U.S. DEPARTMENT OF ENERGY

OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress

October 1, 1994, to March 31, 1995

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for
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Department of Energy

Washington, DC 20585

April 28, 1995

The Honorable Hazel R. O'Leary
Secretary
Department of Energy
Washington, D.C. 20585

Dear Secretary O'Leary:

This Semiannual Report for the first half of Fiscal Year 1995 is submitted to you by the Office of Inspector General for transmittal to the Congress, pursuant to the provisions of the Inspector General Act of 1978.

During this reporting period, the Office of Inspector General continued to advise Headquarters and field managers of opportunities to improve the efficiency and effectiveness of the Department's management controls, with particular emphasis on coverage of issues addressed in the Department's Strategic Plan. We also have supported the Department's reinvention and streamlining initiatives by evaluating the cost effectiveness and overall efficiency of Department programs and operations, placing special emphasis on key issue areas which have historically benefitted from Office of Inspector General attention.

In our office's planning and operations, we continue to balance available audit, inspection, and investigation resources with our customer's requirements. Our overall focus remains on assisting Department management to implement management controls necessary to prevent fraud, waste and abuse; on helping to ensure the quality of Department programs and operations; and on keeping the Secretary of Energy and the Congress fully informed.

Sincerely,

John C. Layton
John C. Layton
Inspector General

Enclosure

MISSION AND VISION STATEMENTS

MISSION STATEMENT

The Office of Inspector General promotes the effective, efficient, and economical operation of Department of Energy programs through audits, inspections, investigations and other reviews.

VISION STATEMENT

We do quality work that facilitates positive change.

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EXECUTIVE SUMMARY

OVERALL ACTIVITY

This Office of Inspector General Semiannual Report to the Congress covers the period from October 1, 1994, through March 31, 1995. The report summarizes significant audit, inspection and investigative accomplishments for the reporting period, a large portion of which facilitated Department management's efforts to improve management controls and ensure efficient and effective operation of its programs. Narratives of our most significant reports are grouped by six primary performance measures which the Office of Inspector General uses to gauge its attainment of the outcomes established in the Office of Inspector General Strategic Plan. The common thread that ties the performance measures together is their clear emphasis on supporting Department efforts to produce high quality products at the lowest possible cost to the taxpayer. The six performance measures present successes of the Office of Inspector General in terms of improvements in Department programs and operations.

During this reporting period, the Office of Inspector General issued 111 audit and 21 inspection reports. For reports issued during the period, the Office of Inspector General made audit recommendations that, when implemented by management, could result in \$284 million being put to better use. The Office of Inspector General also provided 19 investigative referrals to management for recommended positive action. As a result of audits of contract costs, the Office of Inspector General questioned \$3 million in costs. Management committed to taking corrective actions which the Office of Inspector General estimates will result in a more efficient use of funds totaling \$337 million.

In addition, Office of Inspector General investigations led to 13 criminal convictions and one pretrial diversion, as well as criminal and civil prosecutions which resulted in fines and recoveries of \$3,397,054.

SUMMARY OF SELECTED RESULTS

The following is a list of selected Office of Inspector General results accomplished during this reporting period:

- o Bonneville Power Administration could save \$5.8 million in future residential conservation program costs. (IG-0359)

- o The Department can preclude spending \$13.2 million to replace personal property which is available at its Mound and Pinellas plants. (IG-0360)
- o Management took action to negotiate a revision to the Westinghouse Savannah River Company contract's exempt overtime policy at the Savannah River Site. (IG-0361)
- o The Department could save \$7 million in light vehicle acquisition costs and \$3 million annually in vehicle maintenance costs. (IG-0362)
- o Controls over the acquisition of legal services by management and operating contractors needed improvement. (IG-0363)
- o Changes are needed in the Department's administration of its small disadvantaged business program to meet the intent of the Small Business Act. (IG-0364)
- o Department management is beginning to dispose of technical surveillance equipment stored at its Central Training Academy. (IG-0365)
- o Revised program approach to site characterization at Yucca Mountain Reflects Department awareness of cost and schedule risks under the current program. (IG-0366)
- o Idaho Operations Office management accepted recommendations to improve controls on an intelligence work-for-others project. (IG-0367)
- o Management initiated corrective measures to ensure costs equal benefits in changes to the Hanford Site Characterization Program. (IG-0368)
- o Management systems for controlling cost overruns on work-for-others projects at Los Alamos National Laboratory needed strengthening. (IG-0369)
- o Staffing requirements at the Strategic Petroleum Reserve could be reduced. (IG-0370)

TRACKING AND REPORTING ON THE STATUS OF OIG RECOMMENDATIONS

The Inspector General Act of 1978 requires that the Semiannual Report of the Inspector General include an identification of each significant recommendation described in previous Semiannual Reports on which corrective action has not been completed. In the Department of Energy, the Office of Compliance and Audit Liaison within the Office of Chief Financial Officer has responsibility for the audit followup system. Thus, this information is included as part of the companion submission to this report which is provided by the Secretary of the Department of Energy.

Although the followup system is operated by the Department, the Office of Inspector General provides oversight in the form of biennial audits of the followup

system or its components and quarterly reviews of the progress of corrective actions on audit and inspection reports as provided to us by the Department. In addition, the Office of Inspector General conducts periodic followup audits or verifications in which the objective is to determine if prior audit and inspection report recommendations were implemented and, if so, whether they were effective. Also, at the start of each new audit or inspection, the Office of Inspector General conducts a review of prior reports on related topics, a review of the recommendations included in these prior reports, and an evaluation of the corrective actions that have been taken.

During this reporting period, there were no reports made to the Secretary noting unreasonable refusal by management to provide data to the Office of Inspector General, nor were there any significant management decisions, revised or otherwise, with which the Inspector General was in disagreement.

Section 1

Performance Measures

Significant Office of Inspector General work is presented in this section under six performance measures which were used to gauge the effectiveness and efficiency of Office of Inspector General products in meeting the needs and expectations of its customers.

PERFORMANCE MEASURES

PERFORMANCE MEASURE #1:

OIG RECOMMENDATIONS ACCEPTED OR IMPLEMENTED BY MANAGEMENT

Explanation: Management concurs with or implements recommendations contained in a published OIG report. Partial concurrence may be counted as acceptance if the proposed or implemented action by management is responsive to the recommendation.

Corrective Measures Were Needed to Ensure Costs Equal Benefits in Changes to the Hanford Site Characterization Program

The Department's Hanford Site was designated in 1989 as an environmental cleanup site under the cognizance of the Richland Operations Office. The final cleanup at Hanford is estimated to take over 50 years and cost close to \$100 billion.

The Office of Inspector General audited certain methodologies used by the Department and Richland to complete site characterization objectives at Hanford. The audit disclosed that characterization costs were increased without a similar increase in benefits. For example, in implementing Defense Nuclear Facilities Safety Board recommendations, the Department directed Richland to complete core-sampling of high-level radioactive waste tanks in 3 rather than 6 years. This action increased characterization costs by over \$71 million, but it was not needed to satisfy the Safety Board's recommendation nor would it significantly impact the retrieval and pretreatment of the waste.

In another action, Richland renegotiated a Tri-Party Agreement milestone that required 80 percent of Hanford's low-level waste sample analyses be performed within 25 miles of Hanford. Richland made this change without first determining whether

the 25-mile restriction was more costly. In its response to the official draft audit report, Richland estimated that the 25-mile restriction will add \$46 million over the next 8 years to the cost of sample analyses for Hanford.

The audit report recommended that the Department notify the appropriate parties that characterization of the high-level radioactive waste tanks will be accomplished in the more effective and least costly method to achieve characterization objectives. The Department should also renegotiate the requirement to have 80 percent of the sample analyses performed within 25 miles of Hanford. Additionally, the audit report recommended that management perform economic analyses of alternatives before making decisions as to how program objectives will be accomplished in the future. Management concurred with the finding and recommendations and initiated corrective measures. (IG-0368)

Action Needed to Be Taken to Negotiate a Revision to Contract's Exempt Overtime Policy

Despite mission changes and staffing increases, exempt overtime increased at the Savannah River Site by more than 220 percent from \$8.1 million to \$27 million in the span of one year. An Office of Inspector General audit disclosed that overtime com-

compensation for exempt employees at the Savannah River Site increased substantially after Westinghouse Savannah River Company became the onsite contractor in 1989. Exempt employees, including upper level managers, were routinely compensated for overtime, often for extended periods. In Fiscal Year 1993, overtime compensation to exempt employees totaled \$34.1 million.

The audit report recommended that the Manager, Savannah River Operations Office, negotiate a revision to Westinghouse's exempt overtime policy that will limit exempt overtime payments, including specifying a salary threshold above which overtime payments are prohibited. The revision should also require that Westinghouse's exempt overtime policy be based on the results of benchmarking its policy and practices against the policies and practices of companies in the public and private sectors.

The Manager, Savannah Operations Office, concurred with the recommendation and stated that actions have been taken to negotiate a revision to the exempt overtime policy. (IG-0361)

Controls Over the Acquisition of Legal Services by Management and Operating Contractors Needed Improvement

An inspection was conducted to evaluate the administrative management of legal services acquired by the Department's management and operating contractors relating to civil litigation. The inspection found that the acquisition of outside legal services by management and operating contractors often is performed by their legal staffs, and that these acquisitions are not always processed through the contractor's procurement system. This practice is inconsistent with the Department of Energy Acquisition Regulation provisions for subcontracts placed by management and operating contractors.

The inspection disclosed that payments can be made to outside law firms without any written agreement on the scope of the

services to be provided. In the case of one management and operating contractor, inspectors found payments totaling over \$9.3 million for outside legal services where there was no written agreement.

Inspectors found that audits of the costs of outside legal services, including litigation, were not typically identified or requested by management and operating contractors. The Department of Energy Acquisition Regulation audit requirements for subcontracts placed by management and operating contractors were not applied to outside legal services.

Management and operating contractors typically used in-house legal staff to review the costs of outside legal services through the review of billings submitted by outside law firms. However, the inspectors found reviews of these costs that were performed without regard to the Department of Energy Acquisition Regulation or the Federal Acquisition Regulation cost principles, and without the benefit of any written agreement which outlined the basis for incurring the costs.

The inspection found that the March 23, 1994, Department of Energy Litigation Management Procedures and the Department's August 25, 1994, Acquisition Letter on litigation costs represented improvements over past practices. However, these procedures do not address whether outside legal services should be acquired under the approved management and operating contractor procurement systems as defined in the Department of Energy Acquisition Regulation. These procedures also do not cover many of the subcontracting provisions discussed in the Department of Energy Acquisition Regulation that would be reflected in the contractor's approved procurement system. In addition, these procedures do not address the acquisition of legal services which are not the result of litigation.

The inspection report made five recommendations which would increase management controls over the acquisition of legal services. Department managers from the

Office of General Counsel, the Office of Procurement and Assistance Management, and the Office of the Chief Financial Officer concurred with three of five recommendations. On the remaining two recommendations, management deferred action pending the results of the analysis of the issues raised in the report. (IG-0363)

Changes Are Needed in the Department's Administration of Its Small Disadvantaged Business Program to Meet the Intent of the Small Business Act

The Small Business Act requires that small business concerns owned and controlled by socially or economically disadvantaged individuals have the "maximum practicable opportunity" to participate in contracts awarded by Federal agencies, including the Department of Energy. Agencies are to aid, counsel, assist, and protect, insofar as possible, the interests and development of small disadvantaged businesses. However, an audit of small disadvantaged business programs at five of the Department's management and operating contractors found that the programs had not fully met the intent of the Small Business Act and its implementing regulations.

The audit disclosed that vendors of questionable eligibility (vendors not owned and managed by socially and economically disadvantaged individuals) received awards from each of the management and operating contractors. Specifically, 33 businesses (out of 234 reviewed) which received small disadvantaged business contracts had questionable eligibility. Since Federal regulations provide for reliance on vendor self-certification of small disadvantaged status, the Department had not established a policy requiring management and operating contractors to verify eligibility of vendors. This reliance on self-certification resulted in \$26.3 million in awards to businesses of questionable eligibility, and diminished the effectiveness of the Department's small disadvantaged business program.

The audit also found that small disadvantaged businesses did not always receive the "maximum practicable opportunity" to participate, as two contractors concentrated awards among a select few of the available vendors. Further, two contractors made awards to vendors that were brokers, inconsistent with the "regular dealer" requirements as defined in the Walsh-Healey Public Contracts Act, which precluded qualified small disadvantaged businesses from participating in awards.

The audit report included six recommendations which, when implemented would enhance the Department's ability to meet the intent of the Small Business Act. Management concurred with the recommendations and has issued a "Strategic Plan for Diversity" that includes goals for enhancing partnerships with small, minority-owned and women-owned businesses. (IG-0364)

Idaho Operations Office Management Accepts Recommendations to Improve Controls on an Intelligence Work-For-Others Project

As one of a series of inspections of intelligence and special access program work-for-others projects, the Office of Inspector General reviewed a classified intelligence work-for-others project at the Department's Idaho Operations Office. The inspection disclosed that additional Department guidance and attention were needed to improve management effectiveness and controls for this and other work-for-others projects. Some aspects of the Department's management of work-for-others projects have been the subject of criticism by requesting agencies and a topic for discussion at congressional hearings. When a requesting agency is dissatisfied, a contributing factor is often a lack of initial specificity regarding the expectations and responsibilities of each agency. For example, requesting agencies may not correctly understand which agency's procedures are to be fol-

lowed in the areas of contract administration, financial administration, and project oversight. Consolidated guidance should be developed to clarify the information to be provided in work-for-others approval packages.

The inspectors noted that the management and operating contractor had incurred costs of about \$23,000 on the inspected work-for-others project before the current contract funding document was accepted. The contractor continued work after funds were exhausted and incurred costs of about \$18,000 before additional funds were transferred to the contractor. These actions were contrary to Departmental guidance which stated that no work should commence and no costs were to be incurred until a written reimbursable agreement had been received and properly approved and accepted.

The inspectors also noted the use of additional security procedures for the reviewed work-for-others project, including a by-name access roster and special "read-on" statements. The Office of Inspector General believes an unofficial special access program had been created with the knowledge of certain Idaho Operations Office officials, but without proper written authority as required by Executive Order 12356.

Department Headquarters and Idaho Operations Office management concurred with and identified corrective actions to address the recommendations made in the inspection report. (IG-0367)

Management Systems for Controlling Cost Overruns on Work-For-Others Projects Needed Strengthening

An Office of Inspector General inspection of Los Alamos National Laboratory's system for controlling cost overruns on work-for-others projects disclosed opportunities for improvement. The management systems which were in place during Fiscal Years 1992 and 1993 reflected an absence, or lack of implementation, of selected man-

agement controls. For example, the Albuquerque Operations Office had only partially implemented cost monitoring and control procedures relative to the Laboratory's work-for-others projects, including actions to ensure the timely settlement of applicable cost overruns.

