

Department of Energy
Office of Inspector General
Deputy Inspector General
for Audit Services



FY 1996 Annual Work Plan

Issue Date: September 30, 1995

Editors Note

The specifics of the FY 1996 audit schedule, beginning on page 55, lists all of the audit starts scheduled for this fiscal year. This list has been developed based on the extensive planning model which is described in this document. The reader will note that a number of high priority, significant audits planned for FY 1996 have been specially identified by an asterisk. The asterisk denotes those audit starts which will likely be deferred because of a lack of sufficient audit resources. The circumstances surrounding this problem are discussed in the work plan narrative.

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MASTER

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U.S. DEPARTMENT OF ENERGY
DEPUTY INSPECTOR GENERAL FOR AUDIT SERVICES
FISCAL YEAR 1996 ANNUAL WORK PLAN

This plan is published pursuant to requirements of OMB Circular A-73, DOE Order 2321.1B, and IG Directive 108C. The plan outlines the audit strategies that the Deputy Inspector General for Audit Services intends to implement and execute in FY 1996. The plan also includes the details of this office's efforts to continually improve customer service and to implement the Inspector General's streamlining initiatives. Because of the impact of DOE's downsizing and realignment, the Office of Audit Services' personnel strength has declined from an authorized level of 208 at the beginning of FY 1995 to an estimated on-board strength of 183 at the beginning of FY 1996. This trend is expected to continue for the foreseeable future.

These staffing reductions along with the mandated financial statement audit requirements of the Chief Financial Officers and Government Management Reform Acts make it necessary to significantly reduce the level of performance audit coverage that we will be able to provide the Department. Consequently, it is unlikely that all scheduled performance audits can be started in FY 1996, as planned. The CFO and GMRA requirements are expected to remain fairly constant over the next few years. This likelihood, when coupled with the continued erosion of staff size, places practical limits on the flexibility of this office to address many audit issues of significance within the Department of Energy.

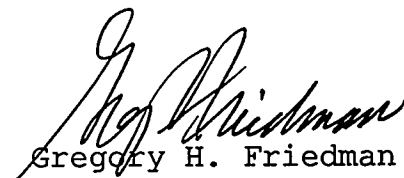

Gregory H. Friedman
Deputy Inspector General
for Audit Services

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U.S. DEPARTMENT OF ENERGY
DEPUTY INSPECTOR GENERAL FOR AUDIT SERVICES
FISCAL YEAR 1996 ANNUAL WORK PLAN

INTRODUCTION

In April 1994, the Department of Energy (DOE) Strategic Plan was issued. This Plan presents the Department's strategic outlook in response to a changing world. It discusses the Department's unique capabilities; its mission, vision, and core values; and key customer and stakeholder considerations. The DOE Strategic Plan lists business strategies and critical success factors which are intended to aid the Department in accomplishing its mission and reaching its vision of itself in the future.

The Office of Inspector General (OIG) has an important role in carrying out the goals and objectives of the Secretary's Strategic Plan. The OIG mission is to promote the effective, efficient, and economical operation of DOE programs through audits, inspections, investigations, and other reviews. The ultimate goal of the OIG is to facilitate positive change by assisting its customers, responsible Government officials, in taking actions to improve programs and operations.

The Inspector General annually issues his own Strategic Plan that contains program guidance for the next fiscal year. The Inspector General's program guidance for Fiscal Year (FY) 1996 continues to emphasize coverage of the business strategies and support of the DOE Strategic Plan by ensuring that audit, inspection, and investigative work helps the Department to reach its visions and goals, pursue its strategies, and monitor its success indicators.

As part of its responsibility in carrying out the OIG mission, the Office of the Deputy Inspector General for Audit Services (Office of Audit Services) publishes an Annual Work Plan that sets forth audits that are planned for the next fiscal year. Selection of these audits is based on the overall budget of the Department, analyses of trends in Departmental operations, guidance contained in the agency's strategic plans, statutory requirements, and the expressed needs and audit suggestions of Departmental program managers and OIG managers and staff.

This work plan includes audits that are carried over from FY 1995 and audits scheduled to start during FY 1996. Audits included in the plan will be performed by OIG staff.

Specialized expertise available through a Certified Public Accounting firm will be utilized to a limited extent in audits of the Department's financial statements. As part of the OIG Cooperative Audit Strategy, additional audit coverage of the Department's programs is provided by internal auditors of the Department's integrated contractors. Through the Cooperative Audit Strategy, the OIG ensures that the internal auditors satisfy audit standards, provides planning guidance to the internal auditors, coordinates work to avoid duplication, and tracks the work of internal auditors to ensure that needed audits are performed.

OVERVIEW

Office of the Inspector General

The Office of Inspector General was established by the Department of Energy Organization Act of 1977 to provide audit, inspection, investigative, and related services to the Department. Under the Act, the Inspector General is responsible for recommending improvements in policies and procedures, promoting economy and efficiency, and preventing and detecting fraud and abuse in the programs and operations of the Department.

