United States
Department of Energy

Semiannual Report to Congress on Inspector General Audit Reports

October 1, 1997, to March 31, 1998

May 1998
Washington, DC 20585

MASTER

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U. S. Department of Energy

Semiannual Report to Congress

on

Inspector General Audit Reports

For the Period October 1, 1997 through March 31, 1998

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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.

In carrying out our mission, the Department's five key goals are:

- Develop and promote clean, efficient energy technologies and enhance energy security;
- Reduce the global nuclear danger;
- Restore, stabilize, protect and enhance the environment;
- Leverage the Department's unique science and technology capabilities to provide knowledge that drive the Nation's future; and
- Stimulate U.S. economic productivity

The Department has been using strategic planning and performance-based budgeting as important tools to help achieve these goals effectively, and at least cost to the American 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 eighteenth 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, 1997, through March 31, 1998, the Department took final action on 20 operational, financial, and preaward audit reports. At the end of the period 80 reports awaited final action. Final action was taken on one contract and financial assistance audit, 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 October 1, 1997, through March 31, 1998, management decisions were reached on 28 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-FS-98-01 "Audit of the U.S. Department of Energy's Consolidated Financial Statements for Fiscal Year 1997." The Inspector General audited the Department's Consolidated Financial Statements as of September 30, 1997, 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 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, 1997.

IG-0415 "Audit of Departmental Receipt of Final Deliverables for Grant Awards." The Inspector General found that many Department grantees did not provide final technical and/or financial reports. This occurred because the Department did not effectively implement existing procedures or establish other monitoring procedures that ensured grantees fulfilled their grant obligations. Based on this finding, the Inspector General recommended that the Department enhance administration of grants by directing contracting officers to retain a portion of the grant funding until a grantee meets the terms and conditions of the award; discontinue the practice of waiving grant reporting requirements to accommodate the award closeout process; require grantees to have met the terms and conditions of prior awards before awarding new grants; and, extend grant performance periods only in accordance with Departmental policy. In response to the recommendation, the Secretary of Energy agreed to take corrective action, as well as direct additional corrective actions to be taken to address related problems not identified in the audit. As a result, the Department issued a Financial Assistance Letter to all field activities providing guidance on preaward, postaward, and closeout responsibilities and procedures which are to be used to facilitate receipt of late report deliverables.

IG-0400 "Summary Audit Report on Contractor Employee Relocation and Temporary Living Costs." This report summarized the results of nine previous audits that disclosed problems with contractors charging the Department for unallowable employee relocation and temporary living and associated travel costs. These costs were charged because the Department did not use clearly defined contractual provisions that were consistent with the Federal Acquisition Regulation (FAR) and the Department of Energy Acquisition Regulation (DEAR) to establish reasonable and allowable charges for contractors. As a result, the Inspector General questioned about \$13.6 million in costs. The Department agreed to use clearly articulated FAR and DEAR standards and criteria for reasonableness and allowability for employee relocation and temporary living costs in its contracts. This was accomplished through issuance of a Memorandum For Procurement Directors that requires incorporation of DEAR 970.3102 in all future management and operating contracts.

IG-0406 "Review of Proposed Subcontract Outsourcing Information Technology." During the course of an investigation of allegations regarding a proposed subcontract, the Inspector General found that one of the Department's management and operating contractors did not use effective competitive techniques regarding both the solicitation and evaluation of bids for that procurement. The Inspector General also found that the contractor failed to maintain adequate documentation appropriate to the value of the proposed procurement, and had not ensured that the pricing of the proposed subcontract was fair and reasonable. The Department agreed with the Inspector General's recommendations and directed the contractor to conduct any future procurement of computer support services according to the requirements of the contractor's approved procurement procedures. The Department also directed the contractor to ensure that any potentially unfair competitive advantage provided to the subcontractor in competing for future information technology procurements is considered and mitigated.

IG-0414 "Audit of the Department of Energy's Management of Field Contractor Employees Assigned to Headquarters and Other Federal Agencies." The purpose of this audit was to determine whether the Department reviews and evaluates the costs for the use of contractor employees, is reimbursed for contractors working at other Federal agencies, and has implemented corrective actions agreed to as a result of a prior audit report. The Inspector General found that the Department had not fully implemented corrective actions agreed to in the prior audit. In addition, the Inspector General found that the Department was unable to identify all contractor employees assigned to the Washington, DC, area or determine the total cost of their assignments. In response to the Inspector General's findings and recommendations, the Department performed a comprehensive review of contractor employees; developed a complete, single inventory of such employees that includes the associated costs; took the steps necessary to ensure that contractor employees working at Headquarters have critical skills and that their assignments are cost-effective; and required that all further assignments be authorized by the Assistant Secretary for Human Resources and Administration.

