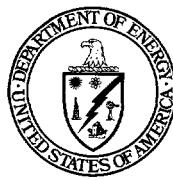


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U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL

Semianual Report to Congress

April 1 to September 30, 1995

October 1995

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OFFICE OF INSPECTOR GENERAL

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Department of Energy

Washington, DC 20585

October 31, 1995

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

Dear Secretary O'Leary:

This Semiannual Report for the second 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.

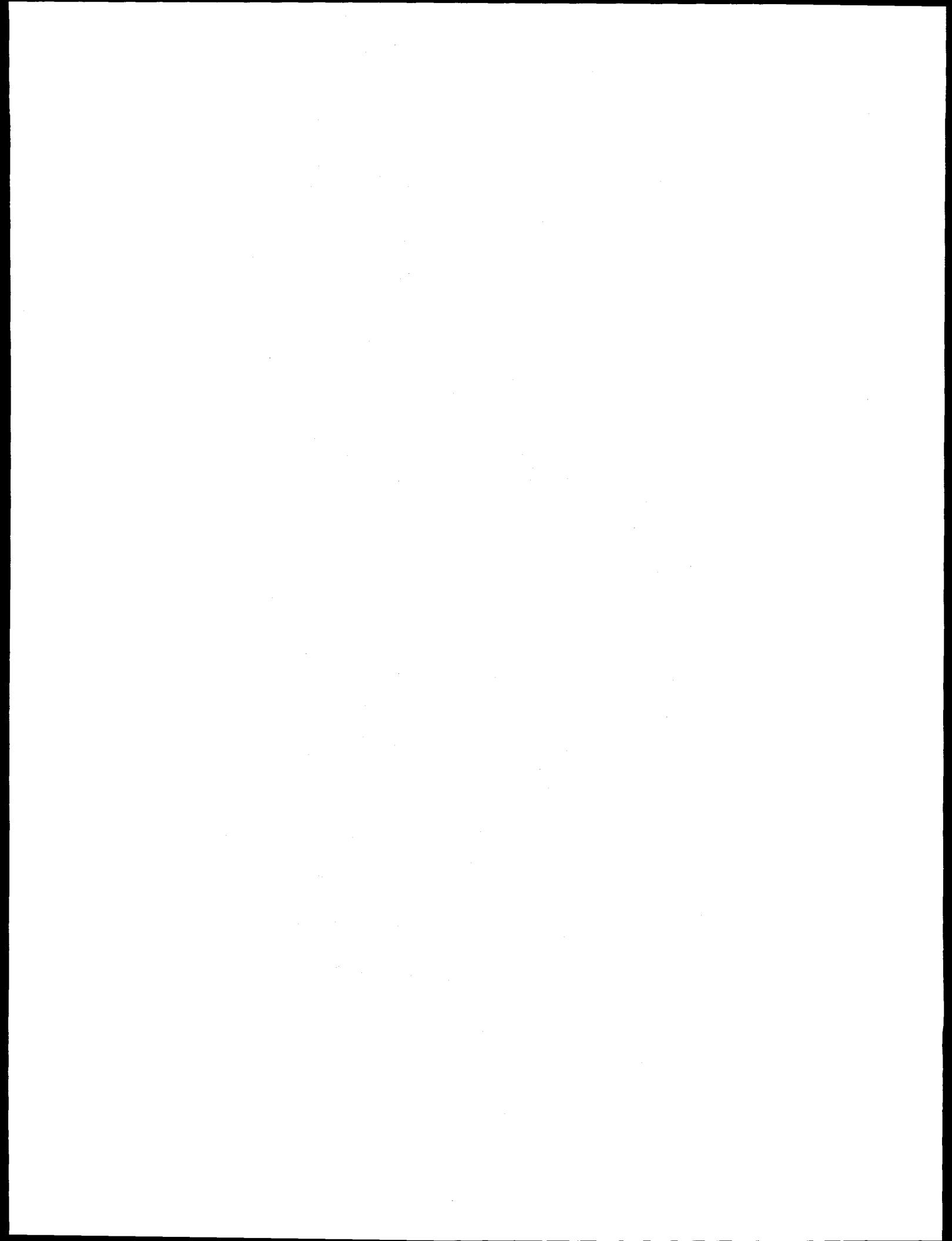
During this reporting period, the Office of Inspector General continued to advise Headquarters and field managers of opportunities to improve the efficiency and effectiveness of the Department's management controls, with particular emphasis on coverage of issues addressed in the Department's Strategic 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 benefited 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 customers' 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 you and the Congress fully informed.

Sincerely,

John C. Layton
John C. Layton
Inspector General

Enclosure



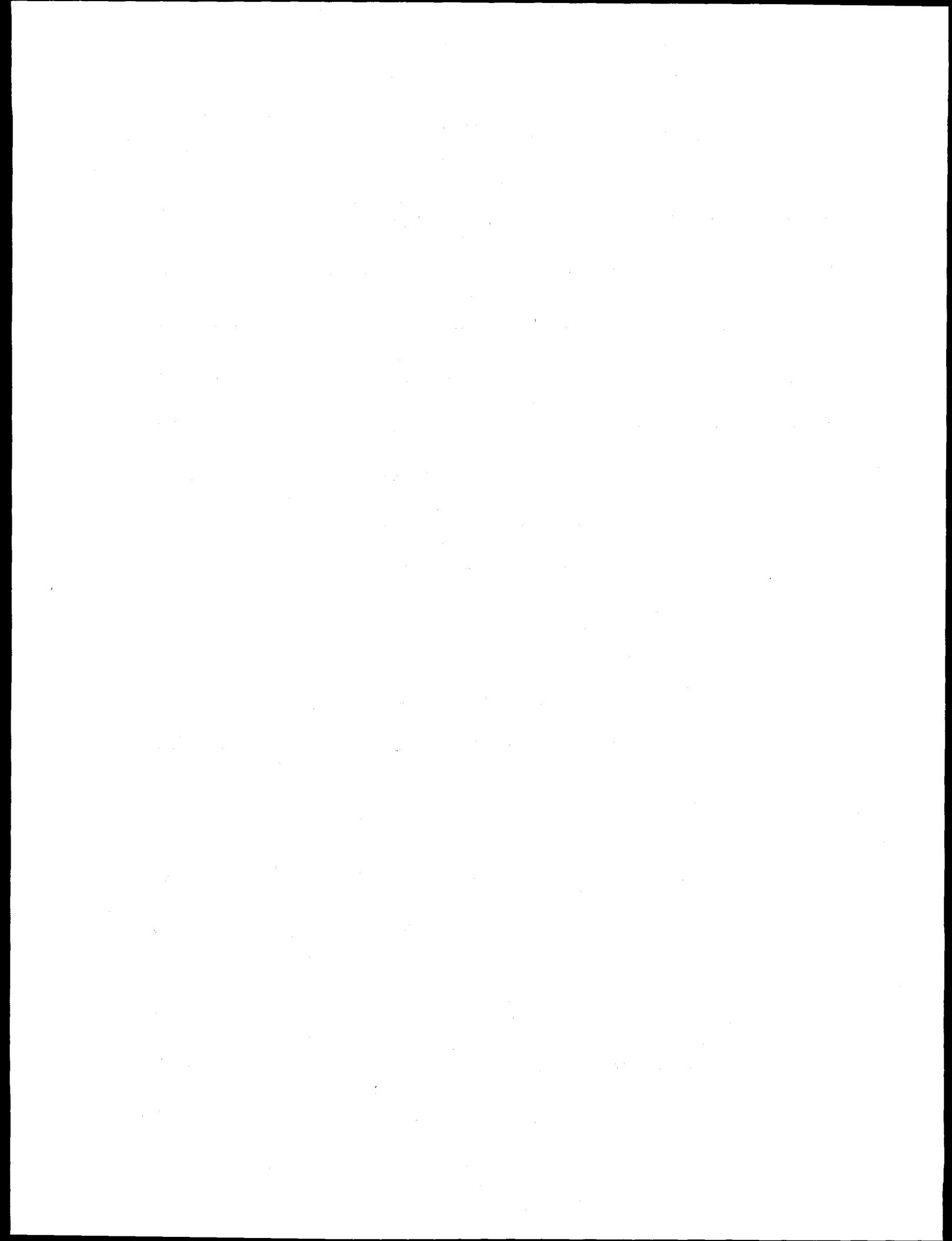
MISSION AND VISION STATEMENTS

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.

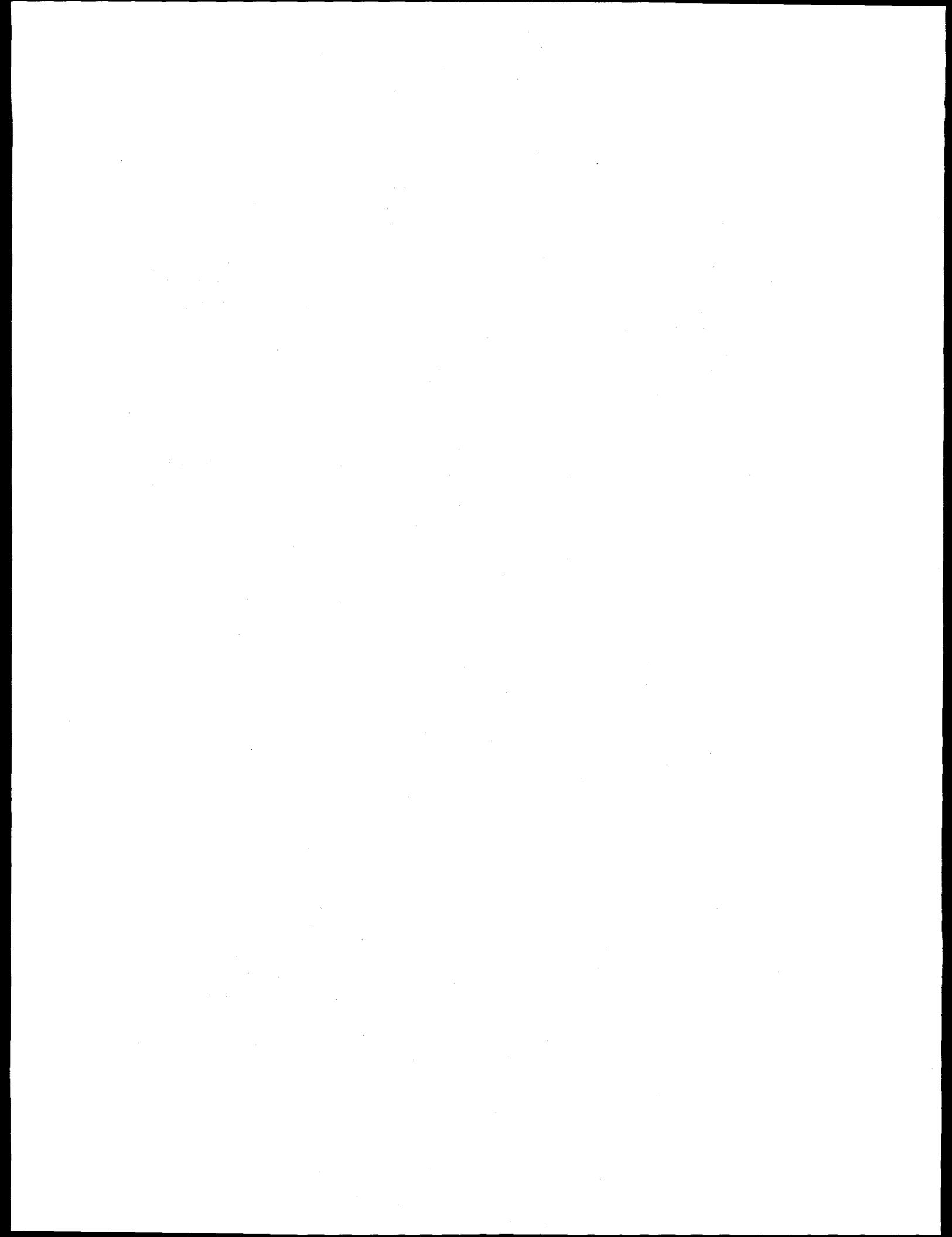
VISION STATEMENT

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 April 1 through September 30, 1995. The report summarizes significant audit, inspection, and investigative accomplishments for the reporting period, a large portion of which facilitated Department of Energy management 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 emphasis on supporting Department efforts to produce high quality products at the lowest possible cost to the taxpayer. The six performance measures present outcomes of Office of Inspector General work in terms of improvements in Department programs and operations.

During this reporting period, the Office of Inspector General issued 66 audit and 19 inspection reports. For reports issued during the period, the Office of Inspector General made audit recommendations that, when implemented by management, could result in \$365 million being put to better use. The Office of Inspector General also provided 44 investigative referrals to management for recommended positive action. As a result of audits of contract costs, the Office of Inspector General questioned \$17 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 \$187 million.

In addition, Office of Inspector General investigations led to 11 criminal convictions and 1 pretrial diversion, as well as criminal and civil prosecutions which resulted in fines and recoveries of \$1,052,415.

OIG RESOURCE LIMITATIONS

For Fiscal Year 1996, the Office of Inspector General is facing a 19 percent budget reduction to \$25,000,000 from its amended budget request of \$30,696,000, the level necessary to sustain current operations. Also, as part of the Department's Strategic Alignment Initiative, the Office of Inspector General's staffing level has been reduced from 356 full-time equivalents in Fiscal Year 1995, to 294 end-of-year positions in Fiscal Year 1997, to 244 end-of-year positions in Fiscal Year 2000. The severe impact that these cuts will have on the Office of Inspector General is discussed in Section 2 of this report.

SUMMARY OF SELECTED RESULTS

The following is a list of selected Office of Inspector General results accomplished during this reporting period which could lead directly to cost-saving benefits for Department of Energy programs and operations:

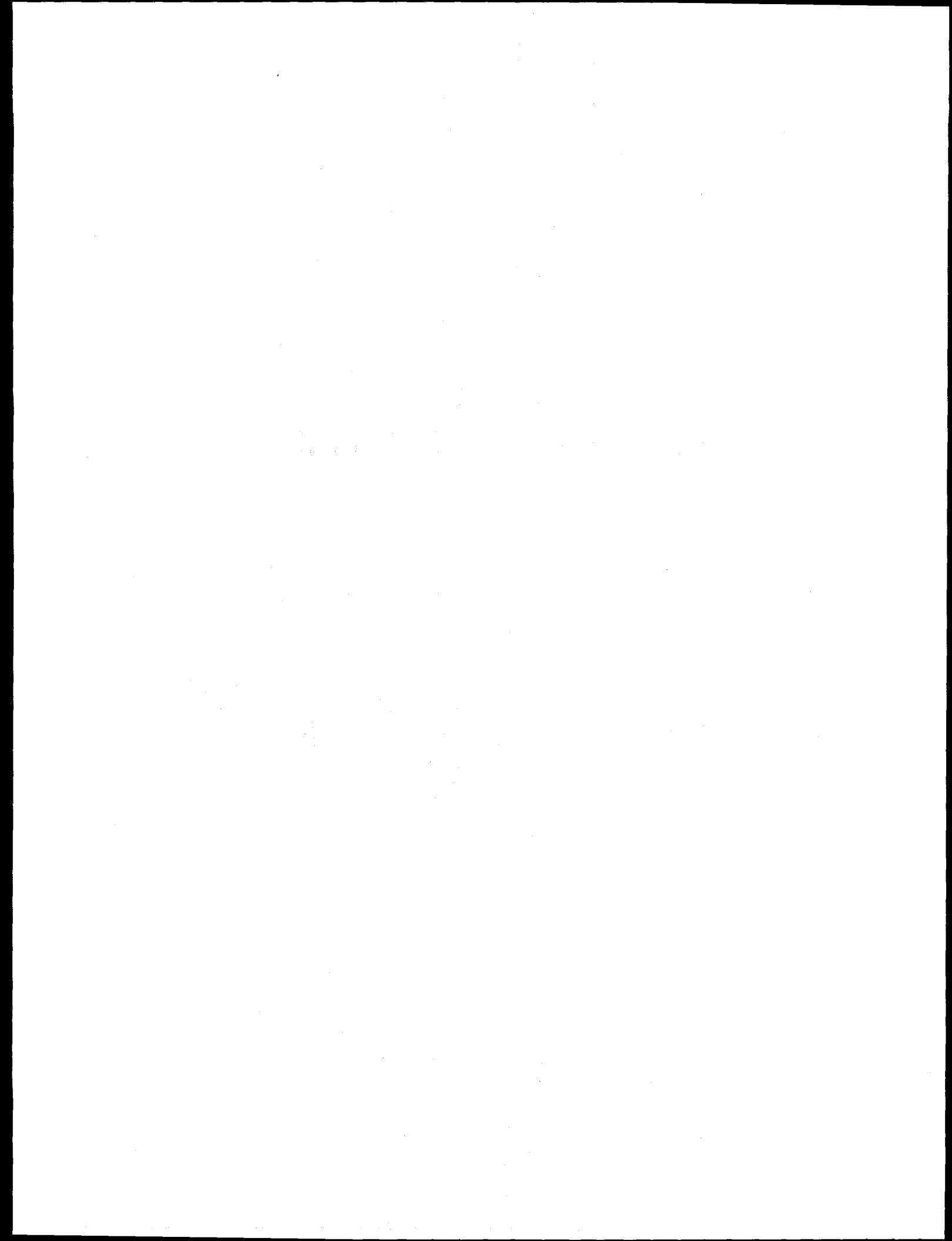
- An audit brought to management's attention the fact that the Department did not examine all alternatives before beginning construction of a new \$230 million Environmental Molecular Sciences Laboratory. (IG-0371)
- An inspection helped to increase management's awareness that Western Area Power Administration did not publicly advertise or solicit bids from other companies before awarding power purchase contracts under a program that averages more than \$250 million per year. (IG-0372)
- An audit recommended that the Department incorporate management techniques and performance measurement mechanisms in its cooperative research and development agreements. (IG-0373)
- An audit identified for management \$12 million that could be saved over five years and an additional \$1.2 million that could be saved annually through improvements to the Department's Commercial Laboratory Quality Assurance Evaluation Program. (IG-0374)
- An audit identified Department-owned excess precious metals valued at over \$46 million, which were excess to current needs and were available for disposition. (IG-0375)
- An audit brought to the Department's attention a need to specify performance expectations for research at its national laboratories. (IG-0376)
- An inspection identified the need for a review of over \$130 million in fees paid by the Department for managing and operating the Savannah River Site. (IG-0377)
- A follow-up inspection reminded the Office of the Chief Financial Officer that it needs to address double-funding issues at the Department's Richland Operations Office. (IG-0378)
- As a result of an audit, the Bonneville Power Administration is pursuing options to renegotiate natural gas-fired turbine electrical output purchases. (IG-0379)

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 semiannual 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.

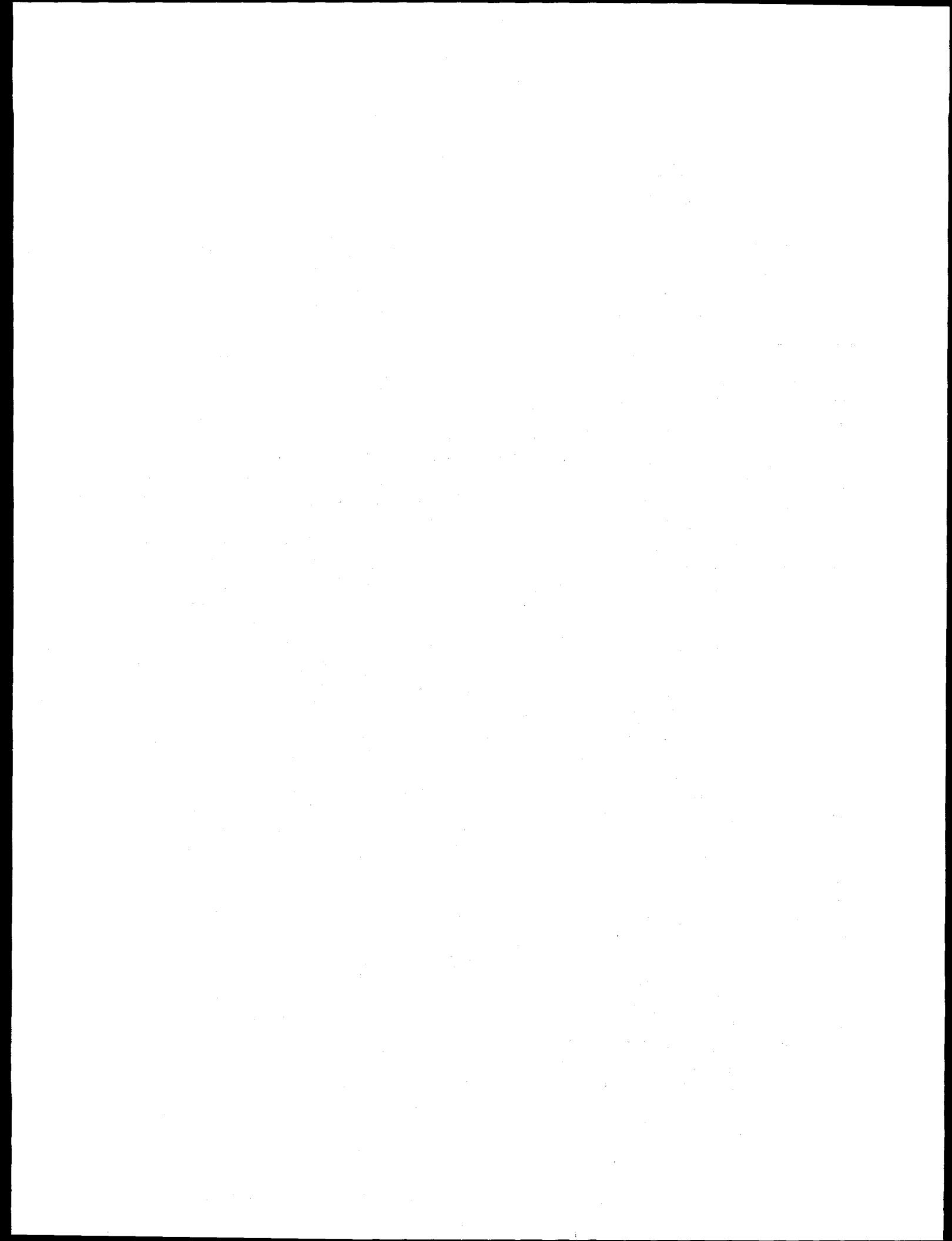
During this reporting period, there were no reports made to the Secretary noting unreasonable refusal by management to provide data to the Office of Inspector General.



SECTION 1

PERFORMANCE MEASURES

Significant Office of Inspector General work is narrated in this section under six qualitative 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 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.

The Department Needed Appropriate Management Techniques and Performance Measurement Mechanisms to Determine the Viability of Its CRADAs

The Department, through its contractors which operate its national laboratories, transfers technologies to the private sector. One type of technology transfer effort is the Cooperative Research and Development Agreement (CRADA). CRADAs are cost-sharing agreements between a Federal entity (such as a national laboratory) and a private sector partner to engage in joint scientific research aimed at providing mutual benefits to the partner, the Department, and the United States economy. The Department established policies to ensure that CRADAs enhance United States competitiveness in the world economy, provide a reasonable return on resources invested, and enable successful commercialization of technologies developed.

An Office of Inspector General audit determined that the efforts to manage CRADAs at three of the Department's national laboratories did not ensure that these Department policy goals were met in four areas: (1) joint work statements, (2) statements of work, (3) CRADA milestones, and (4) valuation of partner contributions to a CRADA. This occurred because the Department's Office of Technology Partnerships provided insufficient implementing guidance. As a result, the Department could not demonstrate that CRADAs met their intended goals, measure progress toward achieving stated goals, determine the viability of potential CRADAs or partner in-kind contributions, or

ensure that consistent management guidance was provided to all Department facilities.

The audit report recommended that Department management provide sufficient implementing guidance to the Department's national laboratories for measuring CRADA progress and results. The report also recommended that Department management establish a mechanism to ensure proper valuation of partner contributions to a CRADA. Management concurred with the finding and partially concurred with the recommendations. Management agreed to ensure that all joint work statements clearly address expected goals and accomplishments and define tasks and milestones. Management also agreed to ensure that all statements of work contain a detailed description of work, tasks, and milestones. Additionally, management will ensure that reports on all completed CRADAs include an explanation of: (1) whether the projected potential benefit(s) to both the Department and the United States economy actually occurred, (2) whether the partner improved its efficiency and effectiveness, and (3) the potential for commercialization and technical success resulting from the completed CRADA. (IG-0373)

The Department Needed to Specify Performance Expectations for Research at Its National Laboratories

The Department's Office of Energy Research provides about \$1.4 billion annually for both applied and basic research programs conducted at the Department's national laboratories. An Office of Inspector General audit disclosed

that Energy Research generally did not clearly specify performance expectations for research at the Department's national laboratories. Specifically, work authorizations for 237 of 264 tasks examined did not contain a clear statement of the work to be performed, resource limits, milestones, or specific deliverables.

The audit also determined that Energy Research's current administrative process gives the appearance of decisionmaking at an individual task level; however, management decisions are made at an aggregated program level, instead. The current administrative process does not provide Departmental elements responsible for performance-based contract management with a method for determining whether schedules were met, resources were properly used, deliverables were as specified, and the research performed was within the proper mission.

The audit report recommended that Energy Research review the administrative process and make appropriate changes. This includes considering the authorization of work based on requests received, and evaluation of research progress based on the metrics in these authorizations. The Director, Office of Energy Research, agreed in part to the findings and recommendations and initiated corrective action. (IG-0376)

Fees Paid by the Department for Managing and Operating the Savannah River Site Needed Review

During the first 5 years of its contract with the Department, Westinghouse Savannah River Company was paid over \$130 million in fees to manage and operate the Savannah River Site. An inspection by the Office of Inspector General found that fees paid to Westinghouse steadily increased over the 5-year period, with fees paid for the last 6 months of the 5-year period being over three times as large as fees paid for the first 6 months.

Among other causes for this increase, the inspection noted that the Department had significantly increased the percentage of the dollar value of subcontracts being placed in Westinghouse's fee bases for fee calculation purposes.

In Fiscal Year 1989, 50 percent of the value of Westinghouse's subcontracts was included in the fee bases. By Fiscal Year 1993, 100 percent of the value of a portion of work performed under one subcontract was included in the fee bases. Since the subcontractor was also receiving a fee for this portion of work, the Department was paying two full fees for the same work.

The Department also had effectively increased Westinghouse's fixed-fee-equivalents by about \$3 million in both Fiscal Years 1993 and 1994 to, in large part, fund an "unallowable" employee incentive compensation program.

The inspection determined that, had the Department maintained the terms from the original competitive negotiations, Westinghouse would have received about \$70.9 million in total fees, or some \$59.7 million less than the \$130,621,000 actually received during the 5-year period.

The inspection report contained several recommendations which, if implemented, would prevent similar occurrences and could provide significant savings to the Department. Management concurred with the recommendations and identified corrective actions. (IG-0377)

Office of the Chief Financial Officer Needed to Address Double Funding Issues at the Department's Richland Operations Office

A 1993 inspection found that the Department had, for Fiscal Year 1993, requested and received \$60 million, double the funding needed, for the safeguard and security of special nuclear material at the Richland Operations Office.

A follow-up inspection found that the double funding had occurred in part because two Department offices had not determined which of them would be responsible for funding security for nuclear material at Richland before finalizing the Fiscal Year 1993 budget. As a result, Richland requested funding from both offices. In addition, Department officials failed to notify the Office of the Chief Financial Officer of the double funding issue because the budget process did not require the Office of the Chief Financial

Officer to be notified of issues to be resolved before the submission of the budget to Congress. Furthermore, budget documents from the two offices did not separately identify the funding requirement for security of nuclear material at Richland.

The follow-up inspection also found that Department officials took corrective action by withdrawing \$30 million from Richland and placing the funds in a Headquarters account, from which they authorized the \$30 million to be used for environmental projects at the Savannah River and Richland Operations Offices. Department officials did not notify Congress of the extra \$30 million.

Furthermore, the inspection found, and Department officials agreed, that based on a review of 1992 budget documents, the Department may have received double funding for the security of special nuclear material at Richland during Fiscal Year 1992.

In response to inspection report recommendations, the Headquarters Office of the Chief Financial Officer stated that additional guidance had been incorporated in the Fiscal Year 1997 Budget Call requiring Department officials to identify directly to the Chief Financial Officer any issues which need to be resolved during budget preparation.

The Office of the Chief Financial Officer also agreed to informally advise staff of the cognizant congressional committees about the double funding which occurred in Fiscal Year 1993. Furthermore, the Office agreed to confer with the cognizant Department officials to determine if a similar instance of double funding occurred in Fiscal Year 1992. (IG-0378)

Bonneville Power Administration Is Pursuing Options to Renegotiate Natural Gas-Fired Turbine Electrical Output Purchases

The Bonneville Power Administration markets electrical power from 30 federal dams and one non-federal nuclear plant in the Pacific Northwest. Bonneville must ensure that the cost

of its contracts for energy resources are as low as reasonably possible and that the resources are needed. In April 1994, Bonneville entered into a 20-year contract to purchase the electrical output from a natural gas-fired combustion turbine facility at a total cost of about \$2.2 billion.

An Office of Inspector General audit showed that Bonneville contracted to purchase the output from the combustion turbine facility at excessive cost, and that the electricity was not needed. The cost of the electricity under this contract exceeded the amount of revenue Bonneville could obtain by selling it. Bonneville estimated it would operate the generation facility for only 6 months of the year; the contract, however, required Bonneville to pay the fixed costs of the facility during the other 6 months. Consequently, the cost of the electricity plus the fixed costs in the first year of the contract would exceed revenues by \$20.9 million.

The contract also contained cost escalators that exceeded the rate of inflation. These cost escalators combined with the excessive initial cost resulted in projected excessive costs of \$146.8 million in the first 5 years of the contract.

The audit also found that the contract was not needed due to competition from similar facilities and a desire by customers to diversify their sources of electricity.

The audit report recommended that Bonneville require that future resource acquisition decisions are based on up-to-date analyses of expected project revenues and costs. Bonneville should also require, before the acquisition of future resources, current comprehensive market analyses, including a determination of resources planned for the region and their effect on the demand for Bonneville's electricity. The audit also recommended that Bonneville attempt to renegotiate the terms of the contract so that the price paid for electrical output from the turbine facility does not exceed expected revenues from the sale of that electricity.

Bonneville management concurred with the finding and recommendations, and began taking corrective actions. (IG-0379)

The Federal Energy Regulatory Commission's Office of Chief Accountant Recognized Need for Improvements to Its Audit Approach

The Federal Energy Regulatory Commission's Office of Chief Accountant had an audit universe of about 485 companies as of March 1994. In Fiscal Year 1993, the Office had 81 employees, issued 70 reports, and had a budget of about \$6 million.

An audit by the Office of Inspector General found that the Office of Chief Accountant's audit approach did not consider materiality of findings at the end of the survey stage to determine if the additional audit work was worth further expenditure of resources. Also, the audit determined that guidelines were not established concerning timeframes for issuing reports after field work is completed. As a result, the Office of Chief Accountant did not have assurance that audit resources were used effectively. Also, the Office of Chief Accountant did not perform an adequate quality review of the final reports before their issuance. In some cases, the final reports had incorrect amounts and the working papers did not support the final reports.

The Office of Inspector General audit report recommended that the Chief Accountant perform interim evaluations of audit survey results and curtail audits not expected to result in material findings affecting utility rates. The Chief Accountant should also establish timeframes for issuing audit reports and implement quality assurance policies and procedures to ensure that final reports are accurate and supported by the working papers.

