adequacy and Cost Accounting Standards Compliance

The report stated that the Disclosure Statement was incomplete and some practices were not in keeping with the standards. The contractor is conducting an overhead allocation methodology study that will be complete and implemented by December 1997, in concurrence with the execution of the FY 1998 budget. This will require a change in the process, which will also be reflected in the Cost Accounting Standards Disclosure Statement. An Albuquerque verification review should be completed by March 1998.

Bonneville Power Administration

BP-93-001 ISSUED 07/06/93 (Management Decision 12/16/93)
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 and recommended issuance of procedures to correct the problem. Now that Headquarters has issued its policy in the DOE Workers' Compensation Guide, Bonneville is amending its procedures. It is anticipated that they will be issued by September 1997.

REPORT

Idaho Operations Office

ID-93-012 ISSUED: 09/29/93 (Management Decision 12/15/93)
REPORT NUMBER: WR-B-93-07
REPORT TITLE: Audit of Light Vehicle Fleet Management at the Idaho National Engineering Laboratory
(Agreed Upon Savings: \$1,292,190)

ID-96-002 ISSUED: 10/20/95 (Management Decision 10/20/95)
REPORT NUMBER: WR-B-96-04
REPORT TITLE: Audit of Fuel Processing Restoration Property

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

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)

STATUS

The Inspector General reported that management of the light vehicle fleet at the Idaho National Engineering and Environmental Laboratory could be more efficient and economical. Corrective action on six of the eight recommendations is complete. The General Service Administration is evaluating the fleet and preparing a proposal to operate it. Final action will occur when Idaho has determined the most efficient and economical alternative for operation of the fleet. This is expected by June 1997.

The Inspector General stated that the Department and the contractor had not completely or accurately accounted for the property of the subject facility. Corrective action is completed on three of the four recommendations. A baseline wall-to-wall inventory has been performed. Pending is a survey of the discrepant records. Final action is expected by June 1997.

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, four still require corrective action. The estimated completion date is March 1998.

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 Westinghouse and Combustion Engineering through calendar year 1990 and for General Electric through 1992. The Agency will be auditing these costs for subsequent calendar years according to its audit schedule. This action will be completed once the contractors have been audited through 1992 and the rates have been negotiated.

REPORT

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

OR-96-065 ISSUED 03/27/96 (Management Decision 03/27/96)

REPORT NUMBER: ER-FS-96-02

REPORT TITLE: Report on Matters Identified at the Oak Ridge Operations
Office During the Audit of the Department's Consolidated Statement of
Financial Position as of September 30, 1995

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

FN-94-004 ISSUED 09/19/94 (Management Decision 12/15/95)

REPORT NUMBER: ER-B-94-08

REPORT TITLE: Audit of Payroll and Timekeeping at Fernald
Environmental Restoration Management Corporation
(Agreed Upon Savings: \$79,053)

STATUS

The audit disclosed that Energy Systems had not fully complied with its contract or pertinent regulations in awarding and administering its subcontracts. Corrective action is ongoing for only one of the five recommendations. Pending is an Oak Ridge determination on the allowability of questioned costs. Energy Systems has revised its procedures and refined quick close-out procedures. The target completion date is May 1998.

The Inspector General noted errors in some accounting balances and found weaknesses in property management, travel voucher reviews, automatic data processing (ADP) operations, and inventory methods for nuclear materials. Corrective action is pending on five of the 14 recommendations. Property management records and systems are being enhanced, the disaster recovery plan for ADP Systems is being expanded, and nuclear materials inventory methods are being improved. It is estimated that final action will occur by December 1997.

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 Inspector General reported that the Corporation's payroll and timekeeping system did not provide adequate internal controls or reasonable assurance that employees were paid accurately. Corrective action is complete on all but one of the nine recommendations. Pending is the negotiation of the employees' union contract, which should begin in October 1997. Final action is expected by March 1998.

REPORT

Savannah River Operations Office

SR-93-005 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)

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

COST ALLOWABILITY AUDITS

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

STATUS

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 five of the six recommendations is complete. The Department's contract reform initiative has been implemented. Pending is the contracting officer's determination regarding questioned costs, which is 75 percent completed. Final action is expected in June 1997.

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 six of the seven recommendations. Pending is a Defense Contract Audit Agency review of an internal audit report. Action should be completed by September 1997.

The audit disclosed that Geotech did not have an internal audit function that complied with Department requirements. Geotech established a satisfactory internal audit capability and began auditing. However, since Geotech's contract expired in June 1996, the Inspector General has agreed to suspend the internal audit for FY 1996, and instead will rely on the Defense Contract Audit Agency (Agency) to audit costs incurred for FY 1992-1996. The results of that audit will provide a basis for the Inspector General to sign the VANEAs for those years. Albuquerque has received an incurred cost submission from Geotech, is in the process of reviewing the information and, upon completion, will request that the Agency perform the audit. The target completion date is September 1997.

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.