The Albuquerque Operations Office also was not enforcing provisions of a special contract clause which allows the Laboratory in certain situations to incur cost overruns on work-for-others projects at the management and operating contractor's own expense. Instead, the Department inappropriately funded those expenses incurred by the Laboratory.

During a review of selected work-for-others projects at the Laboratory, the inspection identified cost overruns of \$104,918 in Fiscal Year 1992 and \$133,533 in Fiscal Year 1993 which had been inappropriately recharged by invalid cost corrections to Departmental program accounts and/or other work-for-others customers. Also, the Laboratory partially financed a work-for-others project by improperly rebating overcollected Fiscal Year 1992 Laboratory-Directed Research and Development revenues to that project. The Laboratory had rebated \$288,812, the entire amount for a category of work-for-others projects, to one project within the category. Had the rebate been prorated, the project should have received only about \$46,000. Therefore, other work-for-others customers' projects were inappropriately charged about \$243,000 while the one project's funds were improperly supplemented by the same amount.

Albuquerque Operations Office management concurred with and identified corrective actions to address the recommendations. (IG-0369)

\$439 Million of Planned "Other Project Costs" Need More Attention

The Department's project management system is the principal control system used to manage total project costs of major sys-

tem acquisitions. An audit found that, while significant and worthwhile accomplishments were evident in the Department's existing project management system, additional improvements could be made to further enhance project management. For example, for two major system acquisitions reviewed by auditors, almost \$439 million of planned costs in a category called "other project costs" were not adequately addressed by the project management systems and were given considerably less management attention than construction costs. The audit disclosed that other project costs of about \$336 million on the Advanced Photon Source project and \$103 million on the Relativistic Heavy Ion Collider had not been included in independent cost estimates conducted on these projects. Other project costs on the Advanced Photon Source increased almost 100 percent between project conception and construction start, while other project costs on the Collider increased 59 percent after project conception.

The audit report recommended, among other actions, establishing controls to ensure that independent cost estimates for major systems acquisitions include total project costs. Field Management agreed with the intent of the recommendation and distributed several guidance memoranda to program and operations offices to define, standardize, and emphasize total estimated costs, other project costs, and total project costs. Management further stated that it has addressed total project costs in all recent independent cost estimates, and that current independent cost estimate procedures require total project costs to be addressed. (CR-B-95-02)

Office of Inspector General Recommends Actions to Improve Property Management at Fernald

As detailed in a March 1994 summary audit report on property management (Report No. IG-0344), the Office of Inspector General issued 26 reports in the preced-

ing 9 years that addressed problems with the Department's management of personal property. The issues identified by summary report suggested that the Department could have done more to ensure that its contractors followed sound business practices in managing Government personal property.

A June 1994 audit report related to property management at the Department's Fernald Site (Report No. ER-B-94-07) disclosed that Fernald Corporation frequently shipped usable furniture, equipment, and materials to the Nevada Test Site for burial as low-level waste. Management concurred with the recommendations in that report and directed the Fernald Corporation to prepare a formal corrective action plan.

A November 1994 audit report on property management at the Fernald Site determined that Fernald Corporation did not properly acquire, protect, and account for Government property as required by Federal and Departmental regulations. First, Fernald Corporation acquired more office furniture than needed. It purchased \$2.1 million worth of furniture and over 16 months later still had \$500,000 worth of furniture stored in an off-site warehouse. Second, Fernald Corporation did not adequately protect Government property against damage and loss. Furniture and materials were damaged through mishandling, and the contractor did not promptly dispose of surplus property. Finally, Fernald Corporation did not properly account for Government property in its possession or in the possession of its subcontractors. It did not account for office furniture, and did not maintain accurate inventory records of stores items.

To improve acquisition, protection, and accounting for Government property, the audit report recommended that the Department direct the Fernald Corporation to (a) properly account for furniture, (2) revise its organizational structure for better accountability and control, (3) determine availability of excess furniture before purchasing new, and (4) relocate storage of office-type stores. The audit report also rec-

ommended that the Manager, Ohio Field Office, direct the contracting officer to determine the allowability of \$642,000 of costs for acquiring and storing furniture in surplus of needs.

Management either concurred or concurred in principle with all of the recommendations. However, management did not address specific corrective actions to be taken in response to the recommendations. (ER-B-95-02)

Management Agreed to Actions Which Would Eliminate Reimbursement of Unnecessary Trailer Leasing Costs

The Department's acquisition regulations and the operating contract between the Department and the University of California required all real property holdings at Los Alamos National Laboratory to be planned and acquired efficiently and economically. However, Los Alamos leased portable office trailers rather than purchasing them, even though cumulative leasing costs were substantially higher than initial purchasing costs. This practice occurred because Los Alamos had neither estimated the length of time such office space was needed, nor performed adequate "lease versus purchase" analyses to determine the most economical method of acquisition. As a result, Los Alamos spent about \$277,000 more than necessary to provide employees with 12 trailers. Further, continued leasing and delayed purchase of another 32 trailers could cause Los Alamos to incur additional unnecessary costs of at least \$837,000.

Los Alamos officials were aware that long-term leasing of trailers rather than outright purchases resulted in higher total costs. They cited difficulty in obtaining capital funds as the reason for leasing rather than initially purchasing the trailers.

Accepting an Office of Inspector General audit report's recommendation on this issue, Department management agreed to direct Los Alamos to estimate the time the proposed office trailers would be needed,

perform a "lease versus purchase" analysis for each proposed acquisition, and choose the more economical option. If choosing to purchase, Los Alamos will request capital funds to purchase as soon as possible. Management also accepted a recommendation to direct appropriate officials to formally notify the University of California that in the future, the Department will not reimburse Los Alamos for the types of unnecessary costs of leasing trailer office space identified in the Office of Inspector General audit report. (WR-B-95-02)

Department Management Will Notify Congress of Changes to the Decontamination and Waste Treatment Facility and Request Continuance of the Project

In 1985, the Department proposed a \$38 million decontamination and waste treatment facility at the Lawrence Livermore National Laboratory. Since then, there have been major changes in plans for the proposed facility, and the total cost of the project will approach \$131 million. The Office of Inspector General conducted an audit to determine if the proposed project is needed to support the Laboratory's waste management program.

In December 1993, the Oakland Operations Office made a comprehensive study evaluating the Laboratory's waste management requirements, concluding that the continued need for the project was not clear and recommending that it be canceled or re-scoped. Initial audit field work also led the Office of Inspector General to the conclusion that the project should be canceled because it no longer met documented mission requirements. Subsequently, however, the Laboratory completed an alternative design review that documented significant scope changes. At Department management's request, the auditors performed a limited examination of the review and determined that the Laboratory now appears to have a well-documented and reasonably presented scope for its decontamination and

waste treatment facility. The new scope, however, is significantly different from, and over \$90 million more expensive than, the version approved by Congress in 1986. In effect, the Department now has a new project that should be subjected to the same level of review as the original project.

Department management stated that the Congress would be notified of the recently approved scope and cost of the decontamination and waste treatment facility. The notification will be included as part of the Fiscal Year 1995 Omnibus Reprogramming Request currently under preparation. Management pointed out that Congress had been notified of changes to the original project via submission of construction project data sheets as part of the Department's annual budget process. (WR-B-95-04)

Los Alamos Area Office Reported that the Laboratory Has Taken Steps to Improve Occurrence Reporting

An Office of Inspector General inspection disclosed that unusual occurrences and incidents at Technical Area 55 at Los Alamos National Laboratory had not been reported in accordance with Department policies and procedures in effect at the time. Specifically, incidents which involved missing equipment, vandalism, malicious mischief, and unauthorized tampering with high-voltage equipment, high-vacuum flanges, and a high-pressure manifold were not promptly reported. The applicable Department directive required three actions: (1) oral notification to the Department within 2 hours of the categorization of an unusual occurrence, (2) a "Notification Report" prepared and submitted within 24 hours of categorization, and (3) within 10 working days of categorization, submission of an "Occurrence Report."

The abstract report of inspection recommended that the Manager of the Albuquerque Operations Office direct the Los Alamos National Laboratory to ensure that all future unusual occurrences at the Labora-

tory are reported in accordance with the Department directive.

The Acting Manager of the Los Alamos Area Office concurred with the inspection report's recommendation, stating that the Laboratory had:

1. Formed an Occurrence Reporting Group with responsibility for implementing the Department directive.
2. Adopted a program requirement which defines the elements that are necessary to implement the Laboratory's policy and the Department's directive on occurrence reporting.
3. Developed a matrix which eliminates some confusion in determining which events are reportable.

In addition, to allow for an independent review of all events, the operators of Technical Area 55 reassigned responsibility for investigating and reporting unusual occurrences to the new Occurrence Reporting Group. (S93IS018)

Management Directed Procurement Officials to Give Additional Attention to a Contractor's Policies and Procedures for Reimbursing Relocation Costs

To recruit employees with needed skills, Department of Energy contractors reimburse newly hired and transferred employees for their relocation expenses. Management and operating contractor relocation expenses, which were reimbursed by the Department, totaled about \$41 million in Fiscal Year 1993 and included expenses associated with the sale of a residence at the employee's old location; the purchase of a residence at the new location; shipment of household goods; and temporary living expenses.

An audit disclosed that, at 10 of 11 contractors reviewed, the Department did not

have adequate controls in place to limit contractor employee relocation reimbursements to amounts that were allowable and reasonable. This weakness occurred because of limited Department involvement in relocation activities and vague and nonspecific policies and procedures.

The audit report recommended that policies used to determine allowable costs for relocation expenses be clarified on all new or renewed management and operating contracts. The audit report also recommended that Department management ensure that contractors implement internal financial management controls to provide reasonable assurance that relocation policies and practices conform to contract provisions and their employees follow these policies. Additionally, contractor internal audit staffs should emphasize this area in determining the allowability of relocation costs. Contractors should be required to refund identified unallowable costs.

Management concurred with the finding and recommendations. During the audit, the Deputy Assistant Secretary for Procurement and Assistance Management recognized the need for management and operating contractors to adhere more closely to contract provisions and directed procurement officials to give additional attention to the contractor's policies and procedures for reimbursing relocation costs. (CR-B-95-04)

Complainant Alleged Abuse of Overtime at Argonne National Laboratory

The Office of Inspector General received a complaint that about a dozen Argonne National Laboratory support staff were claiming 20-30 hours of overtime each week, but they were doing minimal work and often left early. The investigation did not establish any criminal violations relating to false claims by any of the employees. However, the investigation found that abuse of overtime was allowed to exist because the Laboratory had inadequate internal controls to monitor employee overtime, and

the Laboratory had not sought Department approval (per the terms of their contract) before initiating overtime.

The administrative report recommended that the Chicago Operations Office ensure that internal controls are maintained regarding overtime and Department approval is sought before the Laboratory initiates widespread overtime. The report also recommended that the Operations Office review the maintenance service request forms to ensure that they are current and accurate. Additionally, the Operations Office should ensure that overtime is worked only when necessary and that only critical work be done on overtime hours. In response to the investigative report, management stated that corrective action has either been taken or will be taken to address these concerns.

(I91CH012)

Department Management Provides Written Guidance to Contracting Officers on Reviewing Claims for Exemption from Submission of Certified Cost or Pricing Data

Based on the results of a Department of Defense Office of Inspector General audit, a multi-agency task force (including the Department of Energy Office of Inspector General) investigated claims by a vendor of Linatron X-ray machines for exemption from submission of certified cost or pricing data. Contracting officers are to review claims for exemption to ensure that they meet the requirements of the Federal Acquisition Regulation. Investigators found that the vendor had sold six Linatron X-ray machines to the Department of Energy at a total cost of over \$3 million. Invalid claims for 5 of the 6 machines resulted in a 35 percent overcharge to the Department and its contractors of over \$1 million.

The U.S. Attorney declined prosecution based on the fact that the cognizant contracting officers had accepted the vendor's claims for exemption at face value instead of reviewing the claims in accordance with

the Federal Acquisition Regulation. The Office of Inspector General's investigative report to management recommended that contracting officers be reminded of the importance of having certified cost and pricing data, and of the ramifications that could result if exemptions to the Federal Acquisition Regulation are approved.

Management concurred with the report's recommendation and provided written guidance to contracting officers on new legislative requirements, including exemptions to the submission of cost or pricing data. Management also reminded contracting officers of the requirements associated with granting exemptions to the submission of cost or pricing data. (I91SF018)

Investigation Report Recommendation Led to Increased Openness in Non-Exclusive Licensing Information at Oak Ridge National Laboratory

A dosimeter manufacturer received a non-exclusive license from the Oak Ridge National Laboratory to manufacture and market radiation detectors (dosimeters).

The manufacturer was not told that several Laboratory employees were planning on forming a business associated with the dosimeter technology and would be potential competitors. Officials of the manufacturer became concerned about conflict of interest and unfair competition.

The Investigative report recommended that the Department ensure that the Laboratory has procedures in place covering the issuance of non-exclusive licenses to employee inventor companies when similar licenses on the same invention have been granted to others. The report also recommended that the Laboratory's technology transfer program officials make public disclosure of employee-inventors or their companies.

The Oak Ridge Operations Office concurred with the recommendations. The Laboratory modified its licensing policy to make available upon request the names of employee-inventors who have received licenses related to their inventions. (I93OR037)

PERFORMANCE MEASURE #2:

AUDIT/INSPECTION SAVINGS, RECOVERIES AND FUNDS IDENTIFIED FOR BETTER USE

Explanation: Costs which are recovered, saved, disallowed, or identified for better use (detailed definition appears in Section 4 of this Semiannual Report). For the Office of Audit Services, dollar amounts discussed for this performance measure are included in the audit statistics presented in Section 4 of the Semiannual Report.

Bonneville Power Administration Could Save \$5.8 Million in Future Residential Conservation Program Costs

The Bonneville Power Administration is required to reduce electricity usage in the region through cost-effective energy conservation. An Office of Inspector General audit disclosed that Bonneville was not effectively managing two residential conservation programs: the Shower Head Program and the Washington State Builders Program.

Between January 1992 through September 1993, Bonneville spent about \$3.5 million on shower heads (parts only) plus \$9.9 million to install them, for a total cost of about \$13.4 million paid to 34 utilities. At least \$2.3 million of this amount, however, was for shower head installations which were either not performed or not billed in accordance with the 1992 Agreement. Thus, the auditors concluded that Bonneville did not have the necessary controls in place to ensure that costs incurred were accurate and consistent with the Agreement. The audit report recommended that Bonneville review the shower head billings to identify and correct inaccuracies and inconsistencies and to recoup overpayments made to the utilities. The report also recommended that Bonneville establish a quality assurance process for future shower head billings.