The Office of Chief Accountant agreed with the recommendations and recognized the need for improvements. Management plans to provide guidelines addressing the use of various criteria, including materiality, in determining the extent of audit testing. Management also plans to reemphasize the timeliness of reporting and the need to ensure adherence to the auditing standards. (CR-B-95-05)

Consultant Subcontracting at the Idaho National Engineering Laboratory Needed Improvements

Department regulations require subcontracts to be awarded in the manner most advantageous to the Government to ensure fair and effective competition, and to avoid even the appearance of conflicts of interest. However, an Office of Inspector General audit found that management and operating contractors sole-sourced 72 percent of consultant subcontracts, costing more than \$1.5 million. Further, 30 percent of the subcontracts, costing more than \$535,000, were to former Laboratory employees which may appear to have potential conflicts of interest. This occurred because the management and operating contractor and the Idaho Operations Office did not establish adequate internal controls to ensure that sole source procurements were justified and that the appearance of conflicts of interest was avoided.

Department guidance prohibits Headquarters elements from directing management and operating contractors to subcontract support services directly for Headquarters to avoid Department competition requirements. However, the audit disclosed that 14 of 44 (32 percent) consultant subcontracts worth \$688,000 awarded by one former management and operating contractor provided support services directly to Department Headquarters. This occurred because Headquarters organizations disregarded Department policy, and the Idaho Operations Office (as well as the former management and operating contractor) continued to process these requests. As a result, Headquarters elements used management and operating contractors as mere procurement agents and bypassed normal Department procurement controls and safeguards. Furthermore, for the 14 subcontracts included in the audit sample, the management and operating contractors added about \$90,000 to process the subcontracts for Headquarters.

The Idaho National Engineering Laboratory concurred with the findings of the audit and agreed to carry out the corrective actions recommended in the audit report. (WR-B-95-07)

Management Agrees to Take Action to Implement Audit Recommendations on Savannah River Site's Replacement Evaporator

A major focus in the Savannah River Site's mission is the storage, treatment, stabilization, and disposal of high level radioactive waste materials. An important element in accomplishing this task is the construction of a Replacement High Level Waste Evaporator which will evaporate water added to the high level waste during processing, thereby minimizing the volume of the waste stream.

Although the Department has taken some steps to more effectively manage its projects, an Office of Inspector General audit found that the Replacement Evaporator has incurred significant schedule delays which have extended the project's completion from December 1993 to May 2001. Further, the project's total estimated cost has escalated from \$44 million to \$118 million. While some delays and cost increases were outside management's control, others could have been avoided had the Department adequately planned, contracted, funded and maintained management continuity on the Replacement Evaporator.

The audit report recommended that the Savannah River Operations Office obtain approvals for the Replacement Evaporator's Project Plan and Baseline Change Proposals within the requirements of Department regulations. Also, the Operations Office should establish procedures to ensure that Functional Design Criteria will be developed in accordance with Department regulations for future Savannah River Site projects. Finally, the Operations Office should evaluate alternative contracting methods for acquiring architect/engineering services at the Site and ensure, to the extent possible, that turnover associated with key project personnel is kept to a minimum for all major projects.

Management concurred with the recommendations and agreed to take action to resolve issues addressed in the audit report. (ER-B-95-04)

Management Control System Providing Oversight of Analytical Laboratories Needed Improvements

An inspection was conducted by the Office of Inspector General to review oversight of management and operating contractor and subcontractor laboratories performing analyses on samples taken for Strategic Petroleum Reserve environmental compliance and oil quality purposes. The inspection disclosed a need for a more effective management control system to prevent deficiencies which could result in non-compliance with the Clean Water Act, Environmental Protection Agency guidelines, and Departmental orders related to environmental activities and crude oil quality.

Some significant weaknesses related to management control which were noted during the inspection were:

- On-site laboratories did not have formal laboratory procedures, pursuant to the Clean Water Act.
- Records management procedures had not been identified for on-site analytical laboratories.
- Analytical laboratory personnel did not, in all cases, possess required position qualifications or receive specified continuing training to ensure maintenance of job proficiency.
- The Strategic Petroleum Reserve Project Management Office had not provided for oversight, confirmation, and independent verification of work performed by Reserve analytical laboratories.

The inspection report made six recommendations which would improve management control systems for analytical laboratories. The Strategic Petroleum Reserve Project Management Office concurred with the recommendations and provided comments on actions that are being taken with respect to analytical laboratories. (INS-O-95-02)

Savings of Annual Oversight Costs Are Achievable at Ames Laboratory

Ames Laboratory is a Government-owned research facility collocated with Iowa State University, which runs the Laboratory under a management and operating contract with the Department. Ames Laboratory performs basic research in materials and chemical sciences and related research in materials reliability and nondestructive evaluation, employing 342 people with an annual operating budget of about \$40 million.

An audit disclosed that the present contract for the management and operation of the Laboratory caused unnecessary and/or duplicative administrative support and oversight activities. For example, Ames Laboratory maintains an administrative organization (accounting, budgeting, personnel, and so forth) duplicative of those at Iowa State University. Further, the contract requires Ames Laboratory to implement several Department management systems (such as a specialized accounting system) and causes Laboratory employees to annually spend about 3,000 hours preparing recurring compliance reports for the Department. Also, by using the management and operating contract, the Department increases Federal administrative involvement by 140 staff days annually to review and appraise the Laboratory's operating systems, and by two Chicago Operations Office employees who are assigned to contract administration. The audit estimated the annual cost of this oversight effort at about \$195,000.

The audit report recommended that the Chicago Operations Office sponsor scientific research under cooperative agreements with Iowa State University instead of using a management and operating contract. Using a cooperative agreement in lieu of the existing contract would eliminate administrative duplication with Iowa State University, reduce the Department-mandated systems at the Laboratory, and minimize Federal employee administrative involvement.

The Chicago Operations Office expressed agreement with the intent of the recommendation and initiated a study of contractual alternatives. (ER-B-95-05)

K-25 Cooling Tower Demolition Project Needed Tighter Material Controls to Prevent Thefts

While reviewing invoices as part of an unrelated investigation, Office of Inspector General investigators found a cash sales invoice showing that a Department subcontractor employee had sold 10 and a half tons of copper pipe and fittings to a scrap dealer for over \$25,000 in cash. The subcontractor for whom the employee works is performing demolition of the K-25 cooling tower at the Department's Oak Ridge facility.

An investigation determined that three subcontractor employees were removing truckloads of copper pipe and fittings from a salvage area, and the Assistant U.S. Attorney accepted the case for prosecution. The subcontractor immediately suspended the three employees without pay, pending the results of an employment evaluation. The investigation also identified deficiencies in the safeguards and property accountability program which contributed to the undetected theft of the copper.

The investigative report recommended that the Department's Cooling Tower Project Team: (1) review existing material control procedures and implement controls to prevent further thefts, (2) conduct a radiation survey of all recovered metals to assess any impact on public safety, (3) consider recouping \$19,000 from the subcontractor in costs incurred by the Department as a result of the thefts, and (4) obtain accountability from the prime contractor for the actual quantities of copper pipe and other valuable metals which were removed during the cooling tower demolition project. The Manager, Oak Ridge Operations Office, advised that actions would be taken to implement all recommendations. (I95OR029)

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.*

The Department Did Not Examine All Alternatives Before Beginning Construction of a New \$230 Million Environmental Molecular Sciences Laboratory

An Office of Inspector General audit determined that the Department did not evaluate all practical alternatives before selecting Richland as the location for construction of a \$230 million Environmental Molecular Sciences Laboratory.

In 1988, the Battelle-Pacific Northwest Laboratories submitted an unsolicited proposal to the Department for the construction of a new research laboratory in Richland, Washington. Although a site study had been conducted by Battelle in 1987, the study only considered sites located in Richland. The proposal and the Department's decision to proceed with construction at Richland were based on the new laboratory's proximity to the Hanford Site where about 50 percent of the nation's nuclear waste is stored. In addition, the Department believed that since Battelle had submitted the proposal, the contractor should manage and operate the facility.

The audit disclosed that actual material from the waste stored at Hanford will not be used in the research; instead, surrogate samples will be used. Also, the research will not be site specific and directed only toward Hanford's problems because the primary focus of the facility was changed from applied to basic research, which has multi-site applications. Further, other Department laboratories currently perform related research and have excess space which might meet the proposed research laboratory's mission.

By not evaluating alternatives, the Department may have missed an opportunity to not only avoid spending a significant amount of the \$230 million, but also an opportunity to more effectively use existing national laboratories and equipment. The audit report recommended that the Department reevaluate the project to determine if there are less costly but equally effective alternatives to new construction and new equipment.

The Department's Office of Energy Research did not concur with the finding and recommendations contained in the audit report, stating that the research laboratory is to be a national user facility equipped with state-of-the-art and first-of-a-kind equipment. The Office of Energy Research also stated that the use of existing facilities and equipment would obviate the unique interactive and synergistic scientific exploration capabilities of the proposed research laboratory. (IG-0371)

Procedures Are Needed to Properly Dispose of About \$46.3 Million in Excess Precious Metals

The Department used precious metals primarily in the production of nuclear weapons. An Office of Inspector General audit determined that 6 of 11 Departmental organizations were not adequately identifying and disposing of excess precious metals. At the time of the audit, the Department had about \$52 million worth of precious metals inventory on hand, including about \$10.3 million that was considered excess. In addition, the Department has the opportunity

to recover precious metals worth about \$36 million from disassembled nuclear weapons that will be excess to programmatic needs. Although substantial quantities of excess precious metals existed, property management officials had not developed effective procedures to dispose of excess metals through other Government agencies or on the open market.

The audit report recommended that management direct cognizant Department officials to ensure compliance with existing Departmental property management regulations, and revise the policies and procedures for the management of precious metals to reflect the current mission of the Department. Management concurred with the audit report recommendations and agreed to identify excess precious metals and develop a more effective disposal mechanism. (IG-0375)

\$12 Million Could Be Saved Over Five Years and an Additional \$1.2 Million Could Be Saved Annually Through Improvements to the Department's Commercial Laboratory Quality Assurance Evaluation Program

An audit of the Department's Commercial Laboratory Quality Assurance Evaluation Program (involving both subcontract commercial laboratories as well as management and operating contractor-operated laboratories) disclosed redundant quality assurance evaluations at some laboratories, while others were not evaluated at all. Further, there were inconsistently applied standards, inconsistent evaluation results, and a lack of communication of the results with other contractors.

The audit determined that, based on a 1-year evaluation cycle using contractor-reported average evaluation costs of \$11,631, elimination of 103 redundant evaluations could have resulted in an estimated savings of about \$12 million annually. Also, if a third-party laboratory accreditation program commonly used by other Federal agencies and private sector firms had been im-

plemented, auditors estimated that the Department could have avoided about \$2.5 million in costs per year. Such a program could provide overall cost, quality and efficiency benefits to the Department and result in savings of about \$12 million over 5 years.

Department management concurred with the audit's recommendations and is planning actions to address the issues discussed in the audit report. (IG-0374)

\$1.2 Million Could Be Saved Annually By Implementing a Better Work Schedule for Nuclear Material Couriers

The Albuquerque Operations Office's Transportation Safeguards Division employs nuclear material couriers to drive a fleet of armored tractors, trailers, and escort vehicles for the safe, secure transport of nuclear weapons and special nuclear materials. An Office of Inspector General audit found that nuclear material couriers worked a traditional 40-hour work schedule from Monday through Friday, even though the traditional work schedule did not fit the job requirements. As a result, the couriers received an average of 22 hours of regular pay for idle time and an average of 39 hours of overtime each 2-week pay period.

The audit report recommended that Albuquerque implement a work schedule, such as a first-40 workweek, that more closely corresponds with the couriers' actual work requirements. A first-40 workweek schedule would allow management to establish the basic workweek without designating specific days and hours that the couriers must work. With this schedule, the first 40 hours that couriers worked would be considered regularly scheduled work and any hours beyond 40 would be overtime. If Albuquerque adopted this schedule, the Office of Inspector General estimated that about \$1.2 million could be saved annually.

While Albuquerque management partially concurred and acknowledged that cost savings may possibly be realized, the Operations Office withheld concurrence on the estimated savings until it conducted a 6-month study. (WR-B-95-05)

\$1.7 Million Could Be Saved By Canceling Construction of a Physical Training Facility and Upgrading Existing Resources

An audit of protective force training facilities construction at the Department's Pantex Plant disclosed that construction of a physical training facility was not necessary, and the Department did not consider all viable alternatives to constructing a weapons tactics and training facility. These conditions occurred in part because a "Justification for New Start" was never prepared and approved for the Security Enhancements Major System Acquisition, which included these two projects.

The audit report recommended that the Manager, Albuquerque Operations Office, cancel construction of the physical training facility, make needed repairs and upgrades to the existing facilities, and reduce the cost of the Security Enhancements Major System Acquisition accordingly. Implementation of this recommendation will save about \$1.7 million.

The audit report also recommended that Albuquerque direct its Pantex Plant management and operating contractor to perform economic analyses of all viable alternatives to constructing a weapons tactics and training facility before proceeding with construction. Such analyses could lead to cancellation or rescoping of the proposed facility and result in savings to the Department.

Albuquerque did not agree to cancel construction of the physical training facility, but did agree to perform economic analyses of all viable alternatives to the proposed weapons tactics and training facility before proceeding with construction. (WR-B-95-06)

\$15.6 Million Could Be Saved at Oak Ridge Through Elimination of Unnecessary Worker Assistance Programs

The Oak Ridge Operations Office and Lockheed Martin Energy Systems, the management and operating contractor for Department of Energy facilities in the Oak Ridge area, achieved the Department's restructuring objectives by eliminating 865 staff positions in Fiscal Year 1993 and 1,400 positions in Fiscal Year 1994. Through the use of voluntary separations and worker transfers, the restructuring was accomplished without resorting to involuntary terminations and without the need for layoffs and associated worker assistance programs. Nevertheless, Lockheed Martin established training programs and an outplacement center which provided little benefit to the displaced workers or to the Oak Ridge region. This condition occurred because the Department was not adequately involved in preparing the restructuring plans and did not curtail funding for training and outplacement programs when expected layoffs did not materialize. As a result, the Department unnecessarily spent about \$8.2 million in Fiscal Years 1993 and 1994, and plans to spend an additional \$15.6 million on comparable projects through Fiscal Year 1997.

The audit also disclosed lobbying activity under a grant which the Operations Office had awarded to an Oak Ridge advocacy group, in spite of Federal laws which prohibit the use of appropriated funds for lobbying Congress and Federal officials. In an attempt to sponsor local support for the restructuring program, the Department developed a grant statement of work that could be construed as permitting lobbying. The Operations Office spent \$219,000 in Fiscal Years 1993 and 1994, and plans to spend an additional \$231,000 in Fiscal Year 1995, much of which has been or will be used to lobby elected officials and Federal agencies.

Management did not concur with the audit findings and recommendations, stating that expenditures for the training programs and outplacement center were necessary and reasonable to avoid involuntary layoffs. While management

agreed that some of the grantee's activities may have been lobbying, it did not agree that the grant should be discontinued or restructured. (ER-B-95-06)

\$10 Million Could Be Saved Annually By Reducing Subsidies at the Nevada Test Site

During the Cold War, the Department developed and maintained an extensive infrastructure at the Nevada Test Site to facilitate the nuclear weapons test program. Subsidized housing, food, and busing services were used as incentives to attract and maintain a large force of skilled workers needed to conduct nuclear tests. However, the Cold War has ended, a Presidential Directive in October 1992 placed a moratorium on nuclear testing, and test site employment is declining.

While the Acting Manager, Nevada Operations Office, has been proactive in reducing subsidies, an audit found that additional opportunities exist to further reduce subsidies for services that were not being used extensively. The audit report recommended that the Nevada Operations Office take additional steps to decrease subsidies, including steps to close housing facilities or operate them on a break-even basis, operate food services on a break-even basis, and increase the efficiency of the bus service. By implementing the audit report recommendations, the Department could save \$10 million annually.

Management concurred with the spirit and intent of the recommendations and agreed to target full cost recovery for ancillary services. (WR-B-95-08)

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. Also includes OIG identification of noncompliance with legislation or regulations brought to the attention of the Department for their consideration and evaluation.