In February 1994, the Inspector General reorganized the OIG in order to provide a focal point for program areas and to improve internal processes. The Inspector General restructured the OIG with three Deputy Inspectors General who serve as the OIG contacts for designated Departmental organizations. The Deputy Inspectors General include: the Principal Deputy Inspector General, with program oversight for the Office of Investigations and the Office of Policy, Planning and Management; the Deputy Inspector General for Inspections; and the Deputy Inspector General for Audit Services.

The organizational changes provide OIG customers with a focal point to raise issues, discuss program objectives, and provide feedback on OIG services. The changes also enhance the OIG process for bringing the coordinated resources of the OIG to bear on key issues of the Department as expressed in the Secretary's Strategic Plan.

Through its establishment of focal points and emphasis on a coordinated approach to key issues in the Department, the reorganized structure ensures OIG compliance with Office of

Management and Budget (OMB) Circular A-73 and DOE Order 2321.1C which require annual plans identifying audits to be made during the year.

Office of the Deputy Inspector General for Audit Services

Under the reorganized structure, the Office of Audit Services is responsible for performing independent audits of all DOE programs. These include financial and financial-related audits, economy and efficiency audits, and program results audits. The plan focuses on audits that will identify opportunities to enhance effectiveness, efficiency, and the integrity of DOE's programs and operations. The Deputy Inspector General for Audit Services is also responsible for issuing audit policy and guidance to other Departmental elements and for seeing that all audit work done in the Department, including the work of the integrated contractors' internal audit staffs, meets Government Auditing Standards and/or internal auditing standards published by the Institute of Internal Auditors'.

FY 1996 WORK PLAN CONSIDERATIONS

As noted above, the work planning strategy for the Office of Audit Services is driven by several factors, including the flow of funds to Departmental programs and functions, strategic planning guidance, statutory requirements and expressed needs.

Department of Energy Budget

In February 1995, the Secretary of Energy submitted her FY 1996 Budget Request to Congress for \$17.8 billion. As the mission of the Department has changed in the past few years, program funding has shifted significantly. The budget continues to emphasize environmental issues while reducing the funding request for national security. However, these two areas continue to make up the largest portion of the budget request, with over 39 percent directed at Environmental Quality-related activities, and about 28 percent targeted for National Security.

In May 1995, the Secretary announced a Strategic Alignment and Downsizing Initiative that would save an estimated \$14.1 billion and reduce the number of DOE employees by 27% over a five year period. The timing of the various initiatives and the budget reductions that will accompany them will influence how the Office of Audit Services allocates its resources in FY 1996 and subsequent years.

At the time of publication of this plan, Congress had not agreed on a final budget for the Department in FY 1996. However, it appears certain that the Department will receive less than the amount requested by the Secretary. Therefore, the budget figures presented in this workplan may vary significantly from the final budget amounts.

Strategic Planning Guidance

The Department's Strategic Planning Guidance focused on five major areas of Departmental activities. These activities are (1) Energy Resources (2) Science and Technology, (3) National Security, (4) Environmental Quality, and (5) Management and Other Activities. Following is a brief overview of these activities.

Energy Resources - focuses on (i) increasing the efficiency of energy end-use primarily through improvements in the building, transportation and industrial sectors of our economy, and (ii) securing future energy supplies by diversifying fuel sources, developing technologies which utilize indigenous resources, and reducing our vulnerability to energy supply disruptions.

Science and Technology - provides funding for a substantial portion of the nation's basic research and development in areas such as high energy physics, nuclear physics, basic energy sciences, biological and environmental research, and fusion energy.

National Security - includes a variety of activities that contribute to national security through DOE's defense and non-defense programs, as well as through international nuclear nonproliferation activities. About 70% of the funds directed towards National Security will be used for weapons stockpile stewardship and management. These programs ensure the safety and reliability of the nuclear weapons stockpile, provide for production, maintenance and surveillance of those nuclear weapons specified in the Nuclear Weapons Stockpile Plan and the dismantlement and disposal activities associated with weapons returned from the stockpile. The Naval Reactors program will continue to develop an advanced nuclear reactor plant intended for the Navy's new attack submarine.

Environmental Quality (Weapons Site Cleanup) - is one of the Department's most vital missions, focusing on managing environmental risks at former weapons production and research

facilities contaminated with various hazardous and radioactive materials. Over one-third of the Department's FY 1996 budget covers activities in this area. Activities associated with environmental quality include waste management, environmental restoration, nuclear materials and facilities stabilization, technology development, environment, safety and health, and civilian radioactive waste management.

