United States
Department of Energy

Semiannual Report to Congress on Inspector General Audit Reports

April 1, 1997, to September 30, 1997

November 1997
Washington, DC 20585

MASTER

DISTRIBUTION OF THIS DOCUMENT IS UNLIMITED

Printed with soy ink on recycled paper

A handwritten signature in the bottom right corner of the page.

DISCLAIMER

**Portions of this document may be illegible
in electronic image products. Images are
produced from the best available original
document.**

U. S. Department of Energy

Semiannual Report to Congress

on

Inspector General Audit Reports

For the Period April 1 through September 30, 1997

TABLE OF CONTENTS

FOREWORD	1
INTRODUCTION	3
SIGNIFICANT MANAGEMENT ACCOMPLISHMENTS	5
AUDIT REPORT STATISTICAL TABLES	7
AUDIT REPORTS OPEN ONE YEAR AFTER MANAGEMENT DECISION	10

Foreword

In accordance with the 1988 Amendments to the Inspector General Act, I am pleased to transmit to the Congress of the United States the Department of Energy's Semiannual Report on Inspector General Audit Reports.

This report records the progress we have made to improve operations as we deliver our missions to the American people. Fiscal discipline, accountability, and "best practices" management are our key objectives as we continue to meet the Department's commitment to provide for the Nation's future.

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;
- Cleanup 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 by stronger partnership with the private sector.

It is the duty of the Department to carry out these missions effectively, bearing in mind fiduciary obligations to the taxpayer. The audit resolution and follow-up process is an integral part of the Administration's effort to honor its commitment to the taxpayer, challenging us to deliver our priorities more effectively and at the least cost. Actions taken by the Department to implement audit recommendations increase 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 seventeenth 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 through September 30, 1997, the Department took final action on 29 operational, financial, and preaward audit reports. At the end of the period 72 reports awaited final action. Final action was taken on five contract and financial assistance audits, leaving two 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 April 1, 1997, through September 30, 1997, management decisions were reached on 27 Inspector General reports and final actions were implemented on 29 other Inspector General reports. The following information is provided on selected reports where corrective action has been accomplished.

IG-0314 "Pension Fund Activities at Department Laboratories Managed by the University of California." The Inspector General concluded that the Department had not implemented the internal controls necessary to protect the Department's share of the University pension funds, keep pension fund contributions to the minimum, and manage the benefit levels for contract employees. The Inspector General determined that the Department was hampered in implementing internal controls by contract terms and conditions which limited its ability to properly execute the Department's pension policies. The Department has completed negotiations with the University of California on new contract language that became effective on September 2, 1997. This language contains provisions which are germane to the recommendations contained in this report. One provision requires that the University notify the Department in advance of any changes to the pension plan. A second provision gives the Department the right to take any action it deems appropriate and consistent with applicable law with reference to the pension plan. These two provisions effectively give the Department approval authority over plan amendments because the Department can refuse to reimburse the University for plan changes which the Department has not approved. A third provision requires that the University of California limit funding of the Department's liability to an amount not in excess of Internal Revenue Code Section 412's full funding liability. In conjunction with the second provision, it gives the Department both passive and active restraint on reimbursement of contributions to the University of California Retirement Plan. In addition, the Department now receives annual reports from the University that allow for an assessment of whether the Department's portion of the pension assets is accounted for properly.

IG-0401 "Inspection of the Performance Based Incentive Program at the Richland Operations Office." The Inspector General concluded that the FY 1995 Performance Based Incentive (PBI) Program at the Department's Richland Operations Office had not made the best use of incentive dollars paid to the management and operating contractor. In responding to the Inspector General's recommendations, the Department developed guidance, procedures, and training on the initiation, administration, and payment of contract-based performance incentives that establish validation requirements to verify that incentive work is accomplished prior to payment of incentive fees. The Department has completed a review of selected PBIs and recovered fees previously paid for work for which all of the contractual requirements were not completed. In addition, policy has been developed on the initiation, administration, payment, and allocation of fee. It recognizes subjective performance incentives for which fee may be earned for meeting expected performance levels and objective based incentives that will challenge the contractor to excel in order to earn a fee. The objective based incentives will predominately represent activities

that are significant to the achievement of site missions. The Department has also taken action to incorporate lessons learned during its review of the FY 1995 and 1996 PBIs into incentive fee guidance and to ensure that incentive fee documentation contains an audit trail detailing the level of management review and the authorization of incentive amounts. Finally, new guidance includes requirements that future incentive fee contract documents contain the specific scope of the incentive work to be performed and the specific criteria to be used for acceptance of the incentive work.