Western Area Power Administration Did Not Publicly Advertise or Solicit Bids from Other Companies Before Awarding Power Purchase Contracts

Based on a Hotline complaint, Office of Inspector General inspectors reviewed several aspects of Western Area Power Administration (WAPA) power purchase contracting procedures. The review determined that, as alleged by the complainant, WAPA had not publicly advertised its power purchase requirements or formally solicited bids from other companies in two instances cited in the allegation. WAPA takes the position that its power purchase program is exempt from Federal competition and contracting requirements. However, even though WAPA did not follow Federal requirements, WAPA had not developed any other written internal policies and procedures for the solicitation, negotiation, award, or documentation of power purchase contracts. The inspectors were unable to determine whether the rates negotiated under a non-competed contract were the best rates available to WAPA because of the absence of formal competition in the award of this contract and the absence of documentation of the negotiation and award processes.

The inspection identified and made recommendations on several management issues regarding WAPA's power purchase program, including the lack of formal competition, the absence of internal policies and procedures, the absence of Federal regulations regarding power purchases, and the absence of management oversight of WAPA's power purchase program.

Since WAPA's power purchase program costs more than \$250 million per year and individual contracts can range in value to more than \$1 billion, the Office of Inspector General believes that specific procedural guidance on the solicitation, negotiation, and award of power purchase contracts is warranted. WAPA's practice of not using full and open competition, and WAPA's use of informal processes in the screening and selection of suppliers for the award of power purchasing contracts, opens WAPA to charges of favoritism and excessive cost in the award of power purchase contracts.

The Administrator of WAPA concurred with applicable inspection report findings and recommendations, including a recommendation to evaluate opportunities for increasing the use of formal competition in WAPA's power purchase program. The Administrator stated that the development of a formal determination as to the applicability of the requirements of Federal regulations to WAPA's power purchase program is underway. (IG-0372)

Support Service Contracting May Not Always Meet Economy and Efficiency Requirements of Acquisition Regulations

Annual expenditures for Departmental support service contracts have increased from \$88 million in 1980 to \$674 million in Fiscal Year 1994. These contracts include grounds maintenance, security, electrical and plumbing services, transportation, and management support services.

An Office of Inspector General audit found that, contrary to guidance contained in acquisition regulations, the Department may not always obtain support services in the most economical and effective manner. For example, the Department negotiated and paid four of six support service contractors an estimated \$5.1 million in fees for services exclusively provided by subcontractors hired by the support service contractors because the Department did not have a policy which addressed the inclusion, at the pre-award phase, of subcontract labor in the support service contractors' fee determinations. Further, the audit disclosed that the Department maintained minimal administration over major portions of contracted support services on three of six support service contracts.

The audit report recommended that management develop and implement support service preaward procedures starting with the request for proposals that ensure the support service contractor's fee is based only on the direct labor hours it expends. Also, management should

pursue opportunities to reduce support service contractors' subcontracting to a level where the Department, not the support service contractor, is administering a substantial portion of support services.

Department management did not concur with the finding and recommendations, stating that the Department of Energy Acquisition Regulation provides adequate coverage of fee considerations regarding subcontractor services.

Management also commented that the audit report draft implied that subcontracting to any significant extent indicates a lack of control, and management did not believe a certain level of subcontracting indicates that the Department has abdicated its contract management responsibility. In some cases, subcontracting may be the most economical and effective means to obtain the right services at the lowest possible cost. Management noted that the examples given in the report appear to illustrate an increase in the Department's requirements, not a lack of control over the prime contractor. (CR-B-95-06)

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. Also, positive change can result from management actions taken during an ongoing audit, inspection, or other review.*

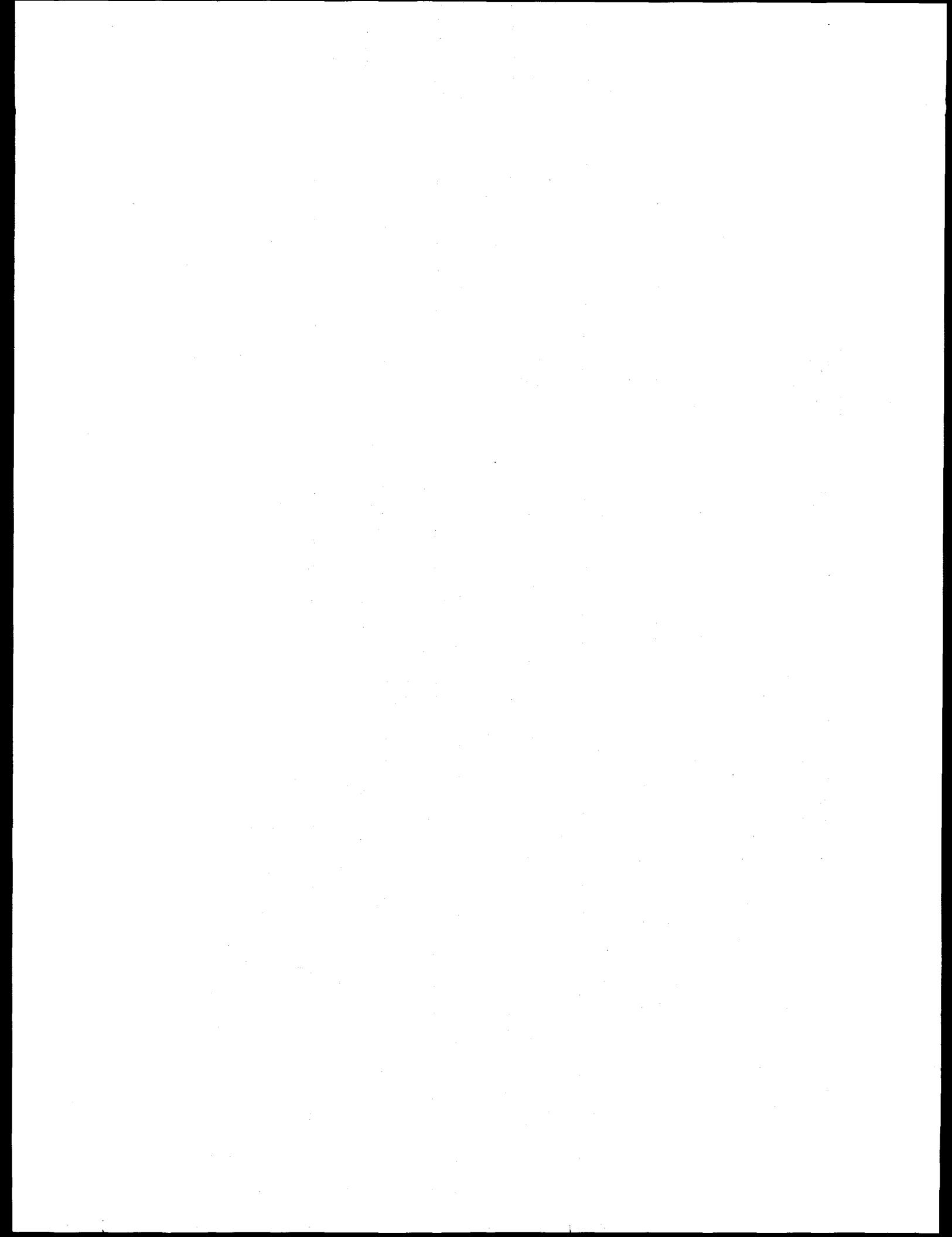
Management Took Action to Improve Security at a Headquarters Computer Center

The Department's Office of Information Management has responsibility for managing and operating the Headquarters classified and unclassified computer-based data processing facilities, including the Germantown Headquarters Administrative Computer Center. The Center supports the Department's financial, payroll and personnel, security, and procurement functions.

An Office of Inspector General audit identified weaknesses in the Center's computer security program that increased the risk of unauthorized disclosure or loss of sensitive data. Specifically, we found that access to sensitive data was not limited to individuals who had a need for the information, and accurate and complete information was not maintained on the Center's

inventory of tapes. The risk of unauthorized disclosure and loss of sensitive data was increased because other controls, such as physical security, had not been adequately implemented at the Center.

During the audit, management took positive steps to improve the unclassified computer security program at the Center. Management reduced the number of user accounts with broad access privileges and validated access to tape data sets through implementation of the security software feature. Management also instituted controls to ensure that the tape management system accurately reflected the disposition of magnetic media. In addition, management took action to reduce the number of persons who had unrestricted physical access to the Center, including the tape library which houses sensitive data. (AP-B-95-02)



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.

Appearance of a Loss of Impartiality at the Yucca Mountain Project Led to Recommendations to Management for Corrective Action

The Office of Inspector General received information that a senior Department official at the Yucca Mountain Project had, by actions indicating personal friendship with a senior contractor employee on the same project, created the perception of a loss of impartiality in the performance of his official duties. An inspection concluded that the relationship between the senior Department official and the senior contractor employee would support a conclusion by Department management that there was an appearance of a loss of impartiality. For example, the senior contract employee and the senior official traveled on business together on 29 separate occasions within a 1-year period. The frequency of this travel raised concerns at the Yucca Mountain Project and elsewhere about their relationship. Also, the senior Department official and the senior contractor employee took an out-of-town vacation together which resulted in Department management eliminating their professional interface on the Yucca Mountain Project.

The inspection report recommended that management consider actions which would provide additional guidance to supervisors and employees in identifying and addressing situations involving the appearance of a loss of impartiality due to close friendships or personal relationships. The Office of General Counsel responded to the recommendations by stating that it was anticipated that the issues will be periodically addressed as part of the Department's annual ethics training program. (S93IS072)

Contractor Employee Was Sentenced to One Year's Probation for Theft of Government-Issued Checks Worth About \$9,000

The Office of Inspector General was informed of an allegation that a temporary contractor employee had stolen two Government-issued checks. Subsequent investigation determined that the employee had access to checks being mailed to subcontractors, and she had attempted to deposit two such checks worth a total of about \$9,000 into her personal bank account.

The Assistant U.S. Attorney accepted the case for prosecution, and the contractor employee pled guilty to a misdemeanor count of theft of Government property. She was sentenced to one year's probation, 50 hours of community service, and was assessed a special fine of \$25. (I950R003)

Contractor Procurement Official Directed Business to a Local Company at Which His Wife Worked

The Office of Inspector General received a complaint that a management and operating contractor procurement official at a Department field site was directing business to a local company at which his wife was an employee. An investigation determined that the local company had received about \$594,000 in Government contracts from the management and operating contractor, and the procurement official had requested 226 purchase orders to be awarded to the company. The procurement official stated that he and his wife had been friends with the company owners for about ten years.

The investigative report recommended that the procurement official be required to recuse himself from all future transactions concerning the local company, and that the management and operating contractor review the local company's status as a small disadvantaged business.

Department management concurred with the recommendations and suspended the local company from its vendor list. (I92OR002)

Contractor Employee Used Government Computer to Conduct a Private Cosmetic Business During Duty Hours

While investigating a complaint, the Office of Inspector General discovered that the subject of the complaint (a management and operating contractor employee) had used her Government computer during duty hours to conduct a personal business selling cosmetics. The contractor employee was terminated.

The investigation also found that the employee's former supervisor did not conduct periodic inspections of computers assigned to people under his cognizance to ensure that the equipment was being used only for official business, as required by Department regulations. Based on the investigation report, the Department's Operations Office took action through its contracts division to ensure that the contractor provided for periodic inspections of employees' computers. (I94CN005)

Government-Owned Laser Jet Printers Are Discovered in an Office Restroom

The Office of Inspector General investigated allegations that three Government-owned laser jet printers were found in a locked bathroom stall in an office building located on a Department field site. The investigation focused on the accountability and transfer of sensitive Government property and on the possibility of theft.

The investigation determined that for 22 months, the computer printers (valued at \$6400) were unaccounted for and no documentation existed for the transfer of the printers to the office building. In the absence of evidence demonstrat-

ing that the computer printers belonged to organizations occupying the building, the printers were taken to the security office of the site's management and operating contractor.

The investigation disclosed that the computer printers had been received at the field site's warehouse staging area, but no one could trace their removal from the warehouse because people routinely came to the receiving area to re-route equipment from original requisitioners to other individuals.

The investigation report recommended that the site's management and operating contractor return the three printers to inventory, and that the contractor ensure in-house controls are in place to account for sensitive equipment. Field office management took action to implement the recommendations, and internal control requirements for the accountability and transfer of sensitive property have been incorporated into the site's management and operating contract. (I94CN004)

Contractor Employees Mischarged Time

An investigation substantiated an allegation that contractor employees at the Department's Savannah River Site were mischarging their time. One employee stated that he had been told to "split" his time between two projects; he therefore charged 50 percent of his time to each, instead of charging the actual hours worked on each.

Another employee charged 100 percent of his time to one project. However, he performed supervisory work and therefore should have charged some time to a different code.

The investigative report recommended that the Savannah River Operations Office determine whether the contractor had adequate management controls in place to ensure accurate time charging in the future. The Operations Office advised that it had contacted the cognizant Defense Contract Audit Agency (DCAA) and had been told that "floor checks" in 1993 and 1994 did not reveal any major time-charging discrepancies. As a result of the investigative report,

DCAA will review direct versus indirect time charging on the next floor check. (I92PT006)

Investigators Inquired into a Complaint on Travel-Related Abuses

The Office of Inspector General received a complaint that a Pittsburgh Energy Technology Center employee working in the travel office used her Government credit card to pay for private airline tickets. Additionally, the complainant alleged that the employee received free airfare and hotel rooms from a travel agency.

An investigation substantiated the allegations. The employee used her Government credit card to obtain lower air fares at Government rates than would have been available to her had she been purchasing airline tickets as a private citizen. The employee also accepted a local travel agency's partial payment of her expenses at travel-related conferences. These partial payments included the conference registration fee, hotel room, and ticketing service charge.

The investigative report recommended that the Pittsburgh Energy Technology Center take appropriate administrative and disciplinary actions. As a result of the investigation's finding and recommendations, the employee was reprimanded by her supervisors for her inappropriate actions, and they reviewed with her the responsibility burden placed on Government employees regarding the use of Government charge cards. Additionally, the employee reimbursed the airline \$687, which was the difference between the Government rate for her airline tickets and the rate charged private citizens. (I95PT003)

Contractor Employees Used Government Equipment to Further Their Private Business

The Office of Inspector General received information that a contractor manager and possibly other contractor employees at the Superconducting Super Collider Laboratory were conducting private business on Government time. Based on a review of files copied from personal computers, an investigation found strong indications that the three contractor employees were

using Government time and equipment to further their own private business interests.

An investigative report sent to the Director, Superconducting Super Collider Project Office, recommended that he coordinate with Superconducting Super Collider Laboratory management to determine the appropriate administrative action to be taken in connection with the three contractor employees. Laboratory management formally reprimanded the contractor manager for improper use of Government resources, and the manager reimbursed the Laboratory for personal documents photocopied at the Laboratory, as well as for personal telephone calls made on his office telephone. Laboratory management chose not to take administrative action against the other two contractor employees based in part on the fact that their employment would be terminated anyway within the month due to the shutdown of the Superconducting Super Collider. (I95AL014)

Contractor Custodians Falsified Time Cards at Sandia National Laboratories

The Office of Inspector General received allegations that contractor employees assigned to work as janitors at Sandia National Laboratories were also custodians at Lawrence Livermore National Laboratory and had work schedules that overlapped.

An investigation determined that five custodians cooperated in a scheme in which one custodian clocked in the other custodians at Sandia. Therefore, it appeared that the custodians were working at Sandia while they were actually working at Livermore. The custodians submitted claims to Sandia and received about \$11,700 in payment for 956 hours that were not worked.

As a result of the investigation, the security clearances of seven contractor employees were reclassified and six employees were terminated. The Assistant U.S. Attorney accepted the case for prosecution. The appropriate employees have either paid or are in the process of paying restitution, and some have been sentenced to probation and community service. (I92LL006)

Conflict of Interest Caused a Program Manager to Leave Government Employment

A source alleged to the Office of Inspector General that a Department program manager owned a company which does business with the Department of Energy. An investigation found that the program manager did not list any personal or spousal interest in the company on financial disclosure forms filed for any year except 1991, when he listed his wife's financial interest. In an affidavit, the program manager declared that he had severed all relationships with the company when he accepted employment with the Department of Energy, and that he had only learned of his wife's involvement with the company sometime in 1991. Nevertheless, the investigation disclosed evidence that the program manager had continued to sign official documents as the director of the company for over two years after he had accepted Federal employment.