During the same time period, Bonneville also spent about \$4.2 million for home builders to construct energy-efficient homes under the Washington State Builders Program. However, about \$1.9 million of this

amount represented the share that the electric utilities should have paid to home builders. Therefore, the auditors concluded that Bonneville did not effectively manage the costs of its Washington State Builders Program. The audit report recommended that Bonneville initiate action to amend the 1992 Agreement so that its payments under the Washington State Builders Program are limited to the legislatively mandated amount.

By implementing the audit report recommendations for the Shower Head and the Washington State Builders Program, Bonneville can save an additional \$5.8 million in future residential conservation program costs. Management concurred with the finding and recommendations for the Shower Head Program. However, management did not concur with the finding and recommendation for the Washington State Builders Program, and this issue is still to be resolved. (IG-0359)

Department Can Preclude Spending \$13.2 Million for Replacement Property

An Office of Inspector General audit addressed the issue that the Department planned to transfer, lease, loan or otherwise make available to economic development initiatives personal property at its Mound and Pinellas Plants. The audit disclosed that some of the property either had Defense Program requirements or was not properly screened to determine whether it was needed to fulfill other Departmental needs. As a result, the Department planned to spend \$13.2 million to replace personal property with

Defense Programs requirements, as well as make available to economic development initiatives several hundred million dollars of personal property that may still be needed by the Department for other missions.

The audit report recommended that Headquarters officials provide the Albuquerque Operations Office and the Ohio Field Office with direction which would require that all personal property needed by the Department, for which Congress has not passed a specific appropriation, be transferred to other Departmental facilities. In addition, the report recommended that the two Departmental offices ensure that personal property disposition processes at the Mound and Pinellas Plants are consistent with the new direction. Management concurred with the finding and recommendations, and developed a corrective action plan. (IG-0360)

\$7 Million in Light Vehicle Acquisition Costs and \$3 Million Annually in Maintenance Costs Could Be Saved by the Department

An audit of the Department's light vehicle fleet management determined that, based on use rates found during the audit, the Department could reduce its light vehicle fleet by at least 10 percent. The auditors estimated that such a reduction would result in potential savings of about \$7 million in vehicle acquisition costs and \$3 million annually through reduced operating and maintenance costs, subject to certain offsetting costs discussed in the audit report. The audit also disclosed that some Department-owned fleets could be operated more economically by leasing the vehicles from the General Services Administration. This would allow the Department to modernize its light vehicle fleet and ensure that its resources were put to the best possible use.

The audit report recommended that the Department improve the overall use of light fleet vehicles and conduct studies to determine and use the most economical method

of managing fleet operations. Management generally concurred with the findings and recommendations. Management stated that plans are being developed to more closely monitor vehicle use and take appropriate actions for under-used vehicles, and a feasibility study will be conducted to evaluate implementation of a Departmentwide vehicle management system. Studies will also be conducted to determine the most economical and efficient fleet operating methods. (IG-0362)

Staffing Requirements at the Strategic Petroleum Reserve Could Be Reduced

At the request of the Deputy Secretary of Energy, the Office of Inspector General conducted an audit to determine if current staffing levels for the Strategic Petroleum Reserve were necessary to effectively accomplish current and future anticipated mission requirements. As of May 31, 1994, over 1,650 full-time equivalents were employed by the Department and its contractors to manage and operate the Reserve.

The auditors compared Reserve performance levels and staffing practices with those for similar functions in the private sector and other Department contractors. The audit disclosed that the Reserve staffing levels were significantly higher than those organizations against which it was benchmarked. The auditors estimated that the realization of industry performance levels by selected Reserve activities would enable the Reserve to eliminate 329 positions, with an annual savings of about \$16 million.

The audit report recommended that the Assistant Secretary for Fossil Energy reduce staffing in eight functional areas by 329 positions and increase the span of control for Reserve managers to one manager for at least ten subordinates. The Assistant Secretary should conduct additional analysis to determine if further staffing reductions are feasible and provide incentives to the management and operating contractors to reduce staffing and costs. The Assistant

Secretary should also perform periodic evaluations of Reserve staffing and requirements using appropriate external benchmarks and other performance data.

The Assistant Secretary for Fossil Energy indicated that actions had been taken or were planned for each of the audit report recommendations. To provide additional analysis in determining appropriate staffing levels, the Reserve formally commissioned a streamlining initiative in December 1994. (IG-0370)

An Audit Identified \$2.9 Million in Annual Savings in the Rocky Flats Plant Analytical Services Program

The management and operating contractor at the Department's Rocky Flats Plant is responsible for acquiring or providing for the laboratory analyses of a large number of samples to support the Plant's environmental restoration and waste management mission and for worker health and safety programs. Office of Inspector General auditors found that the contractor did not evaluate alternatives to contractor-provided analytical services. Instead, the contractor used in-house laboratories to provide analytical services when less expensive and more efficient services were available from subcontracted laboratories. As a result, three major programs will incur unnecessary charges of about \$2.9 million annually and be required to accept data that is not as timely or reliable as that available from alternative sources.

The \$2.9 million in unnecessary charges will be incurred because Departmental contracting officials at Rocky Flats did not ensure that the contractor's purchasing system required the contractor to evaluate alternatives and document that it chose the best method of providing services. As a result, the contractor continued using in-house laboratories to provide analytical services despite indications that such an arrangement was not cost effective or efficient.

The audit report recommended that the Rocky Flats Field Office require the con-

tractor to evaluate acquisition practices to ensure that cost, quality, and timeliness are considered in deciding whether to provide or subcontract for laboratory analytical services. Management did not agree with the audit report finding or recommendation, although it did agree with some of the information upon which they were based. Therefore, management agreed to require the contractor to perform a "make-or-buy" analysis contemplated by the recommendation. Management's proposed action is responsive to that aspect of the recommendation. (CR-B-95-01)

The Department's Nevada Operations Office Should Recover \$575,600 in Allocable Costs from Its Management and Operating Contractors

Federal Government, Department of Energy, and Nevada Operations Office policies require full recovery of all costs associated with work for others projects. At Nevada, such costs encompass a number of allocable categories, including administration, depreciation, and the costs of operating the test site.

An Office of Inspector General audit found that Nevada's integrated management and operating contractors did not consistently recover these allocable costs when performing cash work for integrated contractors. Costs were not recovered either because of billing system internal control weaknesses or because the contractors did not gather sufficient information from their customers. At the same time, Nevada did not adequately monitor the recovery of allocable costs. Based on the audit, Nevada did not recover about \$575,600 in allocable costs.

The audit report recommended that Nevada require its management and operating contractors to recover all allocable costs from the active projects as of October 1, 1994, and make necessary corrections to their billing systems to ensure appropriate cost recovery. Also, the contractors should

gather, before commencement of work, sufficient information about their customers and their customers' sources of funds to recover all appropriate costs. Nevada should require the Chief Financial Officer to monitor the application of allocable rates and expand the coverage of the financial compli-

ance reviews to include the review of the application of rates to the integrated contractor requests. Management concurred with the findings and agreed to implement the audit report's recommendations.
(WR-B-95-03)

PERFORMANCE MEASURE #3:

LEGISLATIVE AND REGULATORY COMPLIANCE RELATED TO OIG RECOMMENDATIONS

Explanation: Department adoption of principles and guidance contained in statutes, executive orders, and U.S. Code of Federal Regulations based on OIG recommendations.

Department Management Begins to Dispose of Technical Surveillance Equipment Stored at Its Central Training Academy

As a result of an inspection report issued in September of 1991 (IG-0299), the former Secretary of Energy directed that all equipment and devices designated as technical surveillance equipment be sent to the Central Training Academy at Albuquerque for temporary storage. The equipment was to remain at the Central Training Academy until arrangements could be made to transfer it to local, state, or Federal law enforcement organizations.

A followup inspection found that, three years after the Secretary's direction was given, the final disposition of the technical surveillance equipment in storage at the Central Training Academy had not been determined, and arrangements had not been made to transfer this equipment to local, state, or Federal law enforcement organizations. Instead, the Central Training Academy was storing 555 pieces of technical surveillance equipment and related items from 21 Department of Energy field locations. These items included pinhole lenses, mini closed circuit television cameras, and wireless microphones. These items also included locally manufactured equipment in covert housings such as stereo speakers and a pencil sharpener which contained cameras and/or microphones, and non-technical surveillance equipment items such as cables and power supplies.

The followup inspection also found that Central Training Academy personnel did not perform the required 30-day inventories of the stored technical surveillance equipment,

nor did the Central Training Academy have complete and accurate records of all equipment in storage.

The inspection report recommended that the Department review the status of the technical surveillance equipment stored at the Central Training Academy to determine if the Department has a need to continue to hold any of the items. If a need does not exist, then the Department should initiate action to transfer the items to local, state or Federal law enforcement organizations.

The Director, Office of Nonproliferation and National Security, concurred with the findings and recommendations. The Director stated that equipment applicable to law enforcement has been made available to the Federal Bureau of Investigation and the National Park Service. The Director also stated that non-technical surveillance equipment has been returned to those Department Operations Offices that have requested this equipment, and that plans are in place to dispose of the remaining equipment through the Albuquerque Operations Office. (IG-0365)

An Audit Assisted the Department in Ensuring New Construction Meets Energy Conservation Requirements

The Department consumed over 42 trillion British Thermal Units (BTUs) of energy during Fiscal Year 1992 at a cost of about \$310 million. The energy was used for heating, air conditioning, lighting, research and manufacturing in nearly 9,000 buildings with about 98 million gross square feet of floor space. Although most of these buildings are old, the Department has con-

structed over 8 million square feet of new building floor space since 1980.

The Department established an energy efficiency and conservation program in compliance with the intent of Federal regulations and Presidential Orders. However, an Office of Inspector General audit found that Department field activities did not document that energy conservation features were evaluated and designed into new construction where feasible. Also, management and operating contractors at field activities did not determine the reasons as to why energy savings which had been estimated at the time the buildings were designed were not attained after the buildings were completed. The auditors identified several reasons, including incidents where some energy conservation features were deleted during building construction, were not functioning as designed, or were circumvented by building occupants. Additionally, the auditors determined that the Department's new buildings database was incomplete and contained inaccurate information.

The audit report's recommendations addressing these weaknesses will help the Department improve its adherence to Federal regulations and Presidential Orders. The Director, Office of Infrastructure Support Services, concurred with the recommendations. (CR-BC-95-01)

An Audit Recommended Management Controls Which Would Help to Ensure Accurate Time and Attendance Reports

An audit was conducted to assist the Department's Fernald Area Office in determining whether its management controls for time and attendance reporting were sufficient to ensure its employees actually worked and properly accounted for all hours for which they were paid. The Fernald Area Office had 72 full-time Government employees at the time of the audit. Auditors found that the Fernald Area Office could improve its compliance with Federal and Departmental regulations on time and atten-

dance by establishing better management controls over its time and attendance system. For example, the auditors found that time and attendance reports were often inaccurate and employees were sometimes paid for hours which they did not work. Also, for the pay period tested during the audit, leave charges were inaccurate for about 17 percent of employees, and about 24 percent of employees were paid for hours they did not work or for which they could not adequately account.

The audit recommended enhanced management controls, including reviews of time and attendance reports by employees and their immediate supervisors for accuracy, supervisory approvals for unplanned absences, and the location of timekeepers in close proximity with employees for whom they were responsible.

As a result of the audit report recommendations, management implemented a policy to require employees to review and initial time and attendance reports, and it plans to implement a policy to require supervisors to review time and attendance reports for accuracy. Employees are now required to obtain their supervisors' approvals rather than contact their secretaries or timekeepers when absent. Also, management has assigned new timekeepers and located them within each division. Additionally, supervisors will be required to approve and record compensatory time in advance, and to obtain the Ohio Field Office Director of Human Resources' approval under specific circumstances for employees to work at home for pay. (ER-B-95-01)

Management Agreed to Obtain Clarification of the Comprehensive Environmental Response, Compensation, and Liability Act

An audit disclosed that the remedial investigation and feasibility study process at the Oak Ridge National Laboratory was generally managed in accordance with Departmental goals and objectives and ap-

plicable laws and regulations. However, the audit identified expenditures for design costs which could have been avoided had the Oak Ridge Operations Office obtained clarification from the U.S. Environmental Protection Agency regarding requirements of the Comprehensive Environmental Response, Compensation, and Liability Act. Specifically, the Department spent about \$3.8 million to design remedial materials and facilities that might never be used at the Laboratory. Unnecessary costs included \$893,000 for the design of three geomembrane caps, \$659,000 for the design of a liquid waste transfer and distribution station, and \$2,250,000 for the partial design of support facilities.

The audit report recommended that the Manager, Oak Ridge Operations Office, request the U.S. Environmental Protection Agency to clearly define the requirements of the Comprehensive Environmental Response, Compensation, and Liability Act, and require the environmental restoration project managers to more closely coordinate with the U.S. Environmental Protection Agency on future projects.

The Oak Ridge Operations Office Manager concurred with the recommendations and agreed to take corrective actions, although he stated that the \$3.8 million estimate of unnecessary costs should be reduced to \$2.9 million. The Manager also stated that the costs cannot be determined to be unnecessary until the regulators make a final determination. (ER-B-95-03)

Management Planned Actions Based on Inspection Recommendations to Improve Federal Employees' Compensation Act Compliance

The Federal Employees' Compensation Act (FECA) provides for the payment of compensation for wage loss, permanent impairment, and medical costs incurred by Federal employees as a result of injuries sustained during the performance of their duties. While the Department of Labor admin-

isters compensation claims, the Department of Energy is required to bear its own compensation costs by reimbursing the Department of Labor for claims paid.

An inspection of seven FECA claims at the Department's Oak Ridge Operations Office and the Office of Scientific and Technical Information disclosed opportunities to improve FECA compliance. The inspection report contained eight recommendations which management has either implemented or is developing plans to implement in the near future. Included in management's planned actions are (1) writing a Departmentwide guidance manual on processing worker compensation claims, (2) developing a question and answer sheet for claims processors to help them deal with common processing issues, (3) implementing basic and refresher training for personnel responsible for time and attendance reporting, (4) and training supervisory personnel on a one-to-one basis as FECA instances occur in their areas of responsibility. (INS-O-95-01)

Possible Resource Conservation and Recovery Act (RCRA) Violations Were Found at the Department's Y-12 Plant at Oak Ridge

An Office of Inspector General inspector observed 30 gallons of unlabeled, half-filled, open buckets of an unidentified jade-colored liquid being stored beneath a stairwell in building 9212 at the Department's Y-12 Plant. An investigation disclosed that a flange leak in the basement of building 9212 had caused a caustic chemical to spill onto the floor of the building. The chemical had been determined to be a hazardous waste. It had been cleaned up, placed in open buckets and left under the stairway for about two weeks. This action was not in compliance with Department of Energy orders or state statutes regarding storage of materials covered under the RCRA.