IG-0393 "Inspection of the Establishment and Filling of the Department's Ombudsman Position."

At the request of the Secretary of Energy, the Office of Inspector General examined possible personnel and per diem irregularities in establishing and filling the position of the Department's Conflict Resolution Ombudsman. As a result of recommendations made by the Inspector General, the Department has issued clarifying guidance that ensures that during the course of an Intergovernmental Personnel Act (IPA) assignment, when the assignee no longer maintains a residence at their permanent duty station, the assignee will not be authorized per diem when they commute from their homes to their places of temporary duty. In addition, guidance has been issued to remind Departmental offices that if an IPA assignee is authorized per diem for an assignment that will exceed one year, the amount of the per diem is subject to withholding and the total income is to be reported as income subject to Federal income tax.

IG-0403 "Report on Audit of the Use of Intra-Departmental Requisitions." The Inspector General found that the Department's management and operating contractor at the Idaho Operations Office did not use intra-Departmental requisitions appropriately for 40 of the 104 requisitions reviewed. It was determined that the Department did not always receive the most cost effective goods and services and that the Department's contractors used these requisitions to: acquire goods and services that were commercially available; obtain goods and services that were not part of the performing contractor's mission; procure the services of subcontractors; and augment staff. In responding to these findings, the Department directed the management and operating contractor to implement policies and procedures that would address the deficiencies identified by the Inspector General. During the Business Management Oversight Program (BMOP) review in June 1997, the Department reviewed the new policies and procedures requiring a memorandum purchase order for requisitions below \$100,000, and an interoffice funding transfer for transactions over \$100,000. In addition, the new policy requires the requestor to provide a source justification and the reason for utilization of other available government resources instead of commercial sources. As a result of the BMOP review, the Department approved the new policies and procedures and the revised purchasing system that resulted from these changes. In order to ensure the effectiveness of the corrective actions, future BMOP reviews will focus on the implementation of these policies and procedures in the actual procurement of goods and services.

AUDIT REPORT STATISTICAL TABLE

For the Period April 1, 1997 through September 30, 1997

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

	Number of <u>Reports</u>	Disallowed ^{a/} <u>Costs</u>
Audit reports with management decisions on which final action had not been taken at the beginning of the period	0	\$ 0
Audit Reports on which management decisions were made during the period	7	<u>2,621,670</u>
Total audit reports pending final action during the period	7	2, 621,670
Audit reports on which final action was taken during the period:		
Recoveries	2	418,722.60
Reinstatements	3	<u>2,202,947.40</u>
Audit reports needing final action at the end of the period	<u>2</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.

AUDIT REPORT STATISTICAL TABLE

For the Period April 1 through September 30, 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:

	Number of Reports	Agreed Upon Funds Be Put To Better Use
Audit reports with management decisions on which final action had not been taken at the beginning of the period	74	\$340,320,708
Audit reports on which management decisions were made during the period:		
Operational and Financial	27	\$ 49,766,880
Preawards	<u>0</u>	<u>0</u>
Total	27 ^{a/}	\$ 49,766,880
Total audit reports pending final action during period	<u>101</u>	<u>\$390,087,588</u>
Audit reports on which final action was taken during the period:		
Operational and Financial	29	\$305,193,850
Preawards	<u>0</u>	<u>0</u>
Total	<u>29</u>	<u>\$305,193,850</u>
Audit reports needing final action at the end of the period . . .	<u>72</u>	<u>\$ 84,893,738</u>

a/ Includes one inspection report not included in the Office of Inspector General's complementary report.

In addition to the \$49,766,880 in recommendations that funds be put to better use with which the Department agrees, there is \$323,086,479 with which the Department disagrees. This amount is associated with four operational and financial audits. The Department partially agreed with the estimated amount of cost avoidance in three 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 September 30, 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 July 1998.

CR-96-006 ISSUED 08/19/96 (Management Decision 08/19/96)
REPORT NUMBER: IG-0395
REPORT TITLE: Audit of the Department of Energy's User Facilities
(Agreed Upon Savings: \$807,591)

The report stated that the Department had not established specific guidance for handling user facility agreement collections which led to inconsistencies in the handling and use of these funds by Los Alamos National Laboratory in FY 95. Corrective action is complete on all but one of the eight recommendations. Pending is the finalization of Department-wide financial policy guidance that is scheduled for issuance during FY 1998.