As a result of the investigation, cognizant Department management proposed that the program manager be removed from Federal service. The Deputy Secretary concurred. In a settlement agreement between the program manager and the Department, the program manager was allowed to retire. (I91NO001)

Over \$98,000 in Computer-Related Purchases Are Found To Be Unauthorized and Are Targeted for Recovery

The Office of Inspector General received allegations that an entity associated with a university doing work for the Department had double-billed the Government in connection with two Department projects. An investigation disclosed what appeared to be overcharges of over \$98,000 by the entity for the procurement of unauthorized computers and laboratory equipment.

The investigative report recommended that Department management take appropriate action to recover costs for unauthorized equipment purchases made by the entity during Fiscal Years 1987 through 1991. Recovery of over

\$10,000 of the amount has been accomplished. (I93DN009)

Inflated Lodging Costs Were Prosecuted Under the Program Fraud Civil Remedies Act

Allegations were reported to the Office of Inspector General that a West Coast laboratory employee submitted inflated lodging receipts for official trips to the Department's Washington, DC, Headquarters. At the time of his hiring, the employee was leasing an apartment in Arlington, Virginia. His work for the laboratory required that he spend most of his time in the Washington, DC, area. Laboratory policy permits payment of daily prorated lease/rental costs when employees are on travel and stay at their established residence while on temporary duty. Reimbursement cannot exceed the established GSA lodging rate for that particular area.

The investigation disclosed that the employee had submitted 17 travel vouchers during a 1-year period, 16 of which showed inflated prorated daily lease costs for a total of over \$5,600. When the case was presented to the Assistant U.S. Attorney, she declined prosecution because of the low dollar value, the cost of prosecution, and the availability of administrative remedies. The case was then referred to the Department's Office of General Counsel for prosecution under the Program Fraud Civil Remedies Act. Under the Act, the Department of Justice issued authority to the Department of Energy to initiate proceedings for over \$27,000. This sum included the original inflated amount that the employee originally charged the Government, plus a civil penalty of \$1,000 for each of the 16 inflated voucher submissions.

The employee's attorney negotiated a settlement with the Department of Energy for full restitution of the inflated amount of over \$5,600, and the civil action was closed. (I91SF012)

Unused Emergency Operations Center Telecommunications Circuits Prove Costly

The Office of Inspector General received a complaint that about \$500,000 in Government

funds had been wasted because telecommunications circuits procured in 1991 had not been used.

An inspection determined that the Department had incurred costs of about \$573,000 for unused telecommunications circuits at seven Emergency Operations Centers between November 1992 and November 1993. Management identified two primary reasons as to why this situation existed: (1) telecommunications circuits had been installed before equipment to use the circuits had been purchased, or (2) the equipment had been purchased but had not been connected to circuits because Emergency Operations Center sites either had not been selected or had not been prepared for emergency operations.

The inspection also disclosed that officials had not tracked the usage of Emergency Operations Center telecommunications circuits to avoid costs for unused circuits, nor had they taken timely action to disconnect unused circuits.

In response the inspection report, cognizant managers agreed to work together to ensure that Emergency Operations Center telecommunications circuits were only installed as needed. In June 1994, unused telecommunications circuits were deactivated at three sites, allowing the Department to save an estimated \$106,800 over the ensuing 8 months. Management also agreed to ensure a plan is in place for installing and connecting Emergency Operations Center telecommunications circuits in a cost effective and efficient manner, and to track the cost and usage of existing circuits. (S94IS004)

Merit Increase Freeze Withholds \$6.8 Million from Contractor Employees

A complainant alleged that a Department management and operating contractor did not pay its employees merit increases for 1993 even though the Department had approved funds for this purpose.

An inspection disclosed that the management and operating contractor withheld from its employees about \$6.8 million of \$8.4 million

which had been approved by the Department for merit increases. The inspection also found that the contractor may have benefited from the merit increase freeze under a Department Cost Reduction Incentive Program which paid contractors a fee for certain cost savings. The inspection noted that Department officials did not know how much of the withheld merit increase funds were included in the cost savings used to calculate the Cost Reduction Incentive Program fee received by the contractor. The Office of Inspector General believes that Department officials should have this information to make an informed decision on the appropriate Cost Reduction Incentive Program fee which the management and operating contractor should receive. The inspection found that the merit increase freeze implemented by the contractor was not contrary to the Department's Acquisition Regulation or the contractor's contract with the Department.

The inspection report recommended that the Deputy Assistant Secretary for Procurement and Assistance Management determine whether Departmental officials should have a role in reviewing and approving contractor initiated merit increase freezes. Written policies and procedures should be established as required. The purpose of the Departmental officials' review/approval role would be to ensure consistency with the Department's policy that contractors judiciously expend public funds, maintain an experienced stable workforce, and ensure the reasonableness of contractor employees' salaries. (S93IS046)

Program Fraud Civil Remedies Act Provides Method for Recovering Over \$14,000

Allegations were received from a Department laboratory that a protective forces watch commander had failed to report his absences from duty. An investigation determined that the watch commander was required to notify an administrative assistant responsible for time-keeping whenever he took vacation, sick leave, or other excused absence.

The investigation found 46 occasions when the watch commander did not report for duty

and did not notify the timekeeper. Additionally, he took 8 vacation days which were not reported to the payroll unit. The watch commander, who was permitted to resign his employment, was overpaid about \$9,550 as a result of his failure to properly report his absences.

After the Assistant US Attorney declined the case for criminal prosecution, the Department of Justice granted authority for the Department of Energy to initiate administrative proceedings

under the Program Fraud Civil Remedies Act to seek twice the estimated damages and 18 civil penalties of \$5,000 each for a total settlement of about \$99,550. In negotiations, the former watch commander agreed to pay damages and one count of false claims, totaling over \$14,000. He has begun making payments, and failure to complete those payments will result in approved damages and penalties of over \$93,000 becoming due and payable. (190SF003)

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 (both property and money) 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.*

Armored Personnel Carriers Released to a Private Organization Are Recovered

The Office of Inspector General received information that eight armored personnel carriers, previously used to provide security at the Department's Rocky Flats Plant, were improperly released by a contractor to a private organization claiming to be a museum. Armored personnel carriers are tracked combat vehicles with light armor used to move small contingents of personnel. The investigation revealed that none of the armored personnel carriers had been properly demilitarized, and several had been illegally resold by the alleged museum to private individuals.

In the largest investigative operation in the history of the Department's Office of Inspector General, five search warrants were simultaneously executed in four states, resulting in the recovery of all eight armored personnel carriers, numerous spare parts, and extra track. Teams of Office of Inspector General Special Agents led the coordinated operations. The execution of the search warrants was supported by agents from the Federal Bureau of Investigation, Defense Criminal Investigative Service, and Defense Logistics Agency. The recovered armored personnel carriers are currently being held as evidence while the investigation is continuing. (I94AL016)

Over \$920,000 Has Been Recovered to Date from Cost Mischarging at the Lawrence Livermore National Laboratory

An Office of Inspector General inspection of work-for-others projects at Lawrence Livermore National Laboratory disclosed evidence of cost mischarging. An investigation, using audit support, validated the inspection's finding and determined that cost overruns were charged to a Laboratory overhead account and subsequently divided among numerous other work-for-others sponsors as "shared burden" by means of an inflated overhead rate.

The Assistant U.S. Attorney accepted the case for civil prosecutive consideration, and the Laboratory offered to repay \$1 million it calculated as the loss to taxpayers. Subsequent review by the Office of Inspector General identified a potential of another \$6 million in cost mischarges over the Laboratory's calculation.

University of California attorneys contacted the Assistant U.S. Attorney to arrange for payment. The Assistant U.S. Attorney received \$924,069 from the University of California, which will be used as a downpayment on damages and penalties that may be assessed as a result of civil action. (I93LL016)

Contractor Will Reimburse the Department for a Lost Computer

A management and operating contractor received and stored a new computer before its delivery to an employee. When the computer's shipping container was opened by the employee, the computer was missing. Investigation determined that the contractor did not have sufficient property transfer or custody control procedures to enable investigators to develop suspects. Upon original receipt of the computer, contractor shipping/receiving personnel did not verify that the shipping box contained a computer. The box was sent to a distribution bay and stored in an unsecured area overnight. Further, the contractor's material clerk placed the shipping box on an unsecured cart throughout the day while making other deliveries.

The investigation report recommended that the contractor be required to reimburse the Department for the missing computer and ensure that proper internal controls and security procedures are implemented and followed to reduce the loss of Government property. Management concurred with the recommendations and the contractor will reimburse the Department of Energy for the lost computer. (195OR015)

Contractor Employees Charged the Department for Yacht Club Work and Used Government Equipment for High School Reunion Photography

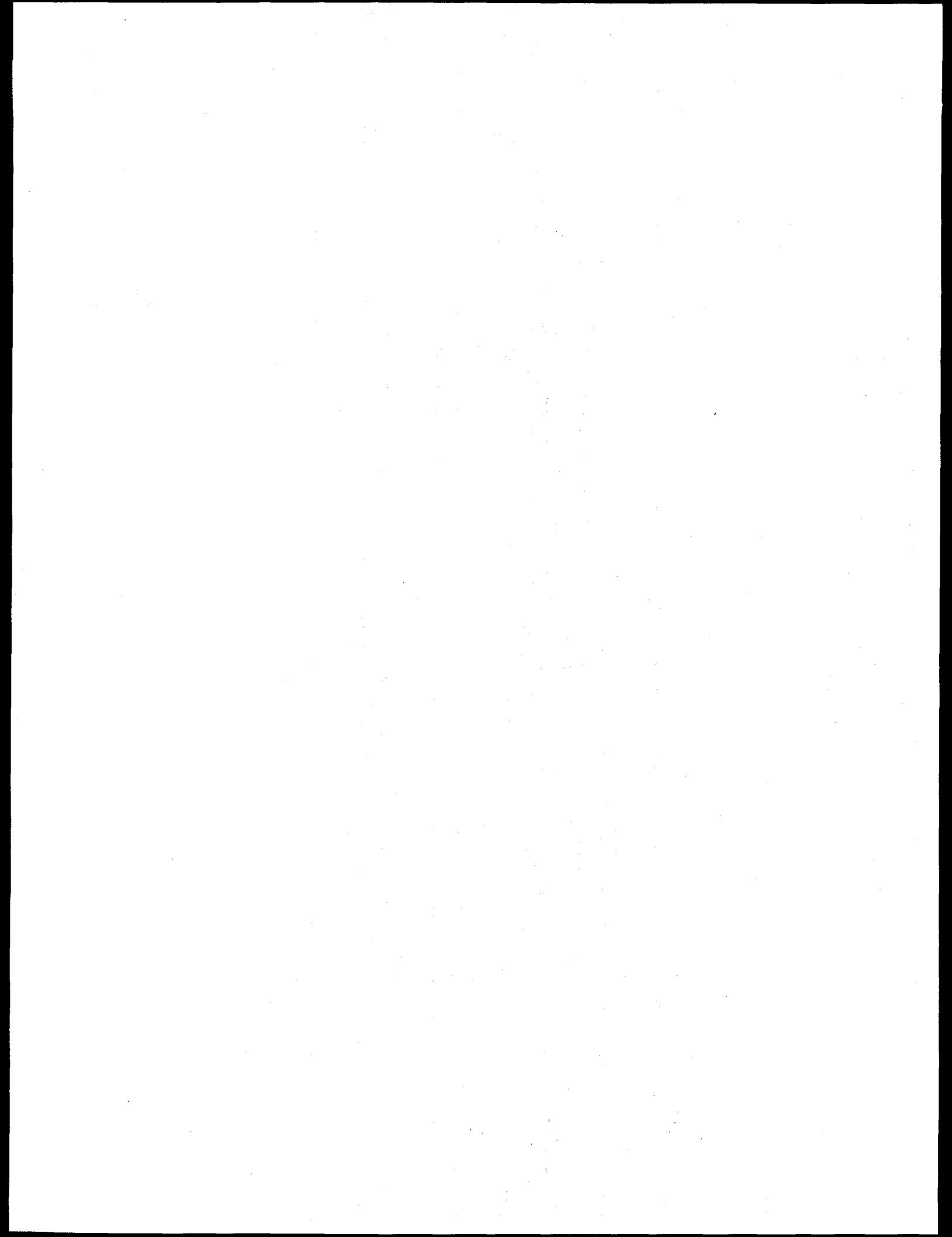
The Defense Contract Audit Agency informed the Office of Inspector General that RMI Titanium, the prime contractor for the Department's former extrusion plant in Ashtabula, Ohio, may have mischarged the Government for certain private work. An investigation determined that an RMI employee had been directed to charge time which he spent on the design and development of electrical drawings for the Ashstabula Yacht Club to the Department of Energy's contract at RMI. Additionally, the investigation revealed that another contractor employee used a Government camera, film, and processing equipment to take photographs at a manager's high school reunion. The employee earned about \$100 for his services by selling the photographs to reunion attendees.

The investigative report sent to the Manager of the Department's Ohio Field Office included a recommendation that the Field Office seek reimbursement for the mischarged costs. The Field Office recovered \$5,353. Also, the contractor disciplined two of its employees for their improper activities. (194CN006)

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:

- 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.
- 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.
- 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.
- To recommend policies for, and to conduct, supervise, or coordinate relationships between the Department of Energy and other Federal agencies, state and local government 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.
- 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 offices which are administered by Deputy Inspectors General.

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 in Washington, DC, Germantown, and Pittsburgh; Eastern Regional Audit Office, with field offices located at Cincinnati, Chicago, New Orleans, Oak Ridge (Tennessee), 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 performs the statutory investigative duties which relate to the promotion of economy and efficiency in the administration of, or the prevention or detection of, fraud or abuse in programs and operations of the Department. The Office investigates prohibited or improper activities against the Department by its contractors, vendors, employees, and any others who have relationships with the Department. Priority is given to investigations of apparent or suspected violations of statutes with criminal or civil penalties, especially procurement fraud, environmental, health and safety matters, and matters which reflect on the integrity and suitability of Department officials. Suspected criminal violations are promptly reported to the Department of Justice for prosecutive consideration. The Office was recently reorganized into four regional offices, each with reporting offices located at major Department sites: (1) the Northeast Regional Office is located in Washington, DC, with reporting offices in Pittsburgh and Chicago; (2) the Southeast Regional Office is located in Oak Ridge, with reporting offices located in Cincinnati and Aiken (South Carolina); (3) the Southwest Regional Office is located in Albuquerque, with a reporting office in Denver; and (4) the Northwest Regional Office is located in Richland, with reporting offices in Idaho Falls and Oakland. The Inspector General Hotline is also organizationally aligned within the Office of Investigations.

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. The Inspection staff is organized with a Headquarters organization and two regional offices. The Eastern Regional Office is located in Oak Ridge, with a field office in Savannah River. The Western Regional Office is located in Albuquerque, with a field office in Livermore, California.

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 information resources 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. The Office is organized into three offices: Administrative Services, Human Resources Management, and Information Resources.

INSPECTOR GENERAL RESOURCE CONCERNS

As part of the National Performance Review, the Office of Inspector General has continued to re-engineer its processes and to fully participate with the Department of Energy in achieving new ways to do more with less. We re-examined our own organization and practices and implemented new initiatives to further enhance productivity, raise the quality level of our products, increase customer satisfaction, and reduce costs.

As early as 1991, the Secretary had declared inadequate audit coverage of management and operating contractors to be a material weakness as part of the annual Federal Managers' Financial Integrity Act (FMFIA) report to the President. This resource concern was exacerbated by additional audit requirements mandated in the *Government Management Reform Act of 1994* (which provides for final agency-wide implementation of the *Chief Financial Officers Act of 1990*). This new requirement severely erodes the Office of Inspector General's flexibility in addressing significant Departmental issues.