The investigative report recommended that the Oak Ridge Operations Office en-

sure all contractor employees generating potential RCRA waste are properly trained to adhere to all RCRA requirements, and that contractor employees properly report all spills of contaminated waste to the Department. Oak Ridge management informed the Office of Inspector General that corrective

actions are being taken and that, as a result of a combination of health, safety and environmental issues, the contractor did not receive an award fee during the last rating period for the Y-12 Plant operation. (I93OR012)

PERFORMANCE MEASURE #4:

POSITIVE CHANGES IN THE DEPARTMENT AFTER IMPLEMENTATION OF RECOMMENDATIONS

Explanation: Implemented recommendations resulted in a positive change in the Department's programs and/or organizations which increases the efficiency or effectiveness of the Department or the organization. Positive changes can occur, for example, at an operations, field or site office (local level), or at a program management level at Headquarters. Inclusion of an item under this performance measure will require prudent judgment by the OIG on how well the needs and expectations of OIG customers have been met. Positive changes in customer perspectives, attitudes, or awareness may be observed in educational dialogue between customers and the OIG on a significant issue, requests for services, and feedback from customers. Each item will have narrative support, emphasizing quantifiable benefits where evident.

Revised Program Approach to Site Characterization at Yucca Mountain Reflects Department Awareness of Cost and Schedule Risks Under Current Program

The Nuclear Waste Policy Act of 1982, as amended, required the Department to characterize Yucca Mountain as a potential repository for high-level radioactive waste and develop a site characterization plan. In developing this plan, the Department originally estimated that site characterization would be completed by 1995. This date was later extended to 2001 as a result of a review conducted by the Secretary of Energy. To meet the site characterization date, two key activities involving above and below-ground exploration were scheduled to be completed by 1998. Given the levels of effort and funding as of Fiscal Year 1994, however, the above and below-ground exploration would not be completed until the years 2022 and 2006, respectively. These activities were behind schedule because they had not received the necessary priority in light of limited funding. Until the Department prioritizes the site characterization activities, the project will continue to fall further behind and cause an escalation of costs for the Department and the ratepayers involved.

An Office of Inspector General audit of site characterization at Yucca Mountain rec-

ommended that the Director, Office of Civilian Radioactive Waste Management conduct a critical path analysis of project activities, establish priorities based on that analysis, and allocate sufficient resources to those activities that are most critical to the timely completion of the repository program. The Director should also formulate completion dates for site characterization activities and other critical project activities included in the analysis and obtain the proper approval to establish the dates as the project baseline. The Director concurred with the intent of the recommendations contained in the audit report and explained a revised program approach that would accelerate progress on the project while preserving key schedule milestones. The revised program approach does not require all measurements and analyses in the site characterization plan before evaluating suitability, selecting a final design, and submitting a license application to the Nuclear Regulatory Commission. The revised program permits the phasing of tests to achieve the early technical site suitability evaluation and preserves the schedule for licensing, constructing, and operating the repository should the site be determined to be suitable.

The finding and recommendations in the audit report relative to above and below-ground testing clearly support the

need for a re-designed approach to site characterization. The auditors agreed with the Director, Office of Civilian Radioactive Waste Management, who stated in recent testimony before the Nuclear Regulatory Commission that Yucca Mountain's original site characterization program was no longer supportable since it had no apparent possibility of being funded at required levels and there was inadequate means for measuring annual cost and progress. Moreover, the auditors commend the Office of Civilian Radioactive Waste Management for acknowledging the serious problems that existed in the site characterization program and for taking action aimed at returning the program to a schedule that preserves critical milestones. (IG-0366)

Reviews of Contractor Disclosure Statement Adequacy and Cost Accounting Standards Compliance

The Office of Federal Procurement Policy Act Amendments of 1988 requires certain contractors and subcontractors to comply with the Government's Cost Accounting Standards and to disclose in writing and follow consistently their cost accounting practices. A disclosure statement is a written description of a contractor's cost accounting practices and procedures, and includes methods of distinguishing direct costs from indirect costs and the basis used for allocating indirect costs. The disclosure statement must be amended when a major change is made in cost accounting practices.

Preparation of the disclosure statement and compliance with the Cost Accounting Standards are the responsibility of the contractor or subcontractor. The responsibility of the Office of Inspector General is to express an opinion on the adequacy of the disclosure statement and on whether the contractor's actual cost accounting practices are in compliance with Cost Accounting Standards in effect for that particular contract. Due to a lack of resources in the Office of Inspector General, we are working with rep-

resentatives from the Office of the Chief Financial Officer to conduct these reviews. The Office of the Chief Financial Officer has responsibility for the oversight of financial management activities at integrated contractors. This cooperative partnership should be an efficient means to obtain reasonable assurance that the disclosure statements are current, accurate and complete, and that the actual cost accounting practices are in compliance with Cost Accounting Standards.

Recommendations made in reports generated by the reviews include recommending that the cognizant Department contracting officer require the contractor to:

1. Prepare a revised disclosure statement to describe its revised practices for classifying, accumulating, and allocating indirect costs. The revised disclosure statement should also explain how inter-organizational transfers to other of the contractor's business units are treated, as well as describe in more detail the contractor's criteria for changing actuarial computations and assumptions.
2. Recognize and account for indirect costs in accordance with Cost Accounting Standards 410 and 418 and Federal Acquisition Regulation Part 31.
(ER-L-95-05)

Taxpayers May Be at Risk for Bearing Cooperative Research and Development Agreement Costs That Should Have Been Borne by Non-Federal "Partners"

The Department recently reached a milestone of having 1,000 Cooperative Research and Development Agreements (CRADAs), with a total combined public and private funding value of about \$2 billion. A CRADA is a cost-sharing agreement between the Government and a non-Federal entity in which the Government contributes funds-in-kind, such as facilities, personnel,

and equipment. The non-Federal "partner" may make cash payments to the Government in addition to its own in-kind contributions. CRADAs were to be structured to provide mutual benefits to the Department and industry, such as leveraging scarce research and development resources, increasing the exchange of ideas, and providing access to facilities, equipment, and experts. Congress has authorized the Department's national laboratories to enter into CRADAs directly with non-Federal participants without triggering the many legal conditions, such as adherence to acquisition regulations, otherwise used by the Federal Government.

An audit was conducted at Sandia National Laboratories to determine if current practices were adequate for verifying the in-kind contributions of Sandia's CRADA partners. As of November 1994, Sandia had about 210 CRADAs totaling about \$546 million, with roughly \$240 million being contributed by the Department. The majority of the partners' approximately \$306 million share was funds-in-kind contributions, which were their costs for labor, facilities, equipment, and material that they contributed to the projects.

For the CRADAs reviewed, the auditors determined that although the Department established a 50/50 CRADA cost-sharing goal, it did not establish controls to provide reasonable assurance of achieving that goal. The Department's CRADAs, for example, did not include provisions that specified how the partner was to charge its costs or that provided for Government access to the partner's cost records. Sandia used "success factors," such as technical achievements, as an indirect verification that partner contributions were being made; however, such factors could not be expected to disclose whether a partner was inappropriately funding the costs of in-kind contributions. In fact, some CRADA partners shifted an inappropriate part of their share of costs to the Government when charging such costs to Federal contracts. At the request of the auditors, the Defense Contract Audit Agency

examined in-kind contributions for six Sandia CRADA partners and found that two partners had inappropriately charged Government contracts about \$160,000 of the recorded costs of about \$371,000. If the cost shifting trend continues over the life of these two CRADAs, the Government will bear about \$784,000 of the partners' \$1.4 million in contributions.

The audit report informed Department management that there is not a common understanding between the Department and its CRADA partners as to the amount of partner costs that could be legitimately charged to the Government. The taxpayer, therefore, may be at risk for bearing costs that should have been borne by the partner. Cost shifting, by reducing the partner's financial risk, might also reduce the partner's incentive to exert best efforts to achieve project success. The fact that it is the Defense Contract Audit Agency's job to control contractor costs does not relieve the Department from the responsibility to have strong prevention controls in place in its CRADAs.

To facilitate positive change in the CRADA process, the audit report provided details of the problem to management to enable it to focus on preventive action for future CRADAs. Therefore, the audit report did not contain formal recommendations for corrective action. The information exchanged between the auditors and Department managers should facilitate positive change for future CRADA practices.

(WR-B-95-01)

Audit Report Increased Department Management Awareness of Opportunities to Improve the Efficiency and Adequacy of Security Police Officer Training

An audit of security police officer training disclosed that the Department had not established standardized annual refresher training requirements for its security forces and that individual sites were developing and implementing training programs and course plans without emphasis on standard-

ization. Potential duplication of effort exists and incomplete coverage of applicable security issues may occur due to the absence of specific annual training requirements. The current situation allows field sites to independently develop training programs and to interpret annual training requirements differently.

The audit also showed that training plans at six sites needed improvements to ensure that the plans were complete and that they addressed the training needs of the Department. The audit found that the training plans were not approved in advance by Department personnel, did not clearly describe the types and duration of training required or needed, did not correspond with the completed training recorded for the officers, and did not include an estimate of the costs necessary to carry out the training. In addition, the training plans did not identify the different categories of officers, the training courses they were to receive, or the descriptions of those courses. Site training records showed that the officers' actual training varied significantly from the courses outlined in the training plans.

The Office of Safeguards and Security within the Department's Office of Nonproliferation and National Security generally agreed with the intent of the report's recommendations for improvements to security police officer training. The Office of Safeguards and Security stated that it develops, interprets, and maintains security training policy; provides programmatic assistance to field organizations; and develops and conducts standard training. However, the Office of Safeguards and Security believed that it had no authority to ensure implementation of its policies, and that the authority resided with the Deputy Assistant Secretary for Security Evaluations within the Office of the Assistant Secretary for Environment, Safety and Health. Within the current organization of the Department of Energy, the Office of Safeguards and Security believed that it cannot ensure that field organizations perform at a recommended level.

The audit report recommendations appear to have raised Department management's awareness of potential duplication of security training efforts, as well as of opportunities to consolidate parts of the security training program and to standardize training requirements and procedures. (CR-B-95-03)

Department Program Office Provided Further Guidance Following Office of Inspector General Recommendation on Contract Administration Training

The Office of Inspector General was asked to assist in a joint investigation on contractor cost and labor mischarging that was being conducted by several law enforcement offices. The contractor was performing work for several Government entities, including a Department of Energy program office. The Office of Inspector General provided assistance on the joint investigation by conducting interviews, obtaining vouchers and related Department of Energy documents, and serving as liaison between Department of Energy officials and the other law enforcement agencies. The joint investigation resulted in the contractor's guilty plea to a charge of submitting a false claim to the Government, and an agreement to pay restitution of \$1.4 million to the General Treasury and a fine of \$600,000.

During Office of Inspector General interviews, a senior Department of Energy official acknowledged that he had instructed the contractor to "cross-charge" costs on several occasions from one task to other tasks on the same contract. The senior official stated that he did not intend for the contractor to defraud the Government or to permit the contractor to submit false claims. The senior official implied that his actions were based on the needs of the office, in that work stoppages might have resulted otherwise. The joint investigation did not reveal that the senior official's instructions to "cross-charge" among the program office's tasks had led to the contractor's extensive mischarging on some Government contracts.

In a report to the Department of Energy program office administrator, the Office of Inspector General recommended that program office personnel involved in the administration of contracts be adequately trained to perform their duties. Program office officials should also be familiar with procurement regulations which govern contracts within their purview, and appropriate program personnel should thoroughly review contract vouchers. Additionally, procedures should be established to review contractor performance during the course of a contract.

The program office administrator responded to the recommendations by issuing

a new, revised technical monitor's guide to program office monitors; establishing quarterly meetings for program office technical monitors; arranging for all contracting officer representatives to receive training in voucher examination and cost analysis; and instituting a program for site visits to off-site contractor locations. Also, the contracting officer has begun conversations with program office contractors regarding the inclusion of more detailed information on vouchers submitted for payment. Department program office and procurement management believe that the "lessons learned" from this incident will be helpful for monitoring all contracts. (I93HQ011)

PERFORMANCE MEASURE #5:

COMPLAINTS RESOLVED

Explanation: Complaints and allegations resolved as a result of OIG work. Complaints and allegations are considered resolved when a case is closed. Prosecutions and exonerations are included in this measurement. Complaints and allegations which are referred to management without requiring a management response and referrals to other agencies do not count as resolutions and will not be included in this statistic.

Management Actions, Both Taken and Planned, Should Resolve Complaints Regarding Off-Site Procurements at the Department's Hanford Site

The Office of Inspector General inquired into complaints it received regarding the poor quality of off-site procurements at the Department's Hanford Site. The procured items included a carbon tetrachloride drum loading cabinet, flange guards, and air filters. Office of Inspector General inspectors substantiated that repairs had been required before the items could be used satisfactorily, in spite of the fact that the carbon tetrachloride drum loading cabinet had passed a quality assurance receipt inspection and the air filters had passed item testing and certification by the vendor.

Based on recommendations made in the Abstract Report of Inspection, management took, or plans to take, corrective actions which include directing the Hanford Site contractor to review purchase requisition requirements through its internal audit organization to ensure that adequate details are included in those requirements. The contractor's quality assurance organization has been directed to perform a self-assessment of the quality assurance actions involved in the procurement process. Further, the contractor will be directed to submit an Accountability Event Report on the repairs identified in the Abstract Report of Inspection so that the Richland Operations Office can determine whether the costs associated with those repairs were avoidable. The Richland Procurement Division reviewed

the warranties and subcontract provisions of the contractor's procurement system during a May 1993 Contractor Purchasing Review and concluded that those provisions were adequate. (S93IS021)

Program Administrator Is Required to Repay the Government in Annual Leave and Cash for Board of Visitors Trips to His Alma Mater

The Office of Inspector General received a complaint concerning possible improper activities by a Department Program Administrator. The complainant alleged that the Administrator, who was a member of his college's Board of Visitors, routinely attended Board of Visitors meetings at the college without taking annual leave.

An Office of Inspector General inspection substantiated the complainant's allegation. A limited review and analysis of selected Board of Visitors records and travel records of the applicable Department program office showed that, between November 1989 and May 1994, the Administrator used 33 official work days to attend Board of Visitors meetings at the college. He claimed that he considered his participation on the college's Board of Visitors part of his official duties. However, the Administrator had held the position on the Board of Visitors before his Department of Energy employment, the college had not requested a representative from the Department, the Administrator had reported on financial disclosure forms that the Board position was an outside activity, and he had never ques-

tioned memoranda which he had received from Department counsel calling his attention to regulations on outside activities.