CR-96-007 ISSUED 03/22/96 (Management Decision 09/30/96)
REPORT NUMBER: WR-FS-96-05
REPORT TITLE: Report on Matters Identified at the Albuquerque Operations
Office During the Audit of the Department's Consolidated Financial Statement
of Financial Position, as of September 30, 1995

As a result of the audit of the Department's Consolidated Financial Statement, the Inspector General made 27 recommendations to the Albuquerque Operations Office, 26 of which are closed. The remaining recommendation is that Allied Signal be directed to remove expense-type costs which had been incorrectly posted to the Construction Work-in-Progress account. This recommendation has been implemented by Allied Signal and, for Department-wide clarity and consistency, is also being addressed in a revision to the Accounting Handbook that is scheduled to be issued by March 1998.

REPORT

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

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

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

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

STATUS

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 May 1998.

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 June 1998.

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 was created to explore alternatives for implementing the recommendation. Currently, DOE is working on an "umbrella" accreditation plan for the Department and with an interagency group that is developing national standards. Final action is expected by September 1998.

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 February 1998.

REPORT

STATUS

Fossil Energy

FE-96-006 ISSUED 09/25/96 (Management Decision 09/25/96)
REPORT NUMBER: WR-V-96-22
REPORT TITLE: Assessment of Changes to the Internal Control Structures
and Their Impact on the Allowability of Costs claimed by and Reimbursed to
Bechtel Petroleum Operations Inc.
(Agreed Upon Savings: \$1,000)

The audit disclosed that Bechtel Petroleum Operations, Inc. (Bechtel), in addition to inadequate resolution of previously reported deficiencies, had exceeded contract terms in paying relocation costs, purchased goods and services for the sole support of Department Headquarters or the Field Office, and had incorrect current and investment account balances. Corrective action has been completed on five of the eight recommendations. Pending are two recommendations under which Bechtel has reviewed DOE's procurement policies and developed corrective actions that will be in place by December 1997. Under the last open recommendation, an internal audit on the allowability of training costs was performed. An allowability determination will be made by February 1998.

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

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. Final action is awaiting issuance of the fee policy final rule. This is expected by March 1998.

Human Resources and Administration

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

The Inspector General recommended that the Department make several changes to the 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. The policy is under General Counsel review. Issuance of the final rule should occur no later than March 1998.

REPORT

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

HR-96-003 ISSUED 05/22/96 (Management Decision 09/19/96)
REPORT NUMBER: IG-0390
REPORT TITLE: Audit of DOE Management and Operating Contractor Available Fees

HR-96-010 ISSUED 09/13/96 (Management Decision 09/13/96)
REPORT NUMBER: IG-0396
REPORT TITLE: Audit of DOE's Contractor Liability Insurance Costs

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

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. The General Services Administration is currently working on an effort to allow the Department, along with several other agencies that have similar security and law enforcement missions, to donate surplus firearms to local law enforcement agencies. It is projected that this action will be completed by December 1998.

The Office of Inspector General expressed concern that there is no quantitative or qualitative confirmation that proposed changes to the Department's Acquisition Regulation with respect to fee policy would be cost effective and achieve the benefits envisioned by the Department. It was recommended that issuance of proposed changes be postponed pending completion of a cost/benefit analysis. The revised policy is under review, with final issuance expected to occur by March 1998.

The audit concluded that the Department was not consistently self-insuring its contractors and those that used commercial insurance incurred higher costs. Action on one of four recommendations has been completed. While a majority of the thirteen Field Offices have taken corrective action to comply with directives, several offices are in the process of completing reviews for potential cost recovery. New contract language is being developed and coordinated with responsible parties. Completion of this effort is expected to occur by March 1998.

This is an extensive classified report on nuclear safeguards and security at DOE facilities. It had 83 recommendations, 80 of which have been closed to date. The three recommendations still open are awaiting management review of corrective actions. The target date for final action on these remaining recommendations is December 1997.