Management and Other Activities - includes a wide array of general management and support activities of the Department such as policy development and analysis activities, institutional and public liaison functions, and other program support requirements necessary to ensure effective Departmental operation and management. It also includes the activities of the Energy Information Administration and various organizations which administer energy laws and regulations.

Statutory Requirements

Work on audits required by specific law, regulation or DOE policy account for a significant amount of the available audit resources in the OIG. Foremost among these are the requirements of the Government Management Reform Act (GMRA) of 1994 which provides for final agency-wide implementation of the Chief Financial Officers (CFO) Act of 1990. Under these two Acts, DOE is required to submit to OMB audited financial statements covering all accounts and associated activities, as well as commercial activities, of the Department for FY 1996 by March 1, 1997. This effort is an annual requirement.

Other mandated audit requirements include the following:

- o the Federal Managers' Financial Integrity Act (FMFIA), where the OIG is required to review and render an opinion on all FMFIA assurance letters sent to the Secretary by subordinate managers;
- o DOE's use of Superfund monies;
- o DOE's progress in establishing effective management controls on lobbying activities;
- o management & operating contractor cost certifications;
- o the Department's audit follow-up system;
- o certain contract and preaward cost audits; and
- o in-house energy management.

Expressed Needs

The audit needs of various OIG customers are considered as priorities when formulating the annual audit work plan. Priority is given to fulfilling requests for services from the Secretary of Energy, other Senior DOE officials, Congress, OMB, or other appropriate Government authorities. Additionally, each year the Office of Audit Services provides DOE managers the opportunity to formally and informally identify areas where they believe audit coverage would benefit the Department, both within their own organization and within DOE as a whole. Audit suggestions developed by Office of Audit Services' managers and staff are also considered in the planning process. Thus, the audit planning process is interactive, being both "bottom-up" and "top-down" in nature.

OIG KEY ISSUE AREAS

The OIG FY 1996 program guidance identified six key issue areas where the Deputy Inspectors General should concentrate their work as much as possible. The areas were chosen for their coverage of management controls over Department programs and operations, as well as for their coverage of the Department's FMFIA material weaknesses.

1. Financial Management: This area focuses attention on the management controls, accounting systems and other processes that ensure that DOE and its management and operating (M&O) contractors exercise proper accountability over the Government resources entrusted to them. A number of processes have been developed in DOE to ensure this is achieved. These processes include the annual reviews of DOE's internal control systems under the FMFIA, the expression of an opinion on the DOE financial statements required by the CFO Act and the GMRA, and other reviews of DOE's financial management systems. Also, before the Department approves a contractor's annual accounting for its net expenditures, the OIG examines the reliability of the internal controls of contractors and DOE field elements which are used to ensure that only allowable costs are claimed and reimbursed.

2. Contract Administration: This key issue area encompasses all of the Department of Energy's procurement and grant management activities. The Department accomplishes many of its missions through M&O contractors who run DOE's major facilities and other

operations. Accordingly, much OIG work involves the Department's direction and administration of its M&O contractors and their activities.

3. Program Management: This key issue area includes the development, implementation, administration and operation of programs mandated by statute or regulation. These programs include those relating to Government property management, national laboratories, intelligence activities, security, equal employment opportunity, small and disadvantaged business utilization, Federal Energy Regulatory Commission operations, Energy Information Administration operations, Compliance Program issues, Naval Reactors, Naval Petroleum and Oil Shale Reserves, Strategic Petroleum Reserve, Power Marketing Administrations, defense programs, and the closing of the Superconducting Super Collider.

4. Environment, Safety & Health: The Department's activities have generated considerable radioactive and hazardous wastes. This key issue area includes all DOE activities related to the cleanup, storage, and disposal of radioactive and hazardous waste, including all work involving the civilian and defense radioactive waste repositories.

5. Infrastructure: Many of the Department's facilities (particularly in the area of weapons development and production) are old, and their operating availability and efficiency have declined. Modernization of these aging facilities and restoration of sites to make them safe and viable are two of the most important tasks facing DOE. As part of this initiative, the Department is embarking on a long-range program to consolidate and build a smaller, modern and more efficient weapons production complex. In addition to repair and improvement of existing facilities, the Department is in the process of building additional roads, utilities, and mission support structures.

6. Administrative Safeguards: Administrative Safeguards are those OIG audits and other reviews of administrative operations in which there is high inherent vulnerability to waste, abuse, and mismanagement such as imprest funds, payrolls, travel claims, time cards, overtime claims, telephone use, transportation and subsidized employee assistance (such as subsidized parking). Although the dollar amounts involved may be comparatively small, OIG activities falling within this category have significant value in encouraging others to obey laws, regulations, and policies.