In response to recommendations in the inspection report, Department management determined that the Administrator's attendance at Board of Visitors meetings at the college was not an official duty and that appropriate deductions should be made from his annual leave account, and/or he should repay equivalent funds to the Government. (S94IS075)

Savannah River Operations Office Manager States that Corrective Actions Will Be Taken to Address a Complaint Regarding ADP Equipment Acquisitions

The Office of Inspector General received a complaint that the Savannah River Operations Office was taking improper actions to convert as quickly as possible from varied personal computer systems to one common system. An inspection substantiated the complaint. Inspectors found that the Operations Office had, on five separate occasions, failed to conform to Federal regulations in the acquisition of personal computer equipment. Some senior Operations Office officials did not comply with restrictions on using small purchase procedures, nor did they follow the Operations Office's own requirements for identifying in their organizational acquisition plans all projected acquisitions of computer equipment in excess of \$25,000. Specifically, the officials approved procurement of \$416,938 worth of computer equipment by issuing 28 separate purchase requisitions. These requisitions were then "batched" to support 14 purchase orders in such a manner as to keep the total for each purchase order at a level where small purchase procedures apply. The inspection also disclosed that the Operations Office's procurement staff did not properly exercise their responsibility to identify and reject purchase requisitions which are not in conformance with small purchase provisions of Federal regulations.

The Operations Office Manager concurred with the inspection report's recommendations, agreeing that contracts division personnel should be instructed to increase their review of batch submissions of purchase requisitions for computer equipment for compliance with applicable Federal regulations. The Manager indicated that a long-term requirements contract will be in place in February 1995 and should eliminate the use of purchase orders for acquiring computer equipment. (S94IS048)

Inappropriate Material Is Discovered on a Publicly Accessible Department of Energy Computer Bulletin Board

A complainant notified the Office of Inspector General that games, sexually oriented material, and other inappropriate software resided on a Department of Energy electronic bulletin board which was accessible by the public. The complainant forwarded a copy of the opening computer screens of the bulletin board system which identified the system operator as an employee at Department Headquarters. The complainant also forwarded a partial list of the files contained on the bulletin board system, including over 400 games, sexually oriented material, tax preparation software, genealogy programs, baseball card cataloging programs, and a draft Department budget document. The Headquarters employee told Office of Inspector General inspectors that the bulletin board system had been running for over eight years and had over 1,000 active users.

After reviewing the material provided by the complainant and confirming by remote access that the alleged types of material were present, the inspectors notified the cognizant Department manager of the existence and general contents of the computer system. The Department manager then shut down and removed the bulletin board system from the employee's office and notified the Office of Inspector General that he would conduct a detailed review of the inci-

dent and report on the findings.

The Office of Inspector General made several recommendations which, when implemented, would help to decrease the chances of similar occurrences. Department management concurred with the recommendations. (S94IS052)

Laboratory Computers Were Used to Store and Distribute Pirated Software and Pornography

The Office of Inspector General received information that some pornographic photographs were found on a Lawrence Livermore National Laboratory computer. Working cooperatively with Laboratory computer security staff and University of California Police, the Office of Inspector General investigators learned that the employee stored over 40 gigabytes (about 2.24 million pages) of pornographic material and stolen software on the hard drives of three Laboratory computers and numerous tape diskettes. The employee had set up a computer "post box" five years earlier using the three Laboratory computers to collect digital photos of musical groups. The post box (specifically, a Unix server) permitted deposit, storage and distribution of numerous files. The post box was connected to a line accessible 24 hours per day through the Internet, and he gave post box access codes to a select group of people. His collection grew to include pornographic images. When it grew beyond the storage capacity of the three computer hard drives, he began storing the data on tapes. The employee then created a second post box to collect and distribute pirated software in a manner similar to that being used to distribute the pornography. The estimated value of the pirated software is \$1,975,000.

The U.S. Attorney's Office declined prosecution because the employee did not personally profit from his network, nor did he facilitate the exchange of child pornography. The employee was allowed to resign

from the Laboratory. He pled guilty in state court to one felony count of computer-related crimes and was given 3 years probation. He was also fined \$2,000 and ordered to pay restitution of over \$16,700.

An administrative report to management was issued to the Associate Deputy Secretary for Field Management, resulting in a commitment from Department management to increase awareness of what constitutes misuse of Government computers at Department sites and to strengthen policies which ensure the proper use of Government equipment.

Computer Security and Information Management personnel from contractor sites and the Department's Operations Offices attended a symposium sponsored by the Oakland Operations Office to discuss instances of computer misuse at Department sites, existing programs aimed at guaranteeing proper use, and cost-effective methods to detect misuse and employ products that allow for success measurement. (I94LL025)

Contractor Employee Brought Personal Firearms onto Government Property

A complainant notified the Office of Inspector General that a contractor employee was bringing personal firearms onto Oak Ridge National Laboratory property. A search of the employee's vehicle in a Laboratory parking lot uncovered an unloaded .22 rifle and a .357 magnum handgun loaded with three rounds. The employee claimed that he maintained the weapons to frighten dogs away from his cattle and that he had forgotten to remove the weapons from his truck.

The investigative report recommended that the Oak Ridge Operations Office ensure that the contractor takes appropriate disciplinary action concerning the employee's possession of personal firearms on Government property. Oak Ridge should also ensure that all employees at the facility are reminded about what articles are prohib-

ited on all Government property, including parking lots. The contractor employee was placed in the contractor's disciplinary program. (I94OR008)

Laboratory Employee Used Government Time and Computers for Personal Business

The Office of Inspector General investigated an allegation that a Lawrence Livermore National Laboratory contractor employee performed consulting work for a private contractor when he was supposed to be performing work for the Government. The investigation revealed that the employee performed about 18 hours of consulting work during Laboratory working hours. The employee also used Laboratory computer equipment to prepare his personal resume and to prepare personal correspondence to private firms regarding product information. Additionally, he used Government computer equipment to track his personal financial data, prepare information for the Internal Revenue Service, and compose personal letters.

The investigative report recommended that the Department direct the Laboratory to pursue appropriate disciplinary and/or administrative action against the employee, who subsequently resigned. (I93LL033)

Laboratory Employee Conducted Private Enterprise During Government Working Hours

The Office of Inspector General investigated an allegation that a Lawrence Livermore National Laboratory contractor employee sold real estate while on the job. The investigation determined that, from April to December 1993, there were 794 toll calls made from the employee's telephone, totaling 37 hours at a cost of \$64.28. About 300

of the calls were to local real estate agents, mortgage brokers, insurance firms and banks. Based on the employee's hourly salary and other cost factors, the total value of the time which the employee spent on personal business was about \$723.

The investigative report recommended to the Department that appropriate administrative action be taken against the employee. Laboratory management gave the employee a letter of reprimand and directed that restitution be made in the amount of \$1,050. (I94LL006)

A Supervisor Attached a Listening Device and a Recorder to a Subordinate's Telephone

The Office of Inspector General was informed that a subcontractor employee had complained that her supervisor had attached a listening device and a tape recorder to her office telephone at the Department's Savannah River Site.

Investigation substantiated the allegation. The supervisor admitted attaching the listening device and recorder to the complainant's telephone. He claimed that he did so to gain information supporting his belief that his subordinate was trying to get him fired. The supervisor stated that he had received general employee training when he began his employment with the subcontractor at the Savannah River Site, and he was aware of the Federal regulation regarding recording devices at Government facilities. The Federal Bureau of Investigation was informed of the incident, and the subcontractor fired the supervisor. The Assistant U.S. Attorney declined prosecution because disciplinary action had been taken against the supervisor, he had not been involved in a conspiracy, and he had not gained financially from his conduct. (I95SR006)

PERFORMANCE MEASURE #6:

INVESTIGATION RECOVERIES/FINES AND FUNDS IDENTIFIED FOR BETTER USE

Explanation: Applies to investigations and allegation-based inspections only, and consists of recoveries and fines which were collected as a result of management actions based on OIG work, as well as funds identified in reports for better use. Statistics on investigative recoveries/fines will be collected separately and will be included in Section 4 of the Semiannual Report.

A Joint Investigation at Lawrence Livermore National Laboratory Led to Recovery of Stolen Computers and a Successful Prosecution

The University of California Police Department informed the Office of Inspector General that protective service officers at the Lawrence Livermore National Laboratory were involved in a conspiracy to steal Department computers and sell them. A joint University Police and Office of Inspector General investigation was initiated.

The investigation disclosed that a protective service officer was involved in the theft of five MacIntosh Powerbook portable computers. During questioning, the officer said that he had purchased the five computers from an unidentified person. He claimed that he had kept one of the computers for personal use, sold two to two laboratory employees, and sent the two remaining computers to potential customers for testing. The investigation revealed that one of the computer purchasers was another protective service officer who had been trained to identify altered serial numbers and should have known that the computer was stolen.

The Laboratory fired both protective service officers, and the Alameda County District Attorney's Office accepted the case for prosecution. The former protective service officer was charged with felony grand theft and possession of stolen property under the California Penal Code. He pled guilty to one felony count of possession of stolen property and was ordered to return the De-

partment of Energy's five computers, which were valued at \$16,269.25. In October 1994, the individual was sentenced to three years probation, ordered to pay \$5,000 in restitution, fined \$250 for probation costs, and fined another \$250 for restitution processing expenses. (I94LL021)

A Community Action Agency Paid Over \$180,000 to Two Companies for Weatherization Material and Labor that Were Never Received

The Office of Inspector General received allegations that a community action agency in the Midwest had, over a 2-year period, paid two companies over \$180,000 for weatherization material and labor that it did not receive. An investigation substantiated the allegations, finding that the agency's weatherization director used his official position to direct weatherization funds to three companies for work that was not done or for double payment of the same work. Two of the three companies were not bona fide companies; they existed in name only and performed no work and sold no materials to the community action agency. The agency's weatherization director received kickbacks from the individuals who participated in the scam.

As a result of the investigation, six individuals were indicted by a Federal grand jury for conspiracy, theft/bribery from a Federal program, money laundering, and criminal forfeiture of property. The six defendants pled guilty in Federal court to fel-

ony or misdemeanor counts. The agency's weatherization director was sentenced to 15 months incarceration and 3 years of supervised probation. In addition to various confinement and probation stipulations, the six defendants were ordered to pay a total of \$157,457 in restitution (\$111,000 of the amount coming from the agency's weatherization director). In March 1995, the Department's Deputy Assistant Secretary for Procurement and Assistance Management issued eight suspension and proposed debarment notices against the six individuals and two companies.

The investigation also revealed that the weatherization director had used embezzled funds to make a downpayment on the purchase of a farm. A civil forfeiture complaint has therefore been filed in Federal court to recover these Federal funds or forfeit the farm to the United States. (I93CH001)

Contractor Employee Submitted Falsified Relocation Lodging Receipts

Martin Marietta Energy Systems auditors notified the Office of Inspector General that a former Energy Systems employee had submitted three vouchers with falsified relocation lodging receipts and babysitting receipts in the amount of \$3,312.80. During the investigation, the former employee admitted falsifying the three vouchers. He said that he had lost money on a previous transfer and had not wanted to lose again.

The Assistant U.S. Attorney accepted this case for prosecution. The former employee then reimbursed the Government \$3,312.80 and the cost of his transfer, about \$20,000. (I94OR010)

Department Management and Operating Contractor Reported Burglary of Its Offices

A Department management and operating contractor reported a burglary of its Pleasanton, California, office to the Office

of Inspector General. The resulting investigation revealed that the contractor's personal property management was not in compliance with its contract and that its inventory control of the Department's non-capital property was weak. For example, tools and other pilferable items were not marked with Department identification as required. This fact, along with poor excessing controls, had enabled two current employees and one former employee to steal Department property. A review of Office of Inspector General files disclosed that a similar burglary had occurred at the contractor's office in 1991, during which \$10,000 was stolen and a contract security guard was severely beaten and hospitalized.

In cooperation with local police and the district attorney, search warrants were executed on several residences and vehicles. Ultimately, about \$28,000 in Department property was seized, three subjects pled guilty to charges of possession of stolen property and grand theft. In addition to probation, they were ordered to pay over \$6,400 in fines and restitution. (I94LL008)

Kickbacks to Contractor Employees at Naval Reactors Facility in Idaho Falls Led to Indictments, Guilty Pleas, Fines and Incarcerations

The Office of Inspector General was notified that a contractor employee at the Naval Reactors Facility in Idaho Falls arranged for procurements to be awarded to a specific vendor in return for a percentage of the net profits. A task force investigation including several law enforcement agencies determined that the contractor employee arranged for \$451,875 in "sole sourced" procurements to one vendor. The employee had created a special company to facilitate kickbacks to himself and two other employees.

A 56-count indictment resulted from the investigation. In addition to various terms of incarceration and probation, the sentencing resulted in \$4,300 in fines and over

\$100,000 in restitution. The Office of Inspector General recommended to the Department that 5 individuals and 5 companies involved in the overall scheme be debarred. (I91IF003)

Substandard Solid State Relays Result in a \$1.25 Million Settlement

An investigative task force was notified that an electronic parts vendor had supplied Government agencies with solid state relays which had not been tested as required by the vendor's contract. The investigative task force, of which the Office of Inspector General was a member, established that the vendor intentionally sold certain lots of solid state relays to the Government where more than the allowed 5 percent of relays in the lots had failed to meet the standard set in its contract. The vendor agreed to pay a \$1,125,200 settlement to the United States. (I93AL007)

Westinghouse Savannah River Company Employee Convicted of Theft and Embezzlement of Government Property Wins Unemployment Benefits

An Office of Inspector General investigation determined that a Westinghouse Savannah River Company employee was in possession of a box of computer-related hardware estimated to be worth about \$3,300 and numerous storage diskettes containing computer-based training programs with an estimated value of \$350,000. Westinghouse terminated the employee for unauthorized possession of Department of Energy property, and a grand jury indicted him for theft and embezzlement of Government property. The employee pled guilty in Federal court to theft in the amount of \$5,000. The Assistant U.S. Attorney was unable to charge the value of the computer-based training programs because of poor controls over the programs.

The employee appealed an initial denial of unemployment benefit payments, re-

futing Westinghouse's claim that he had been in possession of Government property. Because Westinghouse failed to send a representative to the appeal hearing before the South Carolina Unemployment Insurance Commission, the employee won his appeal by default and received unemployment benefit payments.