Nevertheless, as a result of the Office of Inspector General's re-engineering effort we have closed offices, reduced our supervisor-to-employee ratio, and increased minority and female representation in its work force. In terms of process re-engineering, we participated with the Department's Chief Financial Officer to improve audit and inspection report resolution and follow-up, implemented a Cooperative Audit Strategy and a Cooperative Complaint Resolution Strategy, and established a Complaint Coordination Committee that reviews and makes decisions on the disposition of Hotline calls and other complaints. Furthermore, as an important step to conserve our financial resources, we reduced our support service contracts from \$8 million in Fiscal Year (FY) 1990 to a low of \$1.75 million in FYs 1993 through 1996.

Now as we begin FY 1996, the Department of Energy and the Office of Inspector General face further staffing and funding reductions. In an August 1995 Strategic Alignment Status Briefing to Department of Energy employees, the Department announced that it will reduce its staffing from a FY 1995 level of 14,057 to 12,677 in FY 1996. The Department

also announced that the Office of Inspector General will have its FY 1996 staffing reduced from 356 to 339. By FY 2000, the Department will make a 27 percent reduction in its work force to 10,269, and the Office of Inspector General will be reduced 31 percent to 244 personnel.

In terms of the FY 1996 budget, the Department of Energy as a whole faces a reduction in funding from its request of \$17.6 billion to \$15.7 billion, an 11 percent cut. The Office of Inspector General faces a reduction in funding from its FY 1996 request of \$31 million to \$25 million, a 21 percent cut. The Office of Inspector General must meet FY 1996 staffing and funding levels in part by further reducing the volume of audit, inspection and investigation work performed. We will work priority issues with the resources available. Our efforts will include:

- ◆ Relying more heavily, in coordination with the Department, on our Cooperative Audit Strategy where contractor internal auditors provide reasonable assurances that the procedures used to determine costs and charges to the Government are accurate, complete, and in compliance with Department contracts.
- ◆ Working highest priority issues, categorized as "most significant," and addressing remaining issues afterward until resources are exhausted.
- ◆ Raising thresholds for accepting complaints for Office of Inspector General action and referring more complaints to Department management for resolution.
- ◆ Investigating as a high priority those cases with the best potential for successful criminal or civil prosecution, and only investigating the remainder as resources permit. Criminal cases which do not score high may be referred to other law enforcement agencies for their consideration, put on hold in the event that resources might become available, referred to Department management for action, or may be dropped.

The Office of Inspector General will continue to do its best to accomplish its statutory mission with the resources left to its disposal. However, it is important that we advise our customers of our reduction in resources and the resulting impact on our services to the Department, the Congress, and the American taxpayer.

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 198 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 103 of these matters. Complaints referred to the Department 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 6 administrative disciplinary actions being taken during the reporting period. The following are examples of the results of referrals to Department management.

- Complaints regarding unhealthy working conditions at a Department site were substantiated and corrective actions taken. Examples of the conditions included "gray" water from a sink backing up into an ice machine that supplied ice for drinks, diesel fuel fumes being exhausted into a work area, and air filters not being changed regularly.
- An allegation was substantiated that a contractor sold excess property at substantially less than its residual value. As a result, an employee was suspended for 5 days without pay, another employee was issued a written reprimand, property control procedures were modified, and personnel received training.
- As a result of a substantiated allegation that a theft of Government property valued between \$1000 and \$2000 was not appropriately followed up by contractor management, the contractor developed new procedures for property deliveries and new procedures for tracking, trending, and reporting thefts and losses.
- As a result of an allegation that a contractor was expending more money fabricating projects in-house than an outside vendor would have cost, the contractor was directed to review and revise its "make or buy" policy/process for actions under \$100,000 and to ensure that proper documentation and justification are done on future projects before the work is completed.
- A substantiated allegation that a contractor employee who reviewed a Small Business Innovative Research grant application had a conflict of interest resulted in the contractor developing policies and procedures for such reviews.
- A contractor employee was found to have charged two Department contracts for the same time period of work. The employee was terminated.
- An allegation was substantiated that a truck driver working for a contractor (1) continued working at a part-time job while on paid disability from the contractor, and (2) had violated Department of Transportation regulations limiting the number of hours truck drivers may work during specified durations of time. The employee was terminated as a result.

LEGISLATIVE AND REGULATORY OVERVIEW

Congressional Requests

During the reporting period, congressional committees or subcommittees, members of Congress, and their respective staffs made 36 requests to the Office of Inspector General. We responded by providing 4 briefings and providing data or reports in 39 instances, including 9 interim responses and 30 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 program 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 16 legislative and regulatory items.

INSPECTOR GENERAL REPORTS AVAILABILITY

On the Internet

As part of the ongoing effort of the Office of Inspector General to streamline its operations and to provide better service to its customers, audit and inspection reports of wide applicability or which might be of interest to a wider audience are available on the Internet. Hardcopy distribution is costly, time consuming and often may not reach the requester in a timely fashion. Making our reports available on the Internet is an efficient way to distribute reports and should be of value to our customers.

Our reports are 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 published 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.

By U.S. Mail

Persons wishing to request hardcopies of reports to be mailed to them may do so by calling the automated Office of Inspector General Reports Request Line at (202) 586-2744. The caller should leave a name, mailing address, and identification number of the report

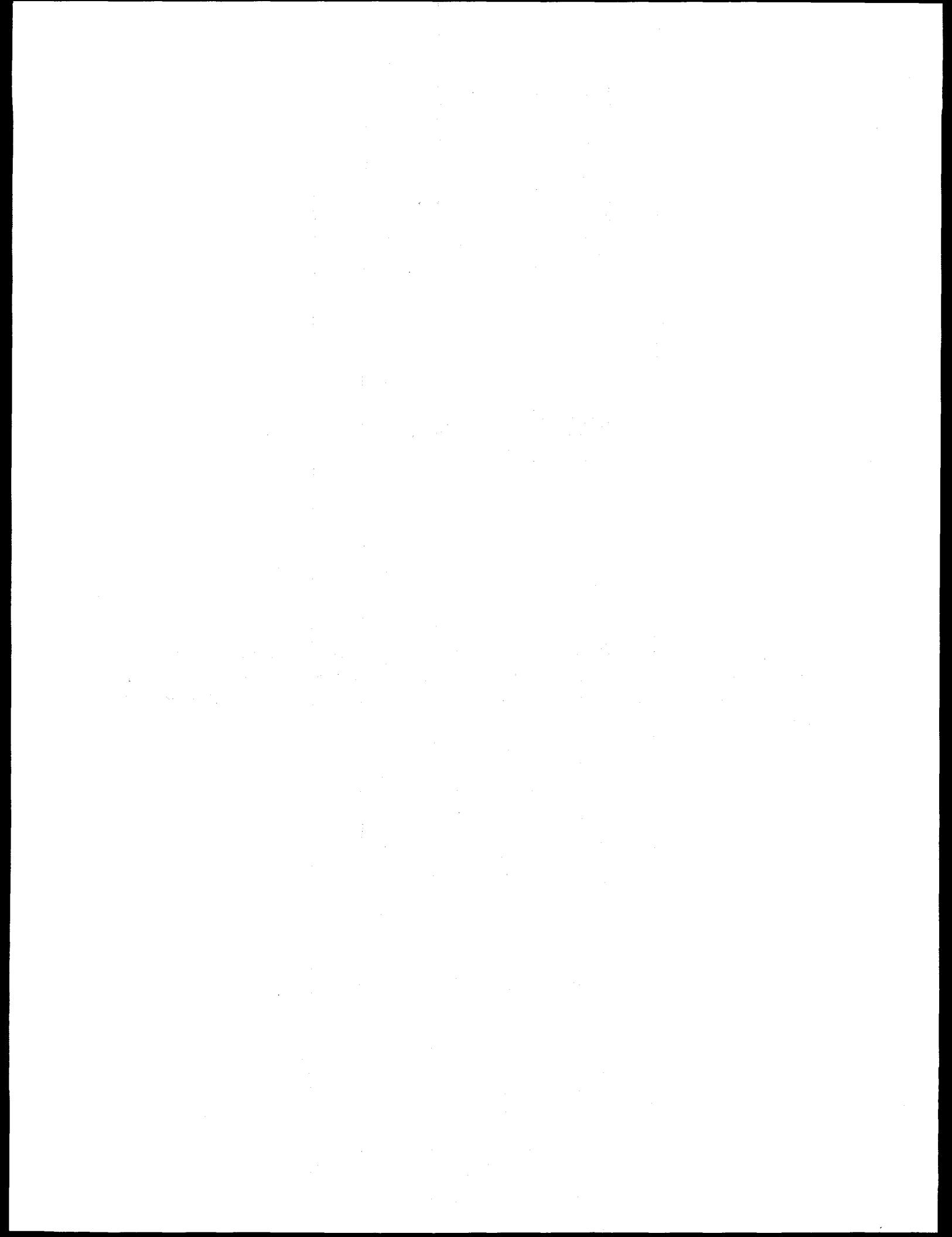
needed. If the report's identification number is unknown, then the caller should leave a short description of the report and a telephone number where the caller may be reached in case further information is needed to fulfill the request.

Requests by Telefax

In addition to using the automated Office of Inspector General Reports Request Line, persons may telefax requests for reports to (202) 586-3636. Telefaxing requests may be especially convenient for people requesting several reports.

Point of Contact for More Information

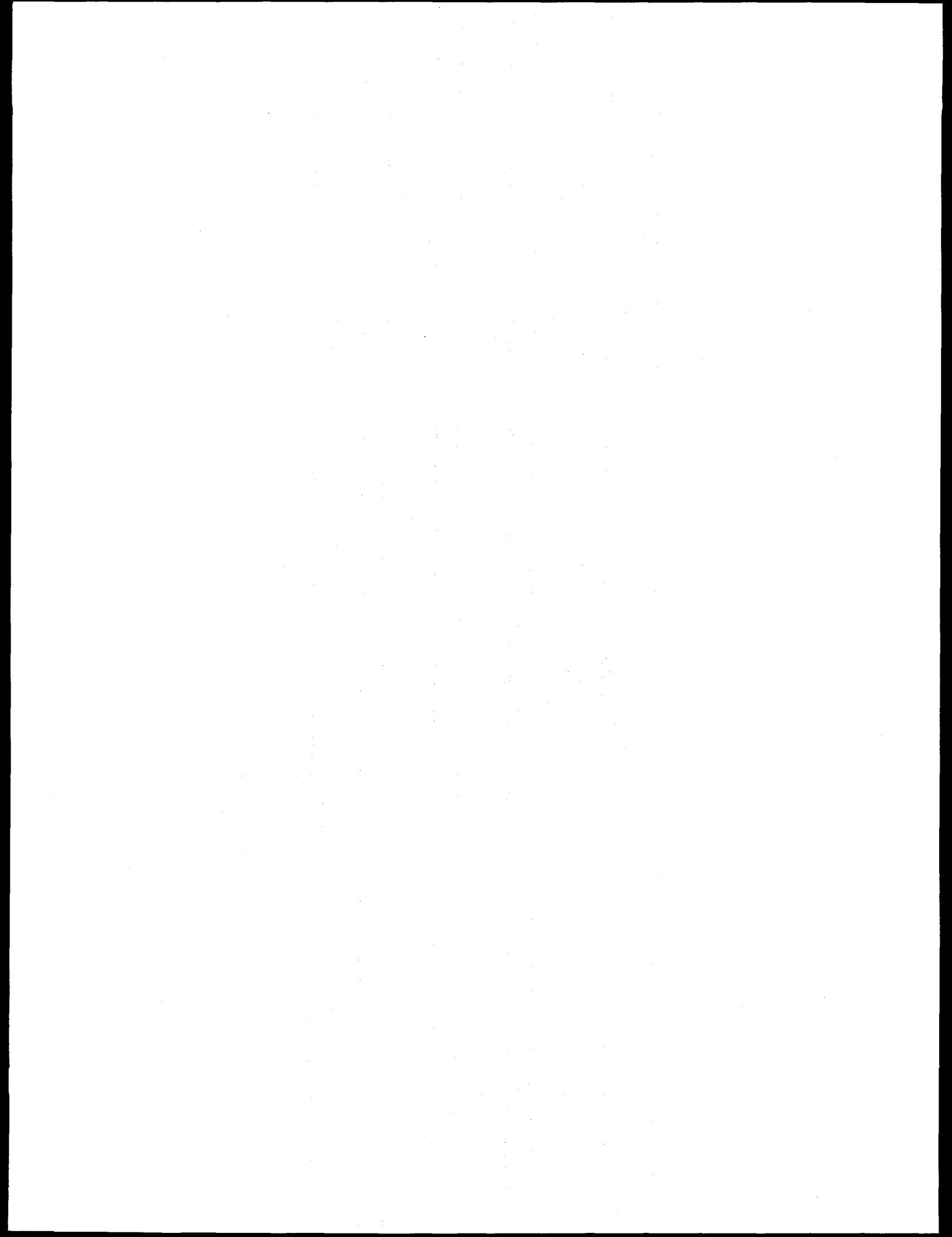
Persons with questions concerning the contents, availability, or distribution of any Office of Inspector General report may contact Wilma Slaughter via the Internet at e011@doe.dt.navy.mil or by telephone at (202) 586-1924.



SECTION 3

REPORTS ISSUED

The 66 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. 12 inspection reports are listed separately.



REPORTS ISSUED

CONTRACT AND GRANT AUDIT REPORTS

- ER-C-95-02 Audit of Princeton University's Systems for Distributing Salaries and Wages to Government-Funded Agreements, April 14, 1995
- ER-C-95-03 Report on the Interim Audit of Costs Incurred Under Contract No. DE-AC05-92OR21972 from September 1, 1992, to September 30, 1993, Fernald Environmental Restoration Management Corporation, Fernald, Ohio, May 11, 1995
Questioned Costs: \$1,590,000
- ER-C-95-04 Interim Audit of Contract Number DE-AC05-84ER40150, October 1, 1991, Through September 30, 1993, Southeastern Universities Research Association, Inc., Newport News, Virginia, June 6, 1995
Questioned Costs: \$15,103
- ER-C-95-05 Review of the Adequacy of DynMcDermott Petroleum Operations Company's Cost Accounting Standards Disclosure Statement, September 8, 1995
- ER-P-95-01 Preaward Audit of Princeton University's Proposal for Grant No. 33905-MS-MUR with U.S. Department of the Army, May 8, 1995
Savings: \$286,359
- WR-C-95-02 Interim Audit of Costs Claimed Under Contract No. DE-AC04-76EV01013, Interagency Agreements and Other Sponsors, October 1, 1992, Through September 30, 1993, April 24, 1995
- WR-C-95-03 Interim Incurred Cost Audit of Contract No. DE-AC04-89AL52318 for the Period January 1, 1993, Through September 30, 1994, Ross Aviation, Inc., Albuquerque, New Mexico, May 23, 1995
Questioned Costs: \$58,460
- WR-C-95-04 Review of Sandia Corporation Cost Accounting Standards Board Disclosure Statement Adequacy and Cost Accounting Standards Compliance, May 23, 1995
- WR-C-95-05 Review of Los Alamos National Laboratory Disclosure Statement Adequacy and Cost Accounting Standards Compliance, June 2, 1995
Questioned Costs: \$29,000
- WR-C-95-06 Review of Battelle-Pacific Northwest Laboratories Disclosure Statement Adequacy and Cost Accounting Standards Compliance, June 20, 1995