OFFICE OF AUDIT SERVICES RESOURCES

Audit Staffing and Contract Audit Support

In October 1991, the General Accounting Office reported that the OIG has not been able to provide the audit coverage necessary at the Department's M&O contractors because of staffing and resource limitations. Since 1991, the Department has reported the lack of OIG audit resources resulting in inadequate audit coverage of the Department's contract expenditures as a material weakness in the annual FMFIA letter to the President. While the Office of Audit Services is constantly seeking ways to streamline operations, the fact is that the current resource situation could exacerbate this problem.

The OIG was authorized 356 full time positions for FY 1995. By the end of FY 1996 and FY 1997, the OIG authorized end-strength is 339 and 294 positions, respectively. This trend is scheduled to continue through FY 2000, when the OIG will stabilize at 244 positions. The changes in authorized personnel equate to a 31% reduction in staff.

In FY 1995, the Office of Audit Services was authorized 208 full time positions. Because of the impact of DOE's downsizing and realignment, the decision was made to refrain from filling existing or new vacancies. As a result, despite significant attrition, the Office of Audit Services last new hire was in March 1995. At the end of FY 1995, the Office of Audit Services consisted of 183 professional and administrative personnel.

Staffing reductions along with the increased requirements of the CFO and GMRA Acts make it necessary to significantly reduce the level of performance audit coverage in FY 1996 and beyond. Although the number of planned performance audits for FY 1996 is based on traditional assumptions, it is unlikely that all planned audits can be started since so many audit personnel are assigned on a dedicated basis to meet CFO and GMRA requirements. Contractor resources available to the Office of Audit Services are also used to perform certain aspects of the financial audits required by the CFO and GMRA Acts.

For purposes of clarity, the schedule of planned audits has been annotated so as to denote which audit starts are questionable. Since the CFO and GMRA requirements are expected to remain fairly constant over the next few years while staff size shrinks, the percentage of time devoted to these financial audits will continue to increase while resources available for performance audits declines.

Integrated M&O Contractors

The Department of Energy has contracts with a number of large firms for the operation, maintenance, or support, on its behalf, of government-owned or controlled research, development, special production, or testing facilities. DOE relies heavily on these management and operating contractors to carry out the management and operation of most of its programs, activities, and functions.

The OIG is responsible for conducting audits of the Department's M&O contractors. However, because of the resource limitations noted previously, it has not been possible for the OIG to provide the necessary audit coverage for these contractors. To help alleviate this problem, the OIG has implemented a plan that relies, when appropriate, on the audit work done by internal auditors at the M&Os. Through this approach the OIG provides guidance to the internal auditors about key issue areas that should be considered in their audit plans, coordinates and tracks work of the internal auditors to avoid duplication and ensure that necessary work is conducted, and annually assesses the internal auditors to ensure that their work meets professional auditing standards.

KEY AUDIT ISSUE AREA DETAILS, RESULTS AND PLANS

The process for identifying and developing areas for audit focuses on DOE's major mission areas. As mentioned above, the work plan includes strategies for auditing six key issue areas. Beginning on page 10 is a summary of each key audit issue area that includes a brief discussion of audit reports issued in FY 1995, audits in process that will continue in FY 1996, and audits planned to start in FY 1996.

FINANCIAL MANAGEMENT

BACKGROUND

The Financial Management area encompasses controls such as accounting systems, financial reporting, and other internal control processes that ensure the Department and its Management and Operating contractors exercise proper accountability over Government resources entrusted to them. To do this, the Department and the Office of the Inspector General have developed a number of processes to cover stewardship of the major financial management functions which include:

- o Audits of Departmentwide and designated component financial statements to comply with the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994;
- o Audits of voucher accounting for net expenditures accrued (VANEA) required by Departmental orders at M&Os;
- o Annual reviews of internal control systems required by the Federal Managers' Financial Integrity Act; and,
- o Reviews of M&O contractors' disclosure statement adequacy and compliance with Cost Accounting Standards (CAS).

Financial Statement Audits

Financial statement audit objectives are to determine whether (1) the Department or components' statements present fairly, in all material respects, the financial position and results of operations in accordance with appropriate accounting principles and practices; (2) the internal control structure was adequate to provide reasonable assurance that control objectives were met; and (3) compliance with laws and regulations was sufficient in all material respects. Financial statement audits under the CFO Act and the GMRA are conducted in accordance with generally accepted Government auditing standards by the Inspector General or independent public accounting firms.

The CFO Act of 1990 requires audits of financial statements of specified agencies or business entities. The OIG is responsible for the audit of four Power Marketing Administrations (PMAs), the Naval Petroleum and Oil Shale Reserves, the Federal Energy Regulatory Commission, the Isotope Production and Distribution Fund, and the Uranium Enrichment Decontamination and

Decommissioning (D&D) Fund. This work is being done by an IPA selected by the Inspector General. Furthermore, the OIG reviews the work of other IPAs conducting financial statement audits of the Federal Columbia River Power System (Bonneville Power Administration) and the Nuclear Waste Fund.