The investigative report recommended that the Department's Savannah River Operations Office review Westinghouse's system which classifies and tracks computer hardware in site inventories. The Operations Office also should review Westinghouse's practice of accounting for individually licensed software. The investigative report additionally recommended that the Operations Office review Westinghouse's policies and procedures for attending unemployment insurance claims appeals hearings for employees terminated for cause. (I93SR016)

Investigations of Travel Waste and Abuse Cases Result in Monetary Recoveries and Disciplinary Actions

During this reporting period, the Office of Inspector General concluded several investigations into travel-related waste and abuse by Department employees and contractors. Investigations led to the recoveries and disciplinary actions noted.

A DOE employee illegally obtained over \$3,200 in travel funds through 11 false travel authorizations. The employee was fired and, after pleading guilty to a misdemeanor, was given a 90-day suspended sentence with 5 years probation. She was also ordered to make full restitution to the Department. (I94HQ016)

A Lawrence Livermore National Laboratory employee submitted 20 false travel vouchers; was absent from work without leave for 24 days and received over \$4,500 in salary during his absence; received over \$1,100 for falsely claimed hotel charges; and received \$816 in falsely claimed per diem. The employee resigned from the Laboratory and pled guilty to grand theft.

He was ordered to pay over \$6,500 in restitution. (I93LL018)

A San Francisco Operations Office employee exchanged a total of 11 airline award mileage certificates for roundtrip airfares to Hawaii and Puerto Rico for himself and family members. He also used frequent flyer upgrades without prior approval required by the Department. A review of the employee's frequent flyer mileage credits and his travel history verified that all of his frequent flyer mileage credits were accumulated during his official travels. The Department directed that the employee repay the Government over \$6,000 for the costs of the free airline tickets he obtained through the frequent flyer program. The employee made the repayment. (I93LL002)

A Lawrence Livermore National Laboratory employee submitted about 300 fraudulent local travel vouchers for over \$49,400 in payments. The employee resigned her position. She pled guilty in court to submitting false claims and was sentenced to 10

months imprisonment. She was also ordered to pay over \$48,800 in restitution and a \$50 fine. (I92LL010)

An Argonne Area Office employee submitted fraudulent vouchers claiming that he had paid \$1500 per month for two months of temporary lodging in connection with his transfer to Chicago. The actual rent on the lodging had been \$650 per month. The employee voluntarily resigned from the Argonne Area Office, reimbursed the Department \$891.25, and pled guilty to one count of making a fraudulent demand against the United States. (I92CH008)

A former contractor employee violated his employment agreement when he left employment within one year of his relocation without repaying the Government the \$3,937 cost of his move. When contacted by the Assistant U.S. Attorney, the former employee agreed to repay \$5,000, which included accrued interest on the money. (I91CN001)

Section 2

Office of Inspector General Overview

This section describes the mission, staffing and organization of the Office of Inspector General, and discusses key Office of Inspector General concerns which have potential to impact the accomplishment of audit, inspection, or investigative work.

OFFICE OF INSPECTOR GENERAL OVERVIEW

MISSION

The Office of Inspector General operates under the Inspector General Act of 1978, as amended, with the following responsibilities:

1. To provide policy direction for, and to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of the Department of Energy.
2. To review existing and proposed legislation and regulations relating to programs and operations of the Department of Energy, and to make recommendations in the semiannual reports required by the Inspector General Act of 1978 concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by the Department, or on the prevention and detection of fraud and abuse in such programs and operations.
3. To recommend policies for, and to conduct, supervise, or coordinate other activities carried out or financed by the Department of Energy for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.
4. To recommend policies for, and to conduct, supervise, or coordinate relationships between the Department of Energy and other Federal agencies, state and local governmental agencies, and nongovernmental entities with respect to:
  - All matters relating to the promotion of economy and efficiency in the administration of, or the prevention and detection of fraud and abuse in, programs and operations administered or financed by the Department.
  - The identification and prosecution of participants in such fraud or abuse.
5. To keep the Secretary of the Department of Energy and the Congress fully and currently informed, by means of the reports required by the Inspector General Act of 1978, concerning fraud and other serious problems, abuses and deficiencies relating to the administration of programs and operations administered or financed by the Department of Energy, to recommend corrective action concerning such problems, abuses, and deficiencies, and to report on the progress made in implementing such corrective action.

ORGANIZATION AND STAFFING

The activities of the Office of Inspector General are divided into four areas which are administered by Deputy Inspectors General (see the accompanying organization chart).

The Office of Audit Services provides policy direction and supervises, conducts and/or coordinates all internal and contracted audit activities for Department of Energy programs and operations. These operations include those conducted under contracts and grants, as well as those performed by Departmental employees. The audit staff has been organized into three regional offices, each with field offices located at major Department sites: Capital Regional Audit Office, with field offices at H Street in Washington, DC, the Federal Energy Regulatory Commission, Germantown, Pittsburgh, and Dallas; Eastern Regional Audit Office, with field offices located at Cincinnati, Chicago, New Orleans, Oak Ridge, Princeton, and Savannah River; and Western Regional Audit Office, with field offices located at Albuquerque, Denver, Idaho Falls, Las Vegas, Livermore (California), Los Alamos, Richland (Washington), and Portland.

The Office of Investigations identifies and pursues indications and allegations of prohibited or improper activities committed against the Department by its employees, contractors, vendors and others who have a relationship with the Department. The Office of Investigations is currently organized with three regional offices, each with reporting offices located at major sites: (1) the Capital Region Office is located at H Street in Washington, D.C., with a reporting office located in Pittsburgh; (2) the Eastern Region Office is located in Oak Ridge, with reporting offices located in Cincinnati, Savannah River, New Orleans, and Chicago; and (3) the Western Region Office is located in Albuquerque, with reporting offices located in Richland, Idaho Falls, Livermore, Las Vegas, Denver, Kansas City, and Los Alamos. The Assistant Inspector General for Investigations has full leadership responsibility over the Office of Investigations. A newly appointed Deputy Assistant Inspector General for Investigations provides direct management to Special Agents-in-Charge who manage each of the regional offices. The Deputy also manages the Office of Policy, Plans and Programs, which is the administrative arm of the Office of Investigations. In addition, the Deputy is responsible for management of the Inspector General Hotline. Additional organizational changes within the Office of Investigations are being pursued to continue to streamline processes.

The Office of Inspections performs inspections and analyses, as required by the Inspector General. This Office also performs reviews based on administrative allegations received by the Office of Inspector General and processes Inspector General referrals to Department management for appropriate action. An inspection is the examination of a program, project, function, activity or organization. The purpose of an inspection is to evaluate the effectiveness and/or efficiency of an operation, to evaluate program results, and to determine compliance with laws and regulations. An inspection is also another technique used to detect or prevent fraud, waste or mismanagement. Inspections are designed to provide timely feedback to program managers and, in some instances, provide a source of analytical information for audits or criminal investigations. The inspection staff is or-

ganized into three offices: Field Operations and Administration, Management Inspections, and Program Inspections. Field Operations and Administration has inspectors located at Albuquerque, Oak Ridge, Savannah River and Livermore.

The Office of Policy, Planning and Management directs the development, coordination, and execution of overall Office of Inspector General management and administrative policy and planning. This responsibility includes directing the Office of Inspector General's strategic planning process, financial management activities, personnel management programs, procurement and acquisition policies and procedures, and automated data processing programs. In addition, staff members from this Office represent the Inspector General in budget hearings, negotiations, and conferences on financial, managerial, and other resource matters. Also, staff members provide management and administrative support services, including personnel, procurement, security, travel, training, and automated data processing services. The staff prepares and/or reviews responses to Freedom of Information Act and Privacy Act requests directed to the Office of Inspector General and coordinates all activities of the President's Council on Integrity and Efficiency in which the Inspector General participates. This Office also provides a quality assurance program for the Office of Inspector General. The Office is organized into four offices: Automated Data Processing, Administrative Services, Human Resources Management, and Planning and External Liaison.

INSPECTOR GENERAL CONCERNS

Impact of Chief Financial Officers Act of 1990

In October 1994, Congress passed the Government Management Reform Act which provides for final agency-wide implementation of the Chief Financial Officers Act of 1990. Under these two Acts, departments and major agencies of the Federal Government are required to submit to the Office of Management and Budget audited financial statements covering all accounts and associated activities of each office, bureau and activity of each agency for Fiscal Year 1996 by March 1, 1997.

The Office of Audit Services has been auditing the financial statements of the Department of Energy's commercial and revolving-fund activities, including the power administrations, the Federal Energy Regulatory Commission, the Naval Petroleum and Oil Shale Reserves, and the Nuclear Waste Fund, since Fiscal Year 1990. During each of the past 5 years, the Office of Audit Services has performed 11 financial statements audits for each of these entities.

The Government Management Reform Act of 1994 requires that audited financial statements for Fiscal Year 1996 be submitted to the Office of Management and Budget by March 1, 1997. It is anticipated that this requirement will cause additional staff years of effort to be diverted from other Office of Inspector General audits. The operational impact of compliance with the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994 will be at the expense of program-results and economy and efficiency audits.

The following are examples of some of the planned audits for Fiscal Year 1995 which already have been cancelled due to the diversion of resources to financial

audit work: (1) a review of plans for developing multipurpose canisters for civilian radioactive waste; (2) a review of headquarters Thrift Savings Plan operations; (3) a followup audit on procurement of support services for the Energy Information Administration; (4) an audit on the reliability of the Federal Energy Regulatory Commission's cost accounting and workload reporting system; (5) a survey of major areas within the Federal Energy Regulatory Commission to identify areas that need auditing; (6) an audit of Worker's Compensation payments at two selected contractors; (7) an audit of non-exempt overtime; (8) an audit of waiver of depreciation and added factor; and (9) an audit of Pantex training activities.

Department Internal Audit Status

The Department of Energy accomplishes its mission in large part through the use of management and operating contractors that operate the Department's major facilities. Sufficient audit coverage to ensure that major Department contractors are operating economically, efficiently and effectively has been a concern for a number of years. For the past four years, the Department has reported a material deficiency in the audit coverage of these contractors in the Secretary's Federal Managers' Financial Integrity Act letters to the President.

To improve audit coverage at the management and operating contractors, the Office of Inspector General initiated a time-phased approach to acquire additional staff and performed a comprehensive reevaluation of the audit approach. As a result of this reevaluation, a Cooperative Audit Strategy was recommended. The Cooperative Audit Strategy includes the use of risk assessments as the basis for audit plans and greater cooperation between the Inspector General's audit staff and the internal audit organizations of the Department's management and operating contractors.

During Fiscal Year 1993, there was significant progress toward implementing the Cooperative Audit Strategy. This primarily involved pilot implementation of the strategy at 15 management and operating contractors; establishment of the Audit Tracking and Planning System; and initiation of the Peer Review Program. To ensure the successful implementation of the Cooperative Audit Strategy, a Steering Committee on Quality Audits was established.

While the pilot program implementation was not without its challenges, results indicated that the program could successfully be expanded to the Department's 43 management and operating contractors. During Fiscal Year 1994, the new audit strategy was implemented at all of the Department's management and operating contractors. The Audit Tracking and Planning System, which tracks internal auditors' and other organizations' audit work at management and operating contractors, has produced a Departmentwide audit plan that serves to avoid duplicate audit coverage and a Fiscal Year 1994 internal audit plan for all contractors.

To ensure that contractor audits are being performed in accordance with Government Auditing Standards, the Peer Review Program was initiated. The Peer Review Program meets the standards of the Institute of Internal Auditors, and is supplemented by OIG oversight and annual assessments of internal audit group performance. Fourteen peer reviews have been completed thus far, and reviews at

the remaining management and operating contractors are to be completed by the end of Fiscal Year 1996. The completed reviews disclosed that contractor audits are being performed in accordance with Government Auditing Standards.

Another action that has served to achieve the mutual goal of ensuring high quality audit coverage was the establishment of the Steering Committee for Quality Auditing. The Committee, which is comprised of the Department's Chief Financial Officer, Procurement Executive, Deputy Inspector General for Audit Services, Assistant Inspector General for Audits, and officials from a Department program office, two operations offices and a management and operating contractor, meets quarterly and is expected to continue in this role. A nationwide audit conference was held in May 1994 which discussed the status of the audit function in the Department of Energy and, specifically, the Cooperative Audit Strategy.

Contractor Employee Whistleblower Protection

Section 6006 of the Federal Acquisition Streamlining Act of 1994 (Public Law No. 103-355) established certain contractor employee whistleblower reprisal protections in all Government contracts. The Act places the function of investigating these violations, effective October 1, 1995, (or earlier, if Governmentwide regulations are implemented) in the Offices of Inspector General. The Conference Report accompanying this law states, "the authority created by this section is in addition to, and not intended to override or replace, any other authority that a Federal agency may have to protect contractor employee whistleblowers." This conference language was designed to address the concerns of the Department of Energy because the Department already had in place a more comprehensive program to address the complaints of the Department's contractor employee whistleblowers codified at 10 CFR Part 708.

The Office of Inspector General believes that the existing authority under Part 708 already provides a satisfactory means for addressing such complaints. With one minor modification to Part 708 covering disclosures of procurement fraud to Department of Justice prosecutors, the Department of Energy's Office of Contractor Employee Protection's already broader protections could be expanded to include that one area covered by the statute and not covered by the regulation. In this time of Government streamlining, duplication of similar functions by the Office of Inspector General and the Office of Contractor Employee Protection would be wasteful and could inhibit resolution. Further, additional resources would be consumed by duplicative systems.

The Department of Energy has taken steps to avert such inefficiencies by drafting legislation that would provide the Office of Contractor Employee Protection with sole investigative authority for complaints filed under Section 6006 of the Act. The Office of Inspector General supports this legislative proposal which has been forwarded to the Office of Management and Budget. However, if the statutory complaint reprisal investigation function remains the responsibility of the Office of Inspector General, it is expected that the Office of Contractor Employee Protection will be transferred into the Office of Inspector General on or before the October 1, 1995, effective date established by the Act.

MANAGEMENT REFERRAL SYSTEM

The Office of Inspections manages and operates the Office of Inspector General Management Referral System. Under this system, selected matters received through the Office of Inspector General Hotline or from other sources are referred to the appropriate Department managers or other Government agencies for review and appropriate action. We referred 183 complaints to Department management and other Government agencies during the reporting period. We asked Department management to respond to us concerning the actions taken on 102 of these matters. Complaints referred to the Department's managers included such matters as time and attendance abuse; misuse of Government vehicles and equipment; violations of established policy; and standards of conduct violations. Referrals to management resulted in 16 administrative disciplinary actions being taken during the reporting period. The following are examples of the results of referrals to Department management.