OPERATIONAL AUDIT REPORTS

- IG-0371 Report on Audit of the Department of Energy's Environmental Molecular Sciences Laboratory, April 7, 1995
Savings: \$90,000,000
- IG-0373 Audit of Administration of Cooperative Research and Development Agreements at DOE National Laboratories, May 19, 1995
- IG-0374 Audit of the Department of Energy's Commercial Laboratory Quality Assurance Evaluation Program, June 21, 1995
Savings: \$12,000,000
- IG-0375 Audit of the Department of Energy's Management of Precious Metals, June 20, 1995
Savings: \$10,000,000
- IG-0376 Audit of Program Administration by the Office of Energy Research, August 2, 1995
- IG-0379 Audit of Bonneville Power Administration's Energy Resource Programs, September 8, 1995
Savings: \$146,800,000
- AP-B-95-02 Audit of Selected Aspects of the Unclassified Computer Security Program at a DOE Headquarters Computing Facility, July 31, 1995
- AP-L-95-01 Audit of Selected Aspects of the Classified Computer Security Program at a DOE Headquarters Computing Facility, August 10, 1995
- CR-B-95-05 Audit of the Federal Energy Regulatory Commission's Office of Chief Accountant, April 7, 1995
- CR-B-95-06 Audit of Department of Energy Support Service Contracting, June 30, 1995
Questioned Costs: \$5,100,000
- CR-L-95-19 Review of Accounts Receivable at Westinghouse Electric Corporation's Bettis Atomic Power Laboratory, June 8, 1995
- CR-L-95-20 Review of Accounts Receivable at KAPL, Inc., a Subsidiary of Lockheed Martin Corporation, Knolls Atomic Power Laboratory, June 28, 1995
- CR-L-95-21 Status of Efforts to Improve Management Information Systems for Environmental Compliance Activities, June 16, 1995

- CR-L-95-22 Audit of the Federal Energy Regulatory Commission's Procurement
Solicitation and Award Procedures, June 28, 1995
- CR-L-95-23 Audit of Interim Storage Issues, June 28, 1995
- CR-L-95-24 Review of the Department of Energy's Resolution of Defense Contract Audit
Agency Audit Findings, September 7, 1995
- ER-B-95-04 Audit of the Replacement High-Level Waste Evaporator at the Savannah
River Site, June 26, 1995
Savings: \$15,400,000
- ER-B-95-05 Audit of Acquisition of Scientific Research at Ames Laboratory, July 14,
1995
- ER-B-95-06 Audit of Work Force Restructuring at the Oak Ridge Operations Office,
August 3, 1995
Savings: \$15,831,000 *Questioned Costs: \$8,419,000*
- ER-L-95-12 Assessment of Westinghouse Savannah River Company Internal Audit
Function, April 7, 1995
- ER-L-95-13 Review of Westinghouse Savannah River Company's Disclosure Statement
Adequacy and Cost Accounting Standards Compliance, April 7, 1995
- ER-L-95-14 Assessment of EG&G Mound Applied Technologies, Inc., Internal Audit
Function, May 4, 1995
- ER-L-95-15 Assessment of Associated Universities, Inc., Internal Audit Function at
Brookhaven National Laboratory, May 11, 1995
- ER-L-95-16 Audit of the Imprest Fund at Princeton Plasma Physics Laboratory, May 18,
1995
- ER-L-95-17 *(This report number was not used.)*
- ER-L-95-18 Review of the Adequacy of Oak Ridge Associated Universities/Oak Ridge
Institute for Science and Education's Cost Accounting Standards Disclosure
Statement, June 26, 1995
- ER-L-95-19 Assessment of Lockheed Martin Energy Systems, Inc., Audit Function,
July 5, 1995.
Unsupported Costs: \$117,988
- ER-L-95-20 Assessment of Princeton University's Internal Audit Function at the
Princeton Plasma Physics Laboratory, August 15, 1995

- WR-B-95-05 Audit of Transportation Safeguards Division Couriers Work Schedules, April 3, 1995
Savings: \$6,000,000
- WR-B-95-06 Audit of Construction of Protective Force Training Facilities at the Pantex Plant, May 5, 1995
Savings: \$1,700,000
- WR-B-95-07 Consultant Subcontracting at the Idaho National Engineering Laboratory, June 20, 1995
- WR-B-95-08 Audit of Subsidized Ancillary Services at the Nevada Test Site, September 8, 1995
Savings: \$50,000,000
- WR-L-95-27 Assessment of Westinghouse Hanford Company Internal Audit Function, April 19, 1995
- WR-L-95-28 Assessment of Stanford Linear Accelerator Center's Internal Audit Function, June 1, 1995
- WR-L-95-29 Assessment of Battelle-Pacific Northwest Laboratories' Internal Audit Function, August 14, 1995

FINANCIAL AUDIT REPORTS

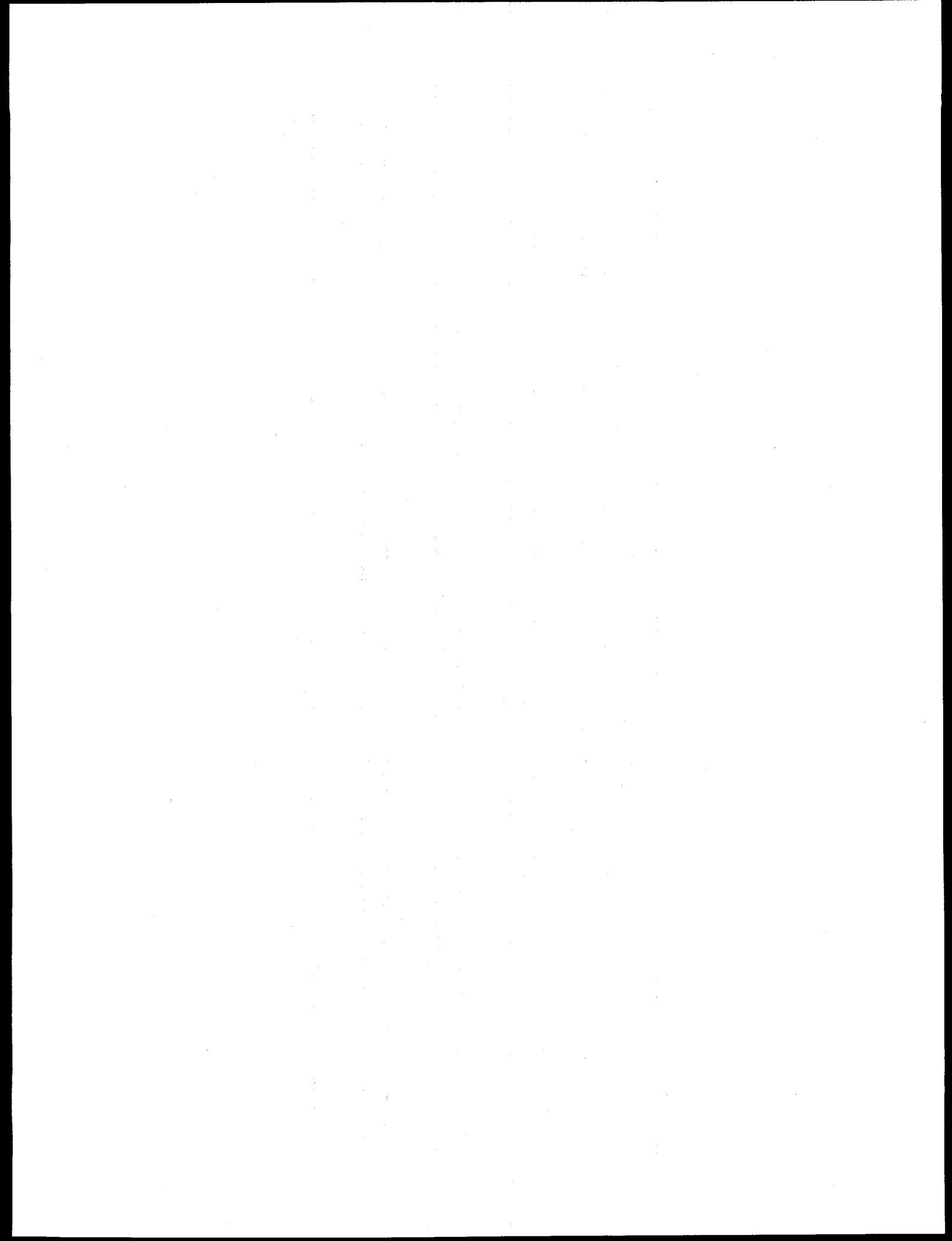
- CR-V-95-03 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of FY 1994 Costs Claimed by and Reimbursed to Universities Research Association, Inc., Under Department of Energy Contract No. DE-AC35-89-ER40486, April 21, 1995
- CR-V-95-04 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to TRW Environmental Safety Systems, Inc., Under Department of Energy Contract No. DE-AC01-91RW00134, June 9, 1995
Questioned Costs: \$557,778
- ER-V-95-08 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to EG&G Mound Applied Technologies, Inc., Under Department of Energy Contract No. DE-AC04-88DP43495, May 4, 1995
- ER-V-95-09 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Westinghouse Savannah River Company Under U.S. Department of Energy Contract No. DE-AC09-89SR18035, May 11, 1995

- ER-V-95-10 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Associated Universities, Inc., Brookhaven National Laboratory Under Department of Energy Contract No. DE-AC02-76CH00016, May 11, 1995
- ER-V-95-11 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to the West Valley Demonstration Project Under Department of Energy Contract No. DE-AC07-81NE44139, May 11, 1995
- ER-V-95-12 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Martin Marietta Energy Systems, Inc., Under Department of Energy Contract No. DE-AC05-84OR21400, May 23, 1995
Questioned Costs: \$319,659
- ER-V-95-13 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Princeton Plasma Physics Laboratory, Under Department of Energy Contract No. DE-AC02-76CH03073, August 15, 1995
- WR-FC-95-06 Audit Report on Western Area Power Administration's Boulder Canyon Power System FY 1994 Financial Statement Audit, April 24, 1995
- WR-FC-95-07 Audit Report on Western Area Power Administration Parker Davis Power System FY 1994 Financial Statement Audit, April 24, 1995
- WR-V-95-14 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Los Alamos National Laboratory Under Department of Energy Contract No. W-7405-ENG-36, April 20, 1995
- WR-V-95-15 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Westinghouse Hanford Company Under Department of Energy Contract No. DE-AC06-87RL10930, April 19, 1995
- WR-V-95-16 Assessment of the Rust Geotech, Inc., Internal Audit Function, June 14, 1995
- WR-V-95-17 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to EG&G Energy Measurements Under Department of Energy Contract No. DE-AC08-93NV11265, July 5, 1995
Questioned Costs: \$300

- WR-V-95-18 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Raytheon Services Nevada Under Department of Energy Contract No. DE-AC08-91NV10833, July 7, 1995
Questioned Costs: \$17,500 Unsupported Costs: \$37,200
- WR-V-95-19 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Reynolds Electrical and Engineering Company, Inc., Under Department of Energy Contract No. DE-AC08-94NV11432, July 7, 1995
Questioned Costs: \$10,500
- WR-V-95-20 Assessment of the Mason & Hanger-Silas Mason Company, Inc., Internal Audit Function, July 5, 1995
- WR-V-95-21 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Rust Geotech, Inc., Under Department of Energy Contract No. DE-AC04-86ID12584, August 4, 1995
- WR-V-95-22 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Mason & Hanger-Silas Mason Company, Inc., Under Department of Energy Contract No. DE-AC04-91AL65030, August 11, 1995
Questioned Costs: \$3,957 Unsupported Costs: \$4,295
- WR-V-95-23 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Lawrence Berkeley National Laboratory Under Department of Energy Contract No. DE-AC03-76SF00098, August 29, 1995
Questioned Costs: \$2,209,000
- WR-V-95-24 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Stanford Linear Accelerator Center Under Department of Energy Contract No. DE-AC03-76SF00515, September 13, 1995
- WR-V-95-25 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Battelle-Pacific Northwest Laboratories Under Department of Energy Contract No. DE-AC06-76RL01830, September 26, 1995
Questioned Costs: \$78,560

INSPECTION REPORTS

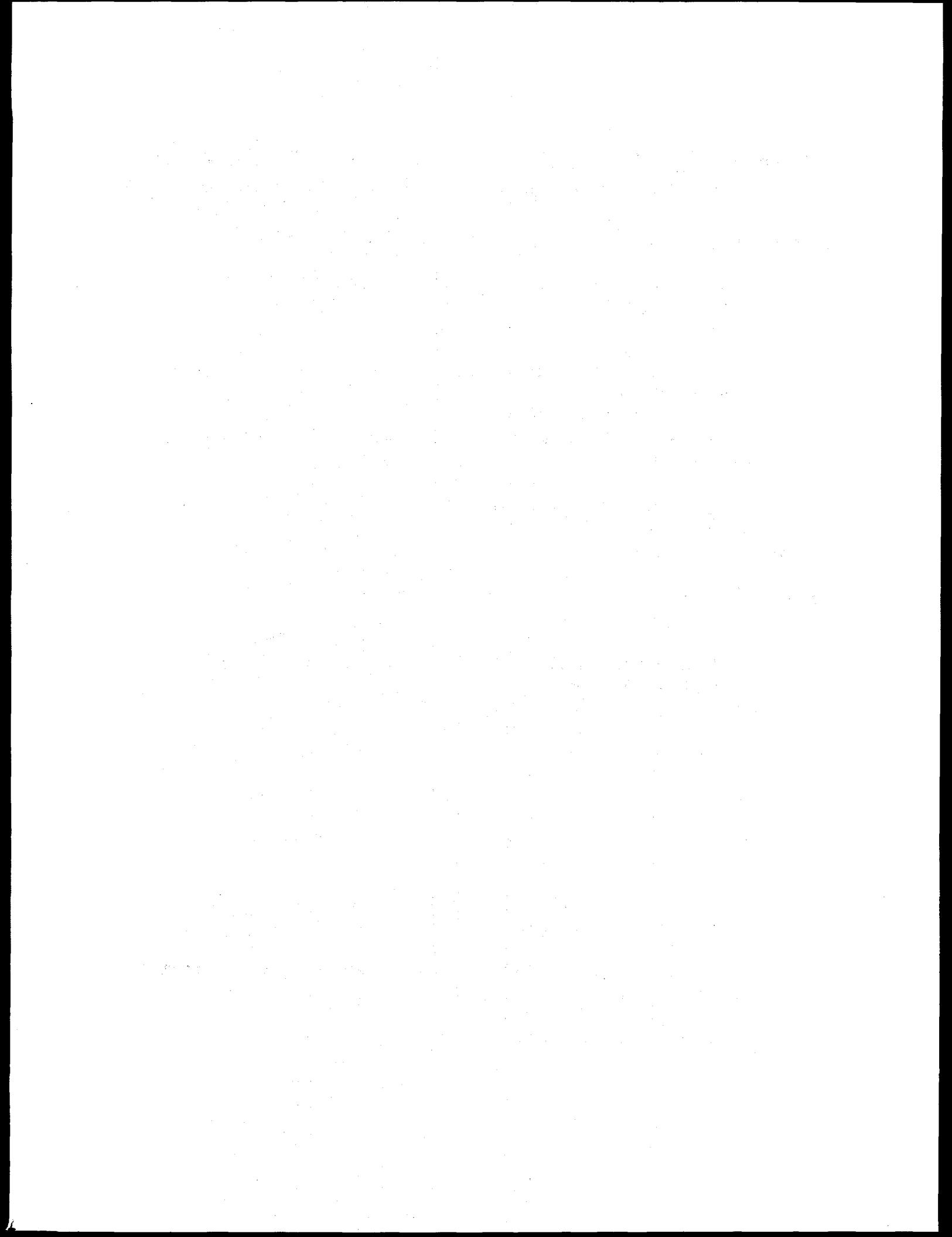
- IG-0372 Inspection of Power Purchase Contracts at the Western Area Power Administration, May 9, 1995
- IG-0377 Inspection of Westinghouse Savannah River Company Fees for Managing and Operating the Savannah River Site, August 3, 1995
- IG-0378 Follow-Up Inspection of the Double Funding of Security for Special Nuclear Material at the Richland Operations Office, August 29, 1995
- INS-O-95-02 Inspection of Analytical Laboratories Oversight at the Strategic Petroleum Reserve, July 26, 1995
- INS-L-95-05 Inspection of the Staff Early Retirement Incentive Program at the Stanford Linear Accelerator Center, April 14, 1995
- INS-L-95-06 Inspection of Confiscation of Items Brought Back From a Scientific Mission to Russia, May 12, 1995
- INS-L-95-07 Inspection of Los Alamos National Laboratory Alleged TA-55 Security Violation and ES&H Violation, May 12, 1995
- INS-L-95-08 Concerns Regarding Management of KAPL Radioactive Sites, May 17, 1995
- INS-L-95-09 The Use of Pagers by the Office of Construction and Capital Projects, July 6, 1995
- INS-L-95-10 Savannah River EEO Process Abuses, July 24, 1995
- INS-L-95-11 Nuclear Energy Employee's Receipt of Workers' Compensation, August 3, 1995
- INS-L-95-12 Management of Property at the Department of Energy's Savannah River Facility, August 17, 1995