The GMRA expands annual financial statement audit provisions to all accounts and associated activities of the Department. As required by the GMRA, the first Departmentwide financial statement audit will cover FY 1996 activity. The audited financial statements are to be submitted to OMB no later than March 1, 1997. This initial Departmentwide audit effort will be done in two phases. Phase I will involve determining the FY 1995 ending balances to assure proper opening balances for FY 1996. The audit of FY 1996 financial statements (Phase II) will start in the first quarter of FY 1996.

Audit Partnerships

During FY 1995, the Cooperative Audit Strategy (Strategy) was fully implemented. The Strategy was designed to (1) maximize audit coverage of the M&O contractors with existing OIG and M&O internal audit resources, (2) use risk-based assessment methodologies as the basis for planning and prioritizing audit coverage, incorporating internal audit staffs' audit plans in the OIG risk assessments, and (3) utilize an automated tracking system to track the work planned and performed by internal audit staffs. A quality audit steering committee meets quarterly and addresses issues which may impact implementation of the Strategy and recommend changes.

At all integrated M&O contractor locations, we assessed the work of the internal audit function for enhancements to audit standards and requirements established by the Strategy along with review of internal control changes. Integrated contractors are required by their contracts to annually prepare a voucher and certify that the accrued expenditures are allowable under the contract. In the field offices, Department financial officers also confirm that the contractors maintained adequate and approved accounting systems. They also attest that the contractors' VANEAs conform with generally accepted accounting principles and do not conflict with the provisions of Department accounting directives. The OIG verifies and attests to the contractor and Departmental certifications.

FISCAL YEAR 1995 AUDITS COMPLETED OR IN PROCESS

During FY 1995, various financial management audits were underway. Following is a brief discussion of the audit approach and results of selected audits that have been completed or are in process:

- o All ten financial statement audits of DOE components resulted in unqualified opinions. Material control weaknesses or noncompliance with laws and regulations were identified in related reports accompanying the opinions. Identified weaknesses included: inadequate property and equipment documentation, depreciation, and write-off along with improper recording of obligations and liabilities at the Federal Energy Regulatory Commission (CR-FC-95-01, February 8, 1995); incorrect allocation of indirect costs of environmental restoration and waste management programs (D&D Fund) (ER-FC-95-03, February 24, 1995); incorrect allocation of accounting for direct and indirect cost of isotopes at Los Alamos and Brookhaven National Laboratories along with incorrect classification of production and nonproduction costs of isotopes at Oak Ridge and Mound Laboratories (ER-FC-95-02, February 21, 1995); and non-recovery of post employment benefits at the Southeastern, Southwestern, and Western Area Power Marketing Administrations (ER-FC-95-01, February 21, 1995; WR-FC-95-03, February 21, 1995; and WR-FC-95-05, February 27, 1995). Recommendations for improvement were accepted by management and action taken, except for the Department's resolution of requesting annual appropriation for the D&D Fund to comply with authorization legislation.
- o In June 1995, the initial evaluation of internal controls and compliance with laws and regulations began with the objective of providing an opinion on the FY 1996 Opening Balances for the Departmentwide financial statement audit (Phase I). Substantive testing will be conducted on an appropriate matrix to reduce audit risk. Year-end adjusting entries will also be examined. Areas of early concern during Phase I will involve asset and liability values and full disclosures in the Department's financial statements. To place reliance on computer-processed financial data, separate audits of the Department's financial management systems also started in June and August of 1995. Completion of Phase I fieldwork is scheduled for late December 1995 with the report on FY 1995 Closing Balances planned for February 1996.

- o Forty-two VANEAs audits were completed during FY 1995. Three examples of findings for such audits follow.
- - The assessment of TRW Environmental Safety Systems, Inc. (TESS) identified noncompliance with contract clauses and regulations in TESS's internal control structure. For instance, \$417,733 of unallowable costs resulted from (1) overaccruals for the Task Achievement Program, (2) payments that exceeded the allowable percentage of base salaries for the Operational Incentive Plan, and (3) insurance costs that were not allowed by the contract. Management agreed to take action concerning these costs. In addition, the contracting officer will determine the allowability of \$102,894 in other questioned costs. (CR-V-95-04, June 14, 1995)
- - MK-Ferguson had not taken corrective action to resolve a material internal control weakness covering payroll processing which had been identified by its internal auditor. In addition, the internal auditor had not completed a cost allowability audit for FY 1994 which was required by the contract. The Department had not approved the new accounting system software that MK-Ferguson implemented in FY 1994. Also, MK-Ferguson had not negotiated a formal bilateral agreement for outside legal services nor obtained the Department's required approval to procure certain outside consultant services. Management concurred with our findings and either took or promised corrective action on our recommendations. (ER-V-95-03, February 3, 1995)
- - At Los Alamos National Laboratory, the assessment disclosed two material internal control deficiencies. The cost accounting standards disclosure statement did not adequately describe most of its cost accounting practices. The personal property management system was not approved by the Department, and the internal audit group found that 19 property items with an acquisition value of \$18,800 were donated without written approval by the Department's contracting officer. (WR-V-95-14, April 20, 1995)