AUDIT REPORT STATISTICAL TABLE

For the Period October 1, 1997 through March 31, 1998

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

	Number of Reports	Disallowed ^{a/} Costs
Audit reports with management decisions on which final action had not been taken at the beginning of the period	2	\$ 0
Audit Reports on which management decisions were made during the period	1	<u>139,000</u>
Total audit reports pending final action during the period	3	139,000
Audit reports on which final action was taken during the period:	1	
Recoveries		98,000
Reinstatements		<u>41,000</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 October 1, 1997 through March 31, 1998

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	72	\$ 84,893,738
Audit reports on which management decisions were made during the period:		
Operational and Financial	28	\$289,106,445
Preawards	<u>0</u>	<u>0</u>
Total	28 ^{a/}	\$289,106,445
Total audit reports pending final action during period	<u>100</u>	<u>\$374,000,183</u>
Audit reports on which final action was taken during the period:		
Operational and Financial	20	\$ 14,117,488
Preawards	<u>0</u>	<u>0</u>
Total	<u>20</u>	<u>\$ 14,117,488</u>
Audit reports needing final action at the end of the period . . .	<u>80</u>	<u>\$359,882,695</u>

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

In addition to the \$289,106,445 in recommendations that funds be put to better use with which the Department agrees, there is \$6,894,775 with which the Department disagrees. This amount is associated with five operational and financial audits. The Department partially agreed with the estimated amount of cost avoidance in two of these reports and disagreed entirely with the estimate in three 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 March 31, 1998***

REPORT

STATUS

HEADQUARTERS' OFFICES

Office of Chief Financial Officer

CR-94-003 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 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 work for others pricing policy that is awaiting a legal opinion from the General Counsel regarding the extent of the Department's discretion under applicable law in establishing fees and charges for products and services provided to others. It should also be noted that there is a Bill pending in the Senate that would eliminate the Departmental overhead costs from work for others. It is unclear at this time exactly when this issue will be resolved.

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 in Departmental review. It is scheduled for issuance by September 1998.

REPORT

CR-97-001 ISSUED 10/07/96 (Management Decision 10/07/96)
REPORT NUMBER: IG-0397
REPORT TITLE: Inspection of the Secretary of Energy's Foreign Travel

CR-97-005 ISSUED 02/24/97 (Management Decision 2/24/97)
REPORT NUMBER: IG-FS-97-01
REPORT TITLE: Audit of the U.S. Department of Energy's Consolidated Financial Statements for Fiscal Year 1996

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

STATUS

The Inspector General found various internal control weaknesses in the preparation for and execution of the Secretary's foreign travel for trade missions. These included such things as not recovering the full cost of travel expenses from non-DOE participants and inadequate cost benefit analysis in the acquisition of aircraft. Corrective actions have been taken on all but one of the 31 recommendations. The one remaining recommendation has been accommodated by development of accounting procedures to identify trade mission costs by program office and specific trade mission. The procedures are in the concurrence stage and are expected to be finalized in July 1998.

The Inspector General found that estimated environmental remediation costs for active facilities were not sufficiently documented at the site level; that there were various problems in the accounting treatment of property, plant and equipment; and that there were further improvements needed in the Department's financial management system to fully comply with federal accounting and reporting requirements. Corrective actions are complete on six of eight recommendations. Pending is the integration of the Power Marketing Administrations into, and the completion of the final disaster recovery plan for, the financial management system. Final action is expected in December 1998.

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 June 1998.

REPORT

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 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. It is expected that an Advance Notice providing interim guidance will be issued in 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. An interagency group, of which DOE was part, has developed national accreditation standards for commercial testing laboratories and accrediting authorities to implement those standards. Pending is the inclusion of this program into DOE contracts for laboratory services. 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 has revised its guidance manual for sampling and analysis. Final distribution of the revision will be completed by September 1998.

REPORT

STATUS

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. Written policy and procedures for cost reduction and incentives is included in the Department's draft fee policy that is expected to be issued in final in July 1998.

FM-97-002 ISSUED 01/16/97 (Management Decision 01/16/97)

REPORT NUMBER: INS-O-97-01

REPORT TITLE: Inspection of Alleged Design and Construction Deficiencies in the Nuclear Materials Storage Facility at the Los Alamos National Laboratory

The Inspector General found that there were design and construction deficiencies in the Nuclear Materials Storage Facility that made it unusable for its intended purpose. Corrective action is complete on four of the six recommendations. Pending is corrective action to assure that contractor project managers performing design and construction work are identified as "key personnel" in management and operating contracts and that architect/engineer contracts reflect contractor liability for design errors and deficiencies. Final action is expected by September 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 its 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 draft policy is undergoing a formal comment process. Issuance of the final rule should occur by July 1998.

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

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

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 a proposed policy change that would 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. As this rulemaking could take a significant amount of time, the Department is pursuing alternative disposal solutions. It is projected that final 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 undergoing a formal review process, with final issuance expected to occur by July 1998.

This is an extensive classified report on nuclear safeguards and security at DOE facilities. It had 83 recommendations, 81 of which have been closed to date. The two recommendations still open are awaiting management review of corrective actions. The target date for final action on these remaining recommendations is September 1998.