SECTION 4

STATISTICS

This section lists audit reports issued before the beginning of the 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 inspection and 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, financial and preaward) 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:	18	\$54,799,882	\$102,915,948	\$157,715,830
Those issued during the reporting period:	57	\$184,593,096	\$180,300,000	\$364,893,096
Those for which a management decision was made during the reporting period:	36	\$87,731,695	\$216,324,000	\$304,055,695
<i>Agreed to by management:</i>		\$51,615,468	\$135,200,000	\$186,815,468
<i>Not Agreed to by management:</i>		\$21,773,244	\$54,000,000	\$75,773,244
Those for which a management decision is not required:	30	\$286,359	\$0	\$286,359
Those for which no management decision had been made at the end of the reporting period*:	9	\$165,717,907	\$94,015,948	\$259,733,855

**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*:	14	\$12,407,891	\$110,948
Those issued during the reporting period:	9	\$1,692,563	
Those for which a management decision was made during the reporting period:	2	\$228,377	
<i>Value of disallowed costs:</i>		\$0	
<i>Value of costs not disallowed:</i>		\$0	
Those for which a management decision is not required:	5	\$0	
Those for which no management decision had been made at the end of the reporting period:	16	\$13,872,077	\$110,948

**Note: The beginning balance has been adjusted by two in "Total Number" and by an insignificant, nonmaterial dollar amount in "Questioned Costs."*

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 |
| 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, 1990 |
| WR-C-92-01 | Report on the Final Audit of Costs Incurred by EWA, Inc., Environmental and Water Resources Management, Minneapolis, |

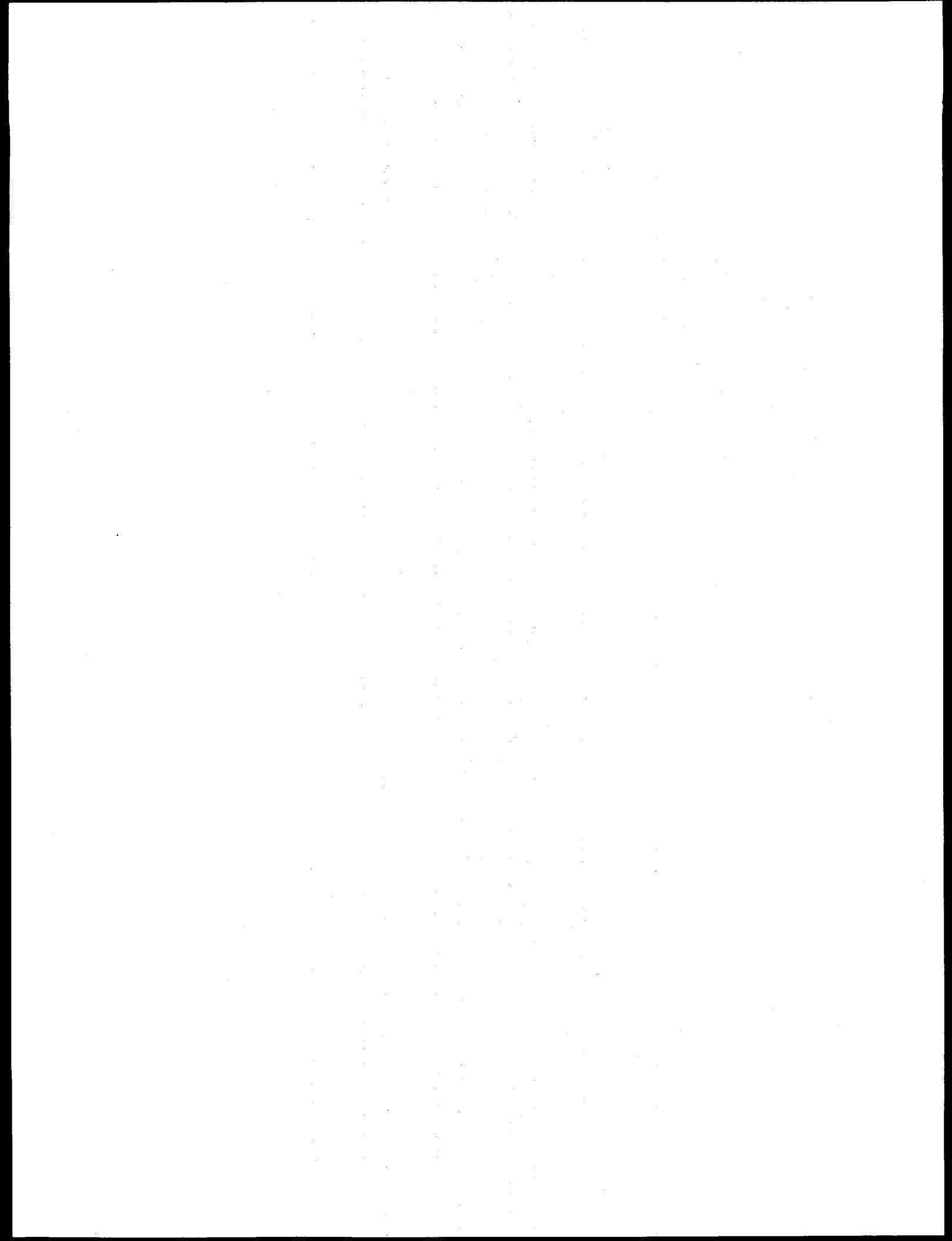
Minnesota, Under Its Contract with the Yakima Indian Nation, United States Department of Energy Grant DE-FG06-83RL10545, for the period May 14, 1984, Through December 22, 1988, April 6, 1992

- 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
- 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
- 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
- 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

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

- 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 still reviewing issues and should arrive at a management decision by December 1995.*)

- AP-B-95-01 Audit of Management and Control of Information Resources at Sandia National Laboratories, November 1, 1994 (*Additional time was necessary for the auditee to collect information on the audit recommendations to develop the Departmental position. The estimated completion date is November 30, 1995.*)
- IG-0370 Audit of Staffing Requirements for the Strategic Petroleum Reserve, March 29, 1995 (*Additional time was necessary for the auditee to collect information on the audit recommendations to develop the Departmental position. The estimated completion date is November 30, 1995.*)



INVESTIGATIVE STATISTICS

**The investigative statistics below cover the period from
April 1 through September 30, 1995**

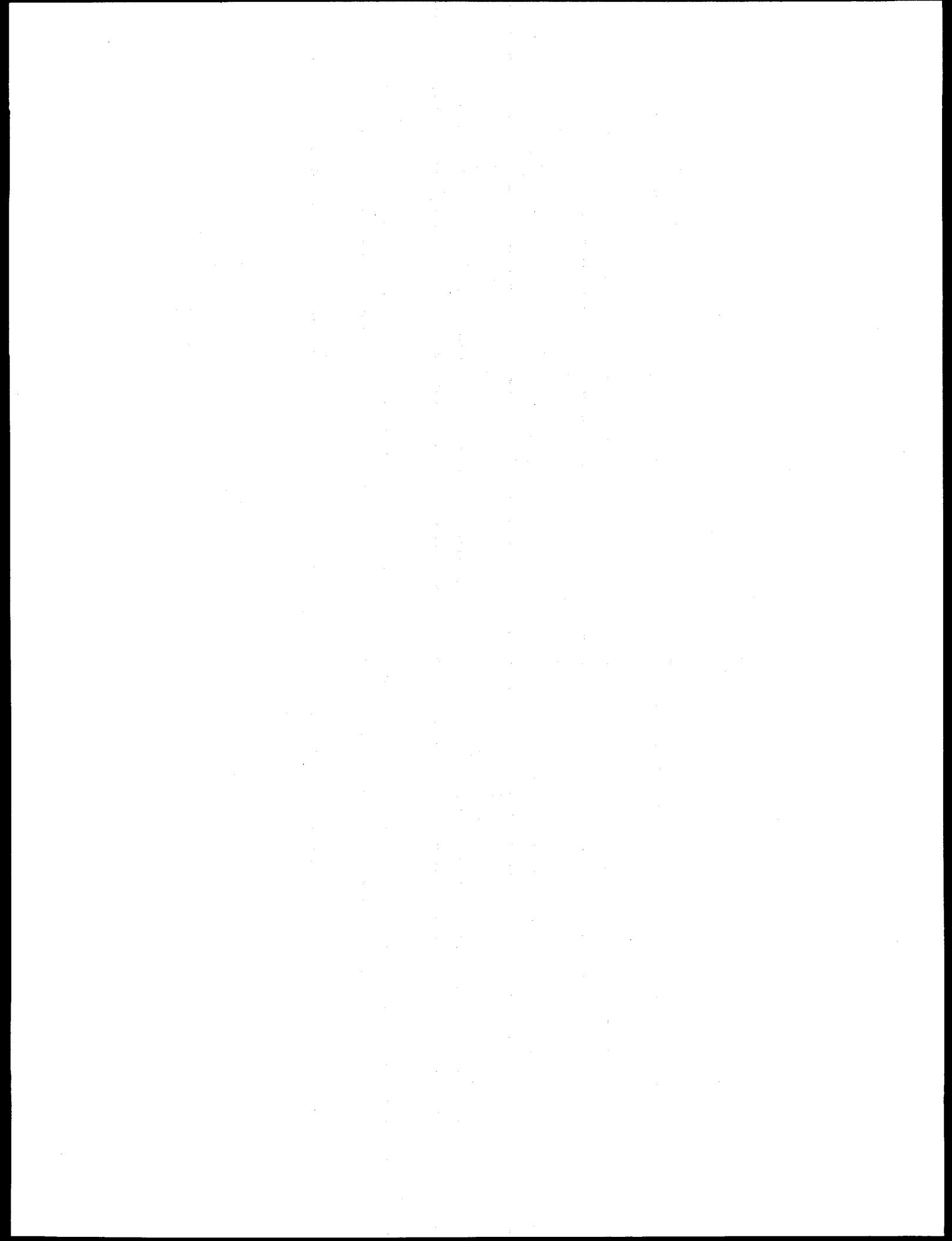
Investigations open at the start of this reporting period:	309
Investigations opened during this reporting period	98
Investigations closed during this reporting period	115
Investigations open at the end of this reporting period	292
Debarments/Suspensions	24
Investigations Referred to Management for Recommended Positive Action	44
Complaints Referred to Management for Review and Followup	4
Administrative Disciplinary Actions Taken.....	22
Investigations Referred for Prosecution	39
<i>Accepted</i>	25
<i>Declined</i>	20
<i>Indictments</i>	4
<i>Convictions</i>	11
<i>Pretrial Diversions</i>	1
Fines, Settlements, and Recoveries ^{**}	\$1,052,415

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

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

Hotline Statistics

Complaints Received via the Hotline.....	164
Complaints Received via the General Accounting Office.....	0
Total Complaints Received.....	164
Investigations Opened on Hotline Complaints	17
Complaints Resolved or Pending Resolution.....	123
Complaints That Required No Investigation by OIG	24
Total Complaints Disposition.....	164



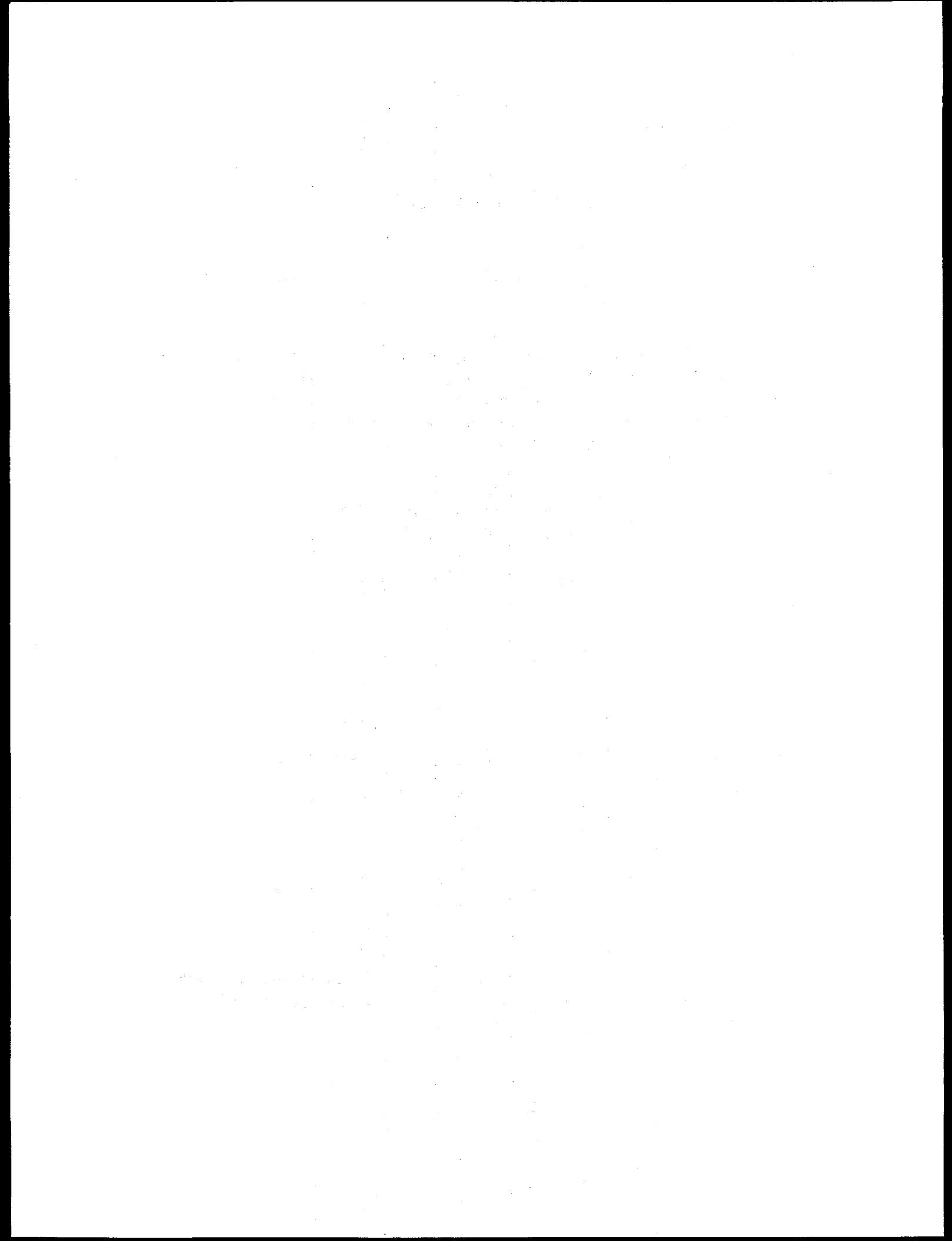
INSPECTION STATISTICS

**The inspection statistics below cover the period from
April 1 through September 30, 1995**

Inspections open at the start of this reporting period.....	162
Inspections opened during this reporting period	23
Inspections closed during this reporting period	42
Inspections open at the end of this reporting period	143
Complaints referred to Department management/others	198
Number of these referrals requesting a response for OIG evaluation	103
Reports issued*	19
Allegation-based inspections closed after preliminary review.....	18
Inspection recommendations	
Accepted this reporting period	31
Implemented this reporting period.....	37
Personnel management actions taken as a result of inspections or complaints referred to management.....	6
Funds impacted by inspections**	\$259,420,821

*Reports include non-public reports such as administrative allegation reports.

**The total dollar value of the program, project, or activity controlled by the management system which we are seeking to improve through our recommendation(s).



FEEDBACK SHEET

The contents of the October 1995 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-13)
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 or contact him on the Internet at e270@doe.dti.navy.mil.