- o During FY 1995, 6 FMFIA reports were issued on the prior year's controls. Identified weaknesses addressed improvement of controls in 10 areas: environmental compliance, safety and health, nuclear waste storage disposal, contract/project management, infrastructure, property controls, inadequate coverage, information resources management, staffing deployment, and quality assurance. Management continues to monitor corrective actions on all open weaknesses. It no longer considers the following conditions to be material weaknesses.
 - - Reimbursable work program (corrective actions completed)
 - - Superconducting Super Collider (program terminated)
- o Eleven CAS reviews were completed in FY 1995 and four will continue into FY 1996. Selected examples of CAS review findings made during the year include:
 - - Inadequate cost disclosure statements were found at Fernald Environmental Restoration Management Corporation (ER-L-95-05, December 6, 1994); EG&G Rocky Flats (WR-L-94-17, March 10, 1994); National Renewable Energy Laboratory. (WR-L-95-16, January 25, 1995)
 - - Inappropriate allocation bases were applied by DOE contractors at Sandia Corporation. (WR-C-95-04, May 23, 1995)
 - - Inconsistent allocations of costs were applied by TRW Environmental Safety Systems, Inc. (CR-L-94-33, September 30, 1994)
 - - Noncompliance at Los Alamos National Laboratory concerned capitalization of tangible assets, depreciation of tangible assets, allocation of costs, identification of unallowable costs, and inventory costing. (WR-C-95-05, June 2, 1995)

Management generally concurred with the findings and recommendations.

FISCAL YEAR 1996 PLANNED AUDITS

Financial Statement Audits

As previously indicated, audit work has commenced to provide an opinion on beginning balance sheet accounts in the FY 1996 financial statements. Audit fieldwork for the audit of the FY 1996 financial statements is scheduled to begin in March 1996. The focus of activity starting in mid-FY 1996 will be on changes in internal controls; compliance with laws and regulations; and transactions processed during FY 1996. Year-end work will include adjusting entries; statement disclosure note issues; and closing procedures employed by the CFO.

Financial Certification Audits

In addition to financial statement audits required by the CFO and GMRA, financial certification audits, which include VANEAs, Internal Audit Reviews, and Internal Audit Assessments will continue to be performed in FY 1996. Several additional audits are scheduled to look at financial systems and procedures throughout the Department. They include:

- o A review of the reasonableness of compensation paid to Fernald Environmental Restoration Management Corporation and its teaming partner. (A96CN010)
- o An audit of M&O contractor salary and bonuses structure to determine whether contractor salaries and bonuses are in accordance with DOE policies and procedures. (A96CF006)
- o A review to determine if the Department's M&O contractor's travel policies and procedures reflect the Secretary's plans to reduce travel costs. (A96CF008)

CONTRACT ADMINISTRATION

BACKGROUND

This key area includes all of DOE's procurement and grant administration activities and crosscuts every program and activity in the Department. Unlike other Federal agencies, DOE uses the majority of its procurement dollars as a catalyst in support of technology development and basic and applied research. DOE is engaged in four types of activities, each of which draws on substantial expertise in the private sector. These activities include:

- o Fundamental resources in basic sciences.
- o Development of applied science and technologies principally related to increasing efficiency, ensuring future energy supplies, and understanding the effects of energy use on the environment.
- o Development of nuclear defense and nonproliferation technologies and strategies.
- o Environmental restoration and waste management, principally at nuclear weapons production facilities.

DOE procurement activities also support the management of the Strategic Petroleum Reserve and the Naval Petroleum and Oil Shale Reserves. Furthermore, the Department provides financial assistance to State and local governments, colleges, universities and private sector firms. These financial assistance grants and awards are made for a variety of purposes, including: (1) weatherization, (2) energy conservation and (3) encouragement of new and emerging energy techniques. Funding for these financial assistance programs are derived from Congressional appropriations and payments collected from the petroleum industry in settlements of violations of DOE's oil price and allocation controls in effect from 1973 to 1981.

A significant portion of the DOE mission is carried out by industrial, academic, and nonprofit institutions operating the DOE-owned plants and laboratories under a management and operating relationship. Consequently, a large portion of the DOE funding is directed toward such M&O contracts. For example, M&O contractors operate nine major, multi-program National

Laboratories located throughout the United States. These laboratories provide scientific support for the DOE programs and provide a scientific staff with various core capabilities to support various technology programs. The programs carried out in the laboratories range from fundamental research in the physical and life sciences to advanced and goal-oriented development of nuclear and alternative energy.