REPORT

Nonproliferation and National Security

NN-96-005 ISSUED 04/04/96 (Management Decision 04/04/96)
REPORT NUMBER: IG-0388
REPORT TITLE: Audit of Internal Controls Over Special Nuclear Materials

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 report noted that three of the seven sites reviewed, Idaho National Engineering Laboratory, Oak Ridge Y-12 Plant, and Rocky Flats Environmental Technology Site, had not completed the required physical inventory and measurement of special nuclear materials partially because operations had been suspended due to health and safety concerns. Corrective action on one of two recommendations has been completed. Idaho has completed the required measurement and inventory, while Oak Ridge has taken interim measures pending resumption of operations and a lifting of the stand down conditions. Oak Ridge and Rocky Flats have developed management approved plans to accomplish inventory and measurement of remaining materials. Completion of action is expected by September 1998.

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 March 1998.

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 April 1998.

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 two recommendations. Final action is awaiting issuance of final DOE policy on recording residual estimated values and Albuquerque implementation thereof. This is expected by September 1998.

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 has been reviewed by Albuquerque and the need for the analytical capability has been confirmed. Two options are being considered and final decision will be made by December 1997.

REPORT

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)

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

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.

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)

STATUS

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 recommended that Albuquerque retain the fire department contract. The Laboratory will issue a subcontract for these services and is negotiating an equitable cost sharing arrangement. The new contract should be in place by December 1997.

The report stated that the Disclosure Statement was incomplete and some practices were not in keeping with the standards. Corrective action is complete on five of the seven recommendations. The contractor has conducted an overhead allocation methodology study, revised the Disclosure Statement, and submitted it in draft to Albuquerque. An Albuquerque verification review should be completed by March 1998.

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 December 1997.

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 March 1998.

REPORT

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)

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

STATUS

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, three 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.

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.

REPORT

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-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)

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

STATUS

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 four 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 March 1998.

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 December 1997. Final action is expected by March 1998.

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 90 percent completed. Final action is expected in December 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 March 1998.

REPORT

SR-96-001 ISSUED 05/17/96 (Management Decision 05/17/96)
REPORT NUMBER: ER-FS-96-03
REPORT TITLE: Report of Matters Identified at the Savannah River
Operations Office During the Audit of the Department's Consolidated
Statement of Financial Position as of September 30, 1995

SR-96-002 ISSUED 06/11/96 (Management Decision 06/11/96)
REPORT NUMBER: ER-B-96-02
REPORT TITLE: Audit of Groundwater Remediation Plans at Savannah
River Site

SR-96-004 ISSUED 09/25/96 (Management Decision 09/25/96)
REPORT NUMBER: ER-V-96-12
REPORT TITLE: Assessment of Changes to the Allowability of Costs
Claimed By and Reimbursed to Westinghouse Savannah River Co., Under
Contract No. DE-AC09-89R18035

Western Area Power Administration

WP-95-002 ISSUED 05/09/95 (Management Decision 09/18/95)
REPORT NUMBER: IG-0372
REPORT TITLE: Inspection of Power Purchase Contracts at the Western
Area Power Administration

STATUS

The audit found errors in the calculation of depreciation and weaknesses in property management. There were also internal control weaknesses and errors in the financial accounting treatment of nuclear materials. Thirteen of the fourteen recommendations have been closed. Formal accounting policies and procedures for nuclear material inventory accounting are pending approval by the Savannah River Financial Division. This is expected to be completed by December 1997.

The report concluded that unreasonably stringent drinking water standards were being used as a basis for agreements for reducing groundwater contamination resulting in more expensive remediation projects than necessary. It was recommended that a Land Use Plan be developed and the grounds reclassified, if appropriate. The Land Use Plan is expected to be completed in September 1998. The data necessary to make a reclassification decision will not be available until completion of Phase I of the Groundwater Remediation Project. This is expected in FY 2000.

The audit found that, due to the lack of a formal tracking system, Savannah River's contracting officer had not ruled on the allowability of costs brought into question by Westinghouse's internal audit reports over a period of several years. Two of three recommendations have been closed. A contracting officer's final determination on the allowability of costs questioned by an internal audit that is to be closed in February 1998, is expected by April 1998.

The inspection found that Western had not developed any written internal policies and procedures for the solicitation, negotiation, award, or documentation of power purchase contracts. Corrective action on eight of the nine recommendations is complete. A legal opinion on the applicability of certain regulations has been rendered and policy guidelines and procedures have been developed and issued. Pending is the development and conduct of training for personnel involved in the award of power purchase contracts. Final action is expected by June 1998.

REPORT

STATUS

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

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 Vouchers Accounting for Net Expenditures Accrued for those years. Albuquerque received an incurred cost submission from Geotech, reviewed the information, and requested that the Agency perform the audit. The target completion date is September 1998.

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.