- o A contractor employee was found to be operating a personal loan business from his office. The employee was terminated.
- o A contractor employee was ordered to repay the Department about \$2,600 of travel-related costs after it was determined that the employee did not attend the training for which he had gone on travel.
- o Several contractor employees were found to be violating the contractor's established environment, safety and health policies. The employees were suspended without pay and given oral reprimands. The contractor also paid the Department about \$3,000 in avoidable costs for which the Department was improperly charged.
- o Several contractor employees were found to be misusing Government vehicles. The employees were counseled on the proper use of Government vehicles.
- o A contractor employee who was found to have been using a Government telephone for personal business was required to use vacation time as reimbursement for the time spent on the calls. Also, the contractor did not charge the Department for the cost of the calls.

LEGISLATIVE AND REGULATORY OVERVIEW

Congressional Requests

During the reporting period, congressional committees or subcommittees, members of Congress, and their respective staffs made 33 requests to the Office of Inspector General. We responded by providing 2 briefings and providing data or reports in 38 instances, including 20 interim responses and 18 final responses. Interim responses are provided for open matters which remain under review by the Office of Inspector General.

Legislative Review

In accordance with the Inspector General Act of 1978, the Office of Inspector General is required to review existing and proposed legislation and regulations relating to Department programs and operations, and to comment on the impact which they may have on economical and efficient operations of the Department. During this reporting period, the Office coordinated and reviewed 18 legislative and regulatory items, and offered 63 suggested comments.

The Secretary placed a moratorium on the issuance and coordination of new or revised Departmental directives on August 27, 1993. This moratorium was lifted on January 1, 1994. The Assistant Secretary for Human Resources and Administration placed another moratorium on the issuance of new or revised Departmental directives as well as internal program directives on August 12, 1994. The Assistant Secretary's moratorium remained in effect until November 1, 1994.

INSPECTOR GENERAL REPORTS ON INTERNET

As part of the ongoing efforts of the Office of Audit Services to streamline its operations and to provide better service to its customers, audit reports of Departmentwide applicability or significant scope (often referred to as "blue books") are being made available on the Internet on an experimental basis. Hard-copy distribution is costly, time consuming and often may not reach the requestor in a timely fashion. Making our "blue book" reports available on the Internet is an efficient way to distribute reports and should be of value to our customers. If this experiment works, we will consider expanding it to other publications of the Office of Inspector General.

Our reports are being made available in plain text format (ASCII) to anyone with Internet Gopher (a simple client/server protocol used to organize access to Internet resources), or file transfer protocol (FTP) capability. Users can find our reports at *gopher.hr.doe.gov*, selecting "Department of Energy Information" from the first menu, and then selecting "DOE Inspector General Reports." Our reports can also be obtained via anonymous FTP at *vm1.hqadmin.doe.gov*. Once at that location, the user can go to the IG directory to download available reports.

Section 3

Reports Issued

The 111 audit reports issued during this semiannual reporting period are listed below in three categories: contract and grant, operational, and financial reports. Significant financial results associated with each report are also presented when applicable. Nine inspection reports are listed separately.

REPORTS ISSUED

CONTRACT AND GRANT

- CR-C-95-01   Report on the Interim Audit of Contract No. DE-AC35-89ER40486, Jan. 18, 1989 to September 30, 1989, Universities Research Association, Inc., Superconducting Super Collider Laboratory, Waxahachie, Texas, February 3, 1995
Questioned Costs: \$21,000   Unsupported Costs: \$26,000
- ER-C-95-01   Final Audit of U.S. Department of the Army Contract No. DAAL03-89-K-0074, March 1, 1989, to February 28, 1992, Princeton University, Princeton New Jersey, October 25, 1994
Questioned Costs: \$1,611
- WR-C-95-01   Report on Independent Final Audit of Contract No. DE-AC34-91RF00025, July 26, 1990, to March 31, 1993, Wackenhut Services, Inc., Golden, Colorado, March 13, 1995
Questioned Costs: \$3,036,006   Unsupported Costs: \$84,241

OPERATIONAL REPORTS

- IG-0359   Audit of Two of Bonneville Power Administration's Residential Conservation Programs, November 14, 1994
Questioned Costs: \$4,200,000   Savings: \$5,800,000
- IG-0360   Audit of the Transfer of Government-Owned Property at the Mound and Pinellas Plants, November 14, 1994
Savings: \$13,200,000
- IG-0361   Audit of Overtime Payments to Exempt Employees at the Savannah River Site, November 22, 1994
Savings: \$16,000,000
- IG-0362   Audit of Light Vehicle Fleet Management in the Department of Energy, December 5, 1994
Savings: \$22,900,000
- IG-0364   Audit of Administration of the Department of Energy's Disadvantaged Business Program, December 19, 1994

IG-0366	Audit of Management of the Site Characterization Program at Yucca Mountain, February 15, 1995
IG-0368	Audit of the Richland Operations Office Site Characterization Program, March 20, 1995 <i>Questioned Costs: \$10,800,000 Savings: \$106,590,000</i>
IG-0370	Audit of Staffing Requirements for the Strategic Petroleum Reserve, March 29, 1995 <i>Savings: \$80,000,000</i>
AP-B-95-01	Audit of Management and Control of Information Resources at Sandia National Laboratories, November 1, 1994
CR-B-95-01	Audit of Effectiveness and Efficiency of the Rocky Flats Analytical Services Program, November 3, 1994 <i>Savings: \$14,500,000</i>
CR-B-95-02	Audit of Management Controls Over Selected Energy Research Major System Acquisitions, November 10, 1994
CR-B-95-03	Audit of the Department of Energy's Security Police Officer Training, February 6, 1995
CR-B-95-04	Audit of Management & Operating Contractor Relocation Cost, March 2, 1995 <i>Questioned Costs: \$341,381 Unsupported Costs: \$103,319</i>
CR-BC-95-01	Audit of Energy Conservation Program for New Buildings, October 7, 1994 <i>Savings: \$3,824,555</i>
CR-L-95-01	Audit of Department of Energy International Charter Flights, November 7, 1994
CR-L-95-02	Federal Managers' Financial Integrity Act - Fiscal Year 1994 for the Federal Energy Regulatory Commission, December 6, 1994
CR-L-95-03	Assessment of TRW Environmental Safety Systems, Inc., Internal Audit Function, November 29, 1994
CR-L-95-04	Report on the Department of Energy's Implementation of Restrictions on Lobbying, December 7, 1994
CR-L-95-05	Federal Managers' Financial Integrity Act - Fiscal Year 1994 for Office of Assistant Secretary for Defense Programs, December 7, 1994
CR-L-95-06	Federal Managers' Financial Integrity Act - Fiscal Year 1994 for the Office of Civilian Radioactive Waste Management, December 7, 1994
CR-L-95-07	Federal Managers' Financial Integrity Act - Fiscal Year 1994 for Office of Nuclear Energy, December 7, 1994
CR-L-95-08	Federal Managers' Financial Integrity Act, December 15, 1994

CR-L-95-09	Report on the Department of Energy's Compilation of Data on Consulting Services, December 23, 1994
CR-L-95-10	Assessment of the Internal Audit Function at the Superconducting Super Collider Laboratory, January 9, 1995
CR-L-95-11	Assessment of Pittsburgh Naval Reactors Internal Audit Function, January 12, 1995
CR-L-95-12	Assessment of Westinghouse Electric Corporation Internal Audit Function, January 12, 1995
CR-L-95-13	Assessment of Schenectady Naval Reactors Internal Audit Function, January 12, 1995
CR-L-95-14	Assessment of Martin Marietta Corporation - KAPL, Inc., Internal Audit Function, January 12, 1995
CR-L-95-15	Review of KAPL, Inc.'s, a Subsidiary of Martin Marietta Corporation, Disclosure Statement Adequacy and Cost Accounting Standards Compliance, March 14, 1995
CR-L-95-16	Review of Westinghouse Electric Corporation Bettis Atomic Power Laboratory's Disclosure Statement Adequacy and Cost Accounting Standards Compliance, March 14, 1995
CR-L-95-17	Audit of the Department's Compliance with Federal Tax Reporting Requirements, March 16, 1995
CR-L-95-18	Audit of NOXSO Corporation's Management and Financial Capability to Perform Clean Coal Technology Demonstration Project, March 28, 1995
ER-B-95-01	Report on Audit of Fernald Area Office Time and Attendance, October 24, 1994
ER-B-95-02	Report on Audit of Property Management at Fernald Environmental Restoration Management Corporation, November 7, 1994 <i>Questioned Costs: \$642,000</i>
ER-B-95-03	Audit of the Management Controls Over the Remedial Investigation and Feasibility Study Process at the Oak Ridge National Laboratory, November 8, 1994 <i>Savings: \$3,800,000</i>
ER-L-95-01	Audit Survey of Storage Facilities at the Savannah River Site, October 4, 1994
ER-L-95-02	Assessment of Management and Operating Contractor Internal Audit Function at Fermi National Accelerator Laboratory, October 5, 1994
ER-L-95-03	Assessment of Ames Laboratory Internal Audit Function, November 3, 1994
ER-L-95-04	Assessment of West Valley Demonstration Project Internal Audit Function, November 23, 1994

ER-L-95-05	Review of Fernald Environmental Restoration Management Corporation's Disclosure Statement Adequacy and Cost Accounting Standards Compliance, December 6, 1994
ER-L-95-06	Assessment of Argonne National Laboratory Internal Audit Function, January 31, 1995
ER-L-95-07	Assessment of MK-Ferguson of Oak Ridge Company Internal Audit Function, February 3, 1995
ER-L-95-08	Assessment of Oak Ridge Associated Universities Internal Audit Function, February 3, 1995
ER-L-95-09	Assessment of Martin Marietta Speciality Components Internal Audit Function, March 10, 1995
ER-L-95-10	Assessment of DynMcDermott Petroleum Operations Company's Internal Audit Function, March 15, 1995
ER-L-95-11	Martin Marietta Energy Systems, Inc.,'s Accelerated Vendor Inventory Delivery System, March 17, 1995
WR-B-95-01	Audit of Verification of Cooperative Research and Development Agreement Partner Funds-in-Kind Contributions at Sandia National Laboratories, December 30, 1994
WR-B-95-02	Audit of Leased Facilities at Los Alamos National Laboratory, January 20, 1995 <i>Questioned Costs: \$1,114,000</i>
WR-B-95-03	Nevada Operations Office's Implementation of Full Cost Recovery Policies, February 24, 1995 <i>Savings: \$575,600</i>
WR-B-95-04	Audit of the Decontamination and Waste Treatment Facility at Lawrence Livermore National Laboratory, March 15, 1995
WR-L-95-01	Assessment of Lawrence Berkeley Laboratory's Internal Audit Function, October 5, 1994
WR-L-95-02	Assessment of Lawrence Livermore National Laboratory's Internal Audit Function, October 5, 1994
WR-L-95-03	Assessment of Allied Signal, Inc., Kansas City Division Internal Audit Function, October 21, 1994
WR-L-95-04	Federal Managers' Financial Integrity Act - Fiscal Year 1994 for the Albuquerque Operations Office, October 28, 1994
WR-L-95-05	Assessment of EG&G Idaho, Inc., Internal Audit Function, November 14, 1994

WR-L-95-06	Assessment of Babcock and Wilcox Idaho, Inc., Internal Audit Function, November 14, 1994
WR-L-95-07	Assessment of MK-Ferguson of Idaho Co. Internal Audit Function, November 14, 1994
WR-L-95-08	Assessment of Protection Technology Idaho Co. Internal Audit Function, November 14, 1994
WR-L-95-09	Assessment of Westinghouse Idaho Nuclear Company, Inc., Internal Audit Function, November 14, 1994
WR-L-95-10	Audit of Selected Aspects of Idaho National Engineering Laboratory Contract Consolidation, November 16, 1994
WR-L-95-11	Assessment of Energy Technology Engineering Center's Internal Audit Function, December 15, 1994
WR-L-95-12	Assessment of Inhalation Toxicology Research Institute Internal Audit Function, December 30, 1994
WR-L-95-13	Assessment of Los Alamos National Laboratory's Internal Audit Function, December 30, 1994
WR-L-95-14	Assessment of Bechtel Petroleum Operations, Inc.,'s Internal Audit Function, January 9, 1995
WR-L-95-15	Assessment of the National Renewable Energy Laboratory's Internal Audit Function, January 9, 1995
WR-L-95-16	Adequacy Review of the National Renewable Energy Laboratory's Cost Accounting Standards Board Disclosure Statement, January 25, 1995
WR-L-95-17	Review of the Naval Petroleum and Oil Shale Reserves, Colorado, Utah, and Wyoming, February 10, 1995
WR-L-95-18	Assessment of Westinghouse Electric Corporation Waste Isolation Division's Internal Audit Function, February, 27, 1995
WR-L-95-19	Assessment of Sandia Corporation's Internal Audit Function, March 7, 1995
WR-L-95-20	Assessment of Raytheon Services Nevada's Internal Audit Function, March 8, 1995
WR-L-95-21	Assessment of Wackenhut Services, Inc.'s, Internal Audit Function, March 8, 1995
WR-L-95-22	Assessment of EG&G Rocky Flats, Inc., Internal Audit Function, March 13, 1995
WR-L-95-23	Assessment of Reynolds Electrical and Engineering Company, Inc.,'s Internal Audit Function, March 14, 1995

- WR-L-95-24   Assessment of EG&G Energy Measurements' Internal Audit Function, March 14, 1995
- WR-L-95-25   Assessment of the Fluor Daniel (NPOSR), Inc., Internal Audit Function, March 23, 1995
- WR-L-95-26   Assessment of Hanford Environmental Health Foundation Internal Audit Function, March 28, 1995

FINANCIAL REPORTS

- CR-FC-95-01   Federal Energy Regulatory Commission's Fiscal Year 1994 Financial Statement Audit, February 8, 1995
- CR-V-95-01   Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Westinghouse Electric Corporation's Bettis Atomic Power Laboratory Under Department of Energy Contract No. DE-AC11-93PN38195, March 6, 1995
- CR-V-95-02   Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Martin Marietta Corporation's Knolls Atomic Power Laboratory Under Department of Energy Contract No. DE-AC12-76SN00052, March 6, 1995
- ER-FC-95-01   Department of Energy's Southeastern Federal Power Program Fiscal Year 1994 Financial Statement Audit Under the Chief Financial Officers Act, February 21, 1995
- ER-FC-95-02   Isotope Production and Distribution Program's Fiscal Year 1994 Financial Statement Audit Under the Chief Financial Officers Act, February 21, 1995
- ER-FC-95-03   Uranium Enrichment Decontamination and Decommissioning Funds 1994 Financial Statement Audit Under the Chief Financial Officers Act, February 21, 1995
- ER-V-95-01   Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Fermi National Accelerator Laboratory Under Department of Energy Contract No. DE-AC02-76CH03000, January 31, 1995
- ER-V-95-02   Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Argonne National Laboratory Under Department of Energy Contract No. W-31-109-ENG-38, January 31, 1995
- ER-V-95-03   Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to MK-Ferguson of Oak Ridge Company, Under Department of Energy Contract No. DE-AC05-91OR21900, February 3, 1995