REPORT

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

Worker and Community Transition

WT-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 have been implemented, 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 September 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. The Corps of Engineers has been tasked to dispose of the pipeline and secure rights-of-way. A contract has been awarded and the Corps has initiated condemnation actions to acquire rights-of-way on the remaining private tracts of land. Because of the complexity of securing the rights-of-way, it is estimated that corrective action will not be completed until September 1998.

AL-96-001 ISSUED 10/06/95 (Management Decision Date 10/06/95)

REPORT NUMBER: WR-B-96-02

REPORT TITLE: Audit of Construction of an Environmental, Safety and Health (ES&H) Analytical Laboratory at the Pantex Plant

(Agreed upon savings: \$8,400,000)

The Inspector General questioned the necessity of this project, and all work has been suspended pending a reassessment of the facility. A need assessment has confirmed the necessity for the analytical capability. It has been determined that the current ES&H facility can no longer support reliable analytical and environmental work. Modification of an existing building is being proposed and will meet or exceed the savings estimate. A final decision on the proposal is expected by July 1998.

REPORT

AL-96-002 ISSUED 10/02/95 (Management Decision Date 10/02/95)
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-96-009 ISSUED 07/26/95 (Management Decision 12/11/96)
REPORT NUMBER: WR-V-96-18
REPORT TITLE: Assessment of Changes to the Internal Control Structure and
their Impact on the Allowability of Costs Claimed by and Reimbursed to Los
Alamos National Laboratory Under Department of Energy Contract No. W-
7405-ENG-36
(Agreed Upon Savings: \$163,432)

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.

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 August 1998.

The Inspector General found that the Los Alamos National Laboratory internal controls allowed for more than a low risk that unallowable costs will be claimed by and reimbursed to Los Alamos. Albuquerque has enhanced its procedures for resolving questioned costs identified by Los Alamos internal auditors. The contracting officer has made an allowability determination regarding the questioned costs and reimbursement of the unallowable costs is expected in September 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 September 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)

OK-96-002 ISSUED 01/09/96 (Management Decision 02/28/97)
REPORT NUMBER: WR-V-96-02
REPORT TITLE: Assessment of Changes to the Internal Control Structure and their Impact on the Allowability of Costs Claimed by and Reimbursed to Lawrence Livermore National Laboratory Under Department of Energy Contract No. W-7405

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 June 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 Combustion Engineering through calendar year 1990, for Westinghouse through 1991, 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 Inspector General found that the procedures for the acquisition of legal services were not well defined or consistently applied. Legal services were acquired through the Office of Laboratory Counsel rather than through the Procurement Department. The University of California expects to have the draft Procurement Standard Practice for the Acquisition of Legal Services available for review by Oakland shortly. Oakland will work with the University to establish an approved final Practice. This is expected to be completed by June 1998.

REPORT

STATUS

Oak Ridge Operations Office

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

OR-97-057 ISSUED 03/06/97 (Management Decision 03/06/97)
REPORT NUMBER: ER-FC-97-02
REPORT TITLE: Audit of the Department of Energy Uranium Enrichment Decontamination and Decommissioning (D&D) Fund FY 1996 Financial Statement

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 upgraded into a new system, which is expected to be completed by September 1998.

The Inspector General found that the Department may use program funds for economic development activities only upon demonstration that there is a cost effective programmatic requirement which has an incidental effect on community transition. The Inspector General recommended that the Department direct Oak Ridge to establish procedures to ensure compliance with the requirement to demonstrate cost-effectiveness in meeting programmatic needs for activities that include an element of economic development, but are funded from program money. The Department has so directed Oak Ridge, which is developing the procedure. Final action is expected in September 1998.

Ohio Field Office

OH-97-002 ISSUED 02/18/97 (Management Decision 02/18/97)
REPORT NUMBER: ER-B-97-02
REPORT TITLE: Audit of the Department of Energy's Grant for Economic Development at the Mound Plant

The Inspector General found that the Department advanced the city of Miamisburg more than the minimum funds needed to meet immediate cash requirements and that the City kept the majority of the funds in non-interest-bearing accounts. The Department instructed the City to return any interest earned on cash advances. Pending is Ohio's verification and documentation of the amount of interest reimbursed. This should be completed by September 1998.

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

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. Final action should occur during fiscal year 1999.

REPORT**Savannah River Operations Office**

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

WP-97-01 ISSUED 03/13/97 (Management Decision 03/13/97)
 REPORT NUMBER: WR-FC-97-03
 REPORT TITLE: Audit of Western Area Power Administration Fiscal Year 1996 Financial Statement Audit Under the Chief Financial Officers Act

STATUS

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 has been completed. 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 is pending Westinghouse's review of the internal audit documentation. The Department has established this program as part of the Annual Operating Plan and an award fee goal. Monthly status is being monitored and completion is anticipated in June 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.

The Inspector General found that the Western Area Power Administration had not collected billings in a timely fashion, made errors in cost transfers, delivered power to customers with expired contracts, and made errors in capitalization costs. Corrective actions are pending on three of the seven recommendations. Final action is expected in October 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 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 Agency audit is 40 percent completed, with an estimated completion date of September 30, 1998. DOE review and final resolution of this audit is expected to be completed in June 1999.

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.