Following are some FY 1994 highlights (the most recent data available) relating to contract administration:

- o The DOE procurement and financial assistance obligations in FY 1994 were \$20.9 billion, an increase of 3 percent from FY 1993.
- o Obligations for M&O contractors totaled \$15.8 billion.
- o The number of active procurement awards over \$25,000 (excluding M&O contractors) on September 30, 1994, totaled 2,217, with a total award value of \$22.3 billion.
- o The number and award value of financial assistance instruments active on September 30, 1994, was 5,614 and \$16.8 billion.
- o Subcontract awards totaled \$6.3 billion in FY 1994, of which \$3.1 billion (49%) were awarded to small businesses.
- o DOE funded 78 unsolicited proposals with total obligations of \$27.5 million in FY 1994.

FISCAL YEAR 1995 AUDITS COMPLETED OR IN PROCESS

Audit reports issued in the area of Contract Administration included:

- o A report on the Department's administration of its small disadvantaged business program disclosed that vendors of questionable eligibility (vendors not owned and managed by socially and economically disadvantaged individuals) received awards from each of the management and operating contractors. Since Federal regulations provide for reliance on vendor self-certification of small disadvantaged status, the Department had not established a policy requiring management and operating contractors to verify eligibility of vendors. This reliance on self-certification resulted in \$26.3 million in awards to businesses of questionable eligibility. The audit report recommendations would enhance the Department's ability to meet the intent of the Small Business Act. Management agreed and has issued a "Strategic Plan for Diversity" that includes goals for enhancing partnerships and small, minority-owned and women owned businesses.
(DOE/IG-0364, December 1994)
- o A report on contractor relocation costs showed that for 10 of 11 contractors reviewed, adequate controls were not in place to limit contractor employee relocation reimbursements. Employees were reimbursed either for expenses that were not supposed to be reimbursed or in amounts that exceeded approved limits. The weakness occurred because of limited involvement in relocation activities and vague and nonspecific policies and procedures. M&O contractor relocation expenses which were reimbursed by the Department, approximated \$41 million in Fiscal Year 1993 and included expenses associated with the sale of a residence at the employee's old location; the purchase of a residence at the new location; shipment of household goods; and temporary living expenses.

Management concurred with the finding and recommendations. During the audit, the Deputy Assistant Secretary for Procurement and Assistance Management recognized the need for management and operating contractors to adhere more closely to contract provisions and directed procurement officials to give additional attention to contractors' policies and procedures for reimbursing relocation costs.
(CR-B-95-04, March 1995)

- o An audit of the Department's management of its light vehicle fleet determined that, based on use rates found during the audit, the Department could reduce its light vehicle fleet by at least 10 percent. Such a reduction would result in a potential savings of about \$7 million in vehicle acquisition costs and \$3 million annually through reduced operating and maintenance costs. The audit also disclosed that some Department-owned fleets could be operated more economically by leasing the vehicles from the General Service Administration.

The audit report recommended that the Department improve the overall use of light fleet vehicles and conduct studies to determine and use the most economical method of managing fleet operations. Management generally concurred with the findings and recommendations. Management will closely monitor vehicle use and take appropriate actions for under-used vehicles. Also, studies would be made to (1) evaluate implementation of a Departmentwide vehicle management system, and (2) determine the most economical and efficient fleet operating methods.
(DOE/IG-0362, December 1994)

- o An audit of the Rocky Flats Analytical Services Program found that the contractors did not evaluate alternatives to contractor-provided analytical services. Instead, the contractor used in-house laboratories to provide analytical services when less expensive and more efficient services were available from subcontracting laboratories. The program acquires or provides for the laboratory analyses of a large number of samples to support the Rocky Flats environmental restoration and waste management mission and for worker health and safety programs. As a result, three major programs will incur unnecessary charges of about \$2.9 million annually and be required to accept data that is not as timely or reliable as that available from alternative sources. Rocky Flats did not ensure that the contractor's purchasing system required the contractor to evaluate alternatives and document that it chose the best method of providing services.

The audit report recommended that the Rocky Flats Field Office require the contractor to evaluate acquisition practices to ensure that cost, quality, and timeliness are considered in deciding whether to provide or subcontract for laboratory analytical services. Management did not agree with the audit report finding or recommendations,

but it did agree with some of the information upon which they were based. Therefore, management agreed to require the contractor to perform a "make-or-buy" analysis contemplated by the recommendation.
(CR-B-95-01, November 1994)

Audits currently in process that will carry over to FY 1996 include:

- o An audit to determine if the Nevada Operations Office performs oversight responsibilities over its M&O contractors' subcontracting and consulting services economically and efficiently. (A95LV030)
- o An audit on the use of M&O contractor employees to support Headquarters program offices to determine whether (1) the support was obtained in a cost-effective manner, (2) full competition was achieved, (3) potential or actual conflicts of interest exist, and (4) inherently governmental functions were performed by Federal employees. (A95CH005)
- o An audit of contractor overtime to determine if the Department has controls in place to minimize contractor overtime costs. (A95CF002)

FISCAL YEAR 1996 PLANNED AUDITS

Audits planned to begin in FY 1996 include:

- o A multi-site audit of the Department's oil program, to determine if the M&O contract is being properly implemented. The program is designed to fund technology development to improve and enhance oil recovery and production. (A96PT029)
- o A review of the Federal Energy Regulatory Commission's acquisition of Automatic Data Processing equipment to ascertain if acquisition services are properly defined, planned, and managed. (A96CF004)
- o An audit of the Department's small business innovation research program to determine if the program is being operated in a manner which would facilitate attainment of the program objectives. (A96CG011)

PROGRAM MANAGEMENT

This key issue area includes the development, implementation, administration and operation of programs mandated by statute or regulation. The major areas encompassed by program management include:

- o National Laboratories;
- o Power Marketing Administrations;
- o Safeguards and Security;
- o Strategic Petroleum Reserve;
- o Superconducting Supercollider; and,
- o National Security.

NATIONAL LABORATORIES

BACKGROUND

DOE's national laboratories are Federally-owned facilities operated for DOE by universities, university consortia, or industry under contract to DOE. These operators provide the scientific, technical, and support staff to conduct the work under the direction of DOE's program managers. The detailed day-to-day management of each laboratory is provided by the contractor, while contract management and laboratory performance appraisals are conducted by the DOE's operations offices.

The work at DOE's national laboratories involves research and development activities primarily within two of DOE's Business Lines: Science and Technology, and Energy Resources. The FY 1996 budget request for these programs is approximately \$3.6 billion of DOE's total budget request of \$17.8 billion. The programs at the national laboratories cover a wide range of fields, including: high energy physics; nuclear physics; basic energy sciences; biological and environmental research; fusion energy; nuclear energy; solar and renewable energy; and technology transfer through Cooperative Research and Development Agreements (CRADAs). The national laboratories also perform work in DOE's other two Business Lines: Environmental Management and National Security. This work primarily involves R&D efforts in environmental cleanup, stockpile stewardship, and stockpile management.

The Secretary established a Task Force to review the roles and missions of these national laboratories and, where appropriate, recommend alternatives as to how the nation might best utilize the laboratories to meet future national needs. Chaired by Robert Galvin, Chairman of the Executive Board of Motorola, the Task Force has become known as the "Galvin Task Force." The report, "Alternative Futures for the Department of Energy National Laboratories," was released February 1, 1995, and is generally referred to as the "Galvin Report."

The report recommended that national laboratories focus on existing core missions in national defense, research and development, and the environment. The Commission did not recommend closing any national laboratory and advised against transferring any laboratory to the Department of Defense. However, DOE was urged to shift some nuclear materials development and production activities from Lawrence Livermore to Los Alamos National Laboratory, and to put the laboratories into one or more new, not-for-profit R&D corporations governed by a Board of scientists, business executives, and engineers appointed by the President.

DOE responded to the Commission's findings with a report to the President in April 1995 outlining ways to implement the majority of the Commission's recommendations. The Secretary issued a charter establishing a Laboratory Operations Board to provide advice on the strategic direction for DOE laboratories, coordination of budget and policy issues, and reduction of management burdens on the laboratories. The Board will have 16 members drawn from senior DOE management, industry, and universities. In addition, DOE will form a new R&D council consisting of the DOE Assistant Secretaries and reporting to the Under Secretary.

On March 30, 1995, DOE announced three pilot oversight initiatives involving DOE's laboratories. First, DOE established a Business Management Pilot for a 12-month period from April 1995-April 1996. On June 20, 1995, DOE extended this pilot to other non-laboratory M&O contractors for the period July 1995 to September 1996. Under this pilot, DOE operations offices refrain from business management reviews, except for one multi-disciplinary business management review not to exceed two weeks. The business management review covers 17 major functions such as information resources management, procurement, personnel, property, finance and budget, and security. It introduces a more cooperative review model that also takes into account self-assessment information from the contractor. Other proposed

reviews will be conducted only if justified "for cause." Second, DOE announced pilot initiatives for Line Environment, Safety & Health Management, and Program/Technical Management. Unlike the Business Management Pilot, these pilots will not contain a moratorium on reviews.

Over the past several years, the Office of Audit Services has performed, and plans to continue performing, extensive work at many of the national laboratories. Although resources are not available to perform all necessary audit work, the Office has conducted annual financial audits and numerous performance audits at the facilities to ensure the reasonableness of expenditures, and the efficiency and effectiveness of operations. Our auditing strategies will include:

- o Reviewing DOE's performance of its programmatic responsibilities for the national