ER-V-95-04	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Ames Laboratory Under Department of Energy Contract No. W-7405-ENG-82, February 17, 1995
ER-V-95-05	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Martin Marietta Speciality Components, Inc., Under Department of Energy Contract No. DE-ACO4-92AL73000, March 3, 1995
ER-V-95-06	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to DynMcDermott Petroleum Operations Company Under Department of Energy Contract No. DE-AC96-93PO18000, March 3, 1995
ER-V-95-07	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Oak Ridge Associated Universities Under Department of Energy Contract No. DE-AC05-76OR00033, March 10, 1995
WR-F-95-01	Alaska Power Administration's FY 1994 Financial Statement Audit Under the Chief Financial Officers Act, February 13, 1995
WR-FC-95-01	Audit Report on Western Area Power Administration's Boulder Canyon Power System FY 1993 Financial Statement Audit, December 8, 1994
WR-FC-95-02	Audit Report on Western Area Power Administration's Parker Davis Power System FY 1993 Financial Statement Audit, December 8, 1994
WR-FC-95-03	Southwestern Federal Power System 1994 Financial Statement Audit Under the Chief Financial Officers Act, February 21, 1995
WR-FC-95-04	U.S.Department of Energy, Naval Petroleum and Oil Shale Reserves 1994 Financial Statement Audit Under the Chief Financial Officers Act, February 17, 1995
WR-FC-95-05	Western Area Power Administration Fiscal Year 1994 Financial Statement Audit Under the Chief Financial Officers Act, February 27, 1995
WR-V-95-01	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Energy Technology and Engineering Center Under Department of Energy Contract No. DE-ACO3-76SF00700, December 6, 1994
WR-V-95-02	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to EG&G Idaho, Inc., Under Department of Energy Contract No. DE-AC07- 76ID01570, December 15, 1994
WR-V-95-03	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Babcock and Wilcox Idaho, Inc., Under Department of Energy Contract No. DE-AC07-92ID13050, December 15, 1994

- WR-V-95-04   Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to MK-Ferguson of Idaho Company Under Department of Energy Contract No. DE-AC07-89ID12721, December 15, 1994
Questioned Costs: \$17,463
- WR-V-95-05   Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Protection Technology Idaho, Inc., Under Department of Energy Contract No. DE-AC07-88ID12715, December 15, 1994
- WR-V-95-06   Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Westinghouse Idaho Nuclear Company, Inc., Under Department of Energy Contract No. DE-AC07-84ID12435, December 15, 1994
- WR-V-95-07   Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to the National Renewable Energy Laboratory Under Department of Energy Contract No. DE-AC36-83CH10093, December 30, 1994
- WR-V-95-08   Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Cost Claimed by and Reimbursed to Bechtel Petroleum Operations, Inc., Under Department of Energy Contract No. DE-AC01-85FE60520, February 24, 1995
- WR-V-95-09   Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Allied Signal, Inc., Kansas City Division, Under Department of Energy Contract No. DE-ACO4-76DP00613, March 14, 1995
- WR-V-95-10   Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to EG&G Rocky Flats, Inc., Under Department of Energy Contract No. DE-AC34-90RF62349, March 15, 1995
- WR-V-95-11   Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Fluor Daniel (NPOSR), Inc., Under Department of Energy Contract No. DE-ACO1-92FE62316, March 24, 1995
- WR-V-95-12   Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Hanford Environmental Health Foundation Under Department of Energy Contract No. DE-ACO6-90RL11711, March 29, 1995
- WR-V-95-13   Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Westinghouse Electric Corporation Waste Isolation Division Under Department of Energy Contract No. DE-ACO4-86AL31950, March 30, 1995

INSPECTION REPORTS

- IG-0363   Inspection of Administrative Management Procedures for Legal Services Acquired by Selected Management and Operating Contractors, December 8, 1994
- IG-0365   Inspection of the Status of the Disposal of Technical Surveillance Equipment at the Central Training Academy, Albuquerque, New Mexico, December 19, 1994
- IG-0367   Inspection of an Intelligence Work-For-Others Project at the Idaho Operations Office, March 16, 1995
- IG-0369   Inspection of Los Alamos National Laboratory's System for Controlling Cost Overruns on Work-For-Others Projects, March 22, 1995
- INS-O-95-01   Inspection of Federal Employees' Compensation Act Compliance at the Oak Ridge Operations Office, October 17, 1994
- INS-L-95-01   A Questionable Sewer Line for the Fast Flux Test Facility (FFTF), October 31, 1994
- INS-L-95-02   Selected Aspects of Architect/Engineer Contract Management, October 31, 1994
- INS-L-95-03   Inspection of Idaho National Engineering Laboratory Alleged Video Monitoring, January 5, 1995
- INS-L-95-04   Stockpiling of Property at the Department of Energy's Rocky Flats Facility, February 17, 1995

Section 4

Statistics

This section lists audit reports issued before the beginning of this semiannual reporting period for which no management decisions have been made by the end of the reporting period, the reasons management decisions have not been made, and the estimated dates (where available) for achieving management decisions. This section also presents audit statistics on questioned costs, unsupported costs, and dollar value of recommendations resulting from audit reports issued during this reporting period. In addition, this section presents statistics on investigative results achieved during this semiannual reporting period.

DEFINITIONS

The following definitions, based on the Inspector General Act of 1978, apply to terms used in this Semiannual Report.

Questioned Cost: A cost which the Inspector General questions because of:

1. An alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
2. A finding that, at the time of an audit, such cost is not supported by adequate documentation; or
3. A finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Unsupported Cost: A cost which the Inspector General questions because the Inspector General found that, at the time of an audit, such cost is not supported by adequate documentation.

Disallowed Cost: A questioned cost which Department management, in a management decision, has sustained or agreed should not be charged to the Government.

Recommendation That Funds Be Put to Better Use ("Savings"): An Inspector General recommendation that funds could be used more efficiently if Department management took actions to implement and complete the recommendations, including:

1. Reduction in outlays;
2. Deobligation of funds from programs or operations;
3. Withdrawal of interest subsidy costs on losses or loan guarantees, insurance or bonds;
4. Costs not incurred by implementing recommended improvements related to Department operations, contractors, or grantees;
5. Avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or
6. Any other savings which are specifically identified.

Management Decision: The evaluation by Department management of the findings and recommendations included in an audit report and the issuance of a final decision by Department management concerning its response to such findings and recommendations, including actions concluded to be necessary.

Final Action: The completion of all actions that Department management has concluded, in its management decision, are necessary with respect to the findings and recommendations included in an audit report. In the event that Department management concludes no action is necessary, final action occurs when a management decision has been made.

AUDIT REPORT STATISTICS

The following table shows the total number of audit reports (operational and financial) and the total dollar value of the recommendations.

	Total Number	One-Time Savings	Recurring Savings	Total Savings
Those issued before the reporting period for which no management decision has been made	23	\$384,014,673	\$193,366,224	\$577,380,897
Those issued during the reporting period	108	\$100,014,674	\$184,393,644	\$284,408,318
Those for which a management decision was made during the reporting period	35	\$436,393,111	\$274,843,920	\$711,237,031
<i>Agreed to by mgmt.</i>		\$144,133,880	\$192,431,276	\$336,565,156
<i>Not agreed to by mgmt.</i>		\$285,078,122	\$82,412,644	\$367,490,766
Those for which a management decision is not required	78	\$17,463	\$0	\$17,463
Those for which no management decision had been made at the end of the reporting period*	18	\$54,799,882	\$102,915,948	\$157,715,830

*NOTE: The figures for this item include sums for which management decisions on the savings were deferred.

AUDIT REPORT STATISTICS

The following table shows the total number of audit reports (contract and grant), and the total dollar value of questioned costs and unsupported costs.

	Total Number	Questioned Costs	Unsupported Costs
Those issued before the reporting period for which no management decision has been made	16	\$9,888,435	\$707
Those issued during the reporting period	3	\$3,058,617	\$110,241
Those for which a management decision was made during the reporting period	2	\$536,659	
<i>Value of disallowed costs:</i>		\$48,794	
<i>Value of costs not disallowed:</i>		\$487,865	
Those for which a management decision is not required*	1	\$1,611	
Those for which no management decision had been made at the end of the reporting period	16	\$12,408,782	\$110,948

REPORTS LACKING MANAGEMENT DECISION

The following are audit reports issued before the beginning of the reporting period for which no management decisions have been made by the end of the reporting period, the reasons management decisions have not been made, and the estimated dates (where available) for achieving management decisions. These audit reports are over 6 months old without a management decision.

The Contracting Officers have not yet made decisions on the following contract reports for a variety of reasons. They include delaying settlement of final costs questioned in audits pending negotiation of indirect cost rates, awaiting review of independent research and development costs, and litigation. Also, tentative agreements on allowable costs have been reached, but final vouchers indicating these agreements have not been submitted by some contractors. The Department has a system in place which tracks audit reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by audit agencies and agreed to by management are indeed addressed and effected as efficiently and expeditiously as possible.

- CR-C-89-01   Interim Audit of Costs Claimed Under Contract Number DE-AC05-84OR21441, October 1, 1986, to September 30, 1987, Cotton and Company, 100 South Royal Street, Alexandria, VA 22314, June 20, 1989
- WR-CC-89-34   Final Audit of Costs Claimed Under Contract DE-AC05-86OR21645, June 21, 1986, Through June 20, 1987, Advanced Sciences, Inc., Albuquerque, New Mexico, September 10, 1989
- CR-C-90-01   Interim Audit of Costs Claimed Under Contract No. 21441, October 1, 1987, to September 30, 1988, Cotton & Company, 100 South Royal Street, Alexandria, VA 22314, October 19, 1989
- ER-CC-90-03   Interim Audit of Costs Claimed Under U.S. DOE-Funded Contracts, July 1, 1986, to June 30, 1988, and Review of Proposed Cost Allocation Plan With Revis Institute of Biological Research, Inc., Oak Ridge, Tennessee, October 31, 1989
- ER-CC-90-21   Report on the Independent Interim Audit of Subcontract Costs Claimed Under Contracts No. DE-AC05-85OR21510 and No. DE-AC05-86OR21644, September 30, 1985, to December 31, 1986, Analysas Corporation, Washington, D.C., April 16, 1990
- WR-CC-90-32   Audit of Costs Claimed Under Contract No. DE-AC01-80RA32049 for the Operation Period From October 1, 1984, Through April 30, 1985, and the Post Operation Period From August 1, 1985, Through November 30, 1987, Williams Brothers Engineering Company, Tulsa, Oklahoma, May 10, 1989
- WR-C-92-01   Report on the Final Audit of Costs Incurred by EWA, Inc., Environmental and Water Resources Management, Minneapolis, Minnesota, Under its Contract with the Yakima Indian Nation, United States Department of Energy Grant DE-FG06-83RL10545, for the Period May 14, 1984, Through December 22, 1988, April 6, 1992
- WR-C-93-01   Report on the Independent Final Audit of Contract No. DE-AC04-85AL27671, October 22, 1984, Through June 30, 1990, Wackenhut Services, Inc., Central Training Academy, Albuquerque, New Mexico, January 22, 1993

- CR-C-93-01 Interim Audit of Costs Claimed Under DOE Contract DE-AC35-89ER40486, Universities Research Association, Inc., from Jan. 18, 1989, to Sept. 30, 1991, June 17, 1993
- ER-CC-93-05 Report Based on the Application of Agreed-Upon Procedures With Respect to Temporary Living Allowance Costs Claimed Under Contract No. DE-AC09-88SR18035, October 1, 1987, to September 20, 1990, Bechtel National, Inc., San Francisco, California, and Bechtel Savannah River, Inc., North Augusta, South Carolina, May 3, 1993
- ER-C-94-01 Interim Audit of Costs Claimed Under Contract No. DE-AC05-84ER40150, October 1, 1988, Through September 30, 1991, Southeastern Universities Research Association, Inc., Newport News, Virginia, October 27, 1993
- WR-CC-94-04 Interim Incurred Cost Audit of Contract No. DE-AC04-89AL52318 for the Period March 1, 1989, Through December 31, 1992, Ross Aviation, Inc., Albuquerque, New Mexico, September 30, 1994

Additional time was necessary to develop the management decisions for the following reports. Further explanations for the delays follow each audit report listed.

- CR-B-94-05 Audit of Aircraft Management at the Albuquerque Operations Office, September 2, 1994. *(Final resolution of the Inspector General recommendations has been delayed to allow the Department to analyze the options available in responding to the recommendations in the report. We expect a management decision by June 1995.)*
- ER-B-94-08 Audit of Payroll and Timekeeping at Fernald Environmental Restoration Management Corporation, September 15, 1994. *(The Department of Energy has been working to respond to the recommendations in the report; however, the report raises sensitive legal considerations. The Department is attempting to complete a review of the issues and arrive at a management decision by September 1995.)*

INVESTIGATIVE STATISTICS

The investigative statistics below cover the period from
October 1, 1994, through March 31, 1995

Investigations open at the start of this reporting period	310
Investigations opened during this reporting period	118
Investigations closed during this reporting period	119
Investigations open at the end of this reporting period	309
Debarments/Suspensions	2
Invest. Referred to Mgmt. for Recommended Positive Action	19
Complaints Referred to Mgmt. for Review and Followup	4
Administrative Disciplinary Actions Taken	11
Investigations Referred for Prosecution	39
Accepted*	28
Declined*	16
Indictments	13
Convictions	13
Pretrial Diversions	1
Fines, Settlements, and Recoveries**	\$3,397,054

*Some of the investigations accepted or declined during this 6-month period were referred for prosecution during a previous reporting period.

**Some of the monies collected were the result of Task Force Investigations.

Hotline Statistics

Complaints Received via the Hotline	224
Complaints Received via the General Accounting Office	0
Total Complaints Received	224
Investigations Opened on Hotline Complaints	23
Complaints Resolved or Pending Resolution	160
Complaints That Required No Investigation by OIG	41
Total Complaints Disposition	224

FEEDBACK SHEET

The contents of the Semiannual Report to Congress comply with the requirements of the Inspector General Act of 1978, as amended. However, there may be additional data which could be included or changes in format which would be useful to recipients of the Report. If you have suggestions for making the report more responsive to your needs, please complete this feedback sheet and return it to:

Department of Energy
Office of Inspector General (IG-1)
Washington, D.C. 20585

ATTN: Rob Jacques

Your name:

Your daytime telephone number:

Your suggestion for improvement: (please attach additional sheets if needed)

If you would like to discuss your suggestion with a staff member of the Office of Inspector General or would like more information, please call Rob Jacques at (202) 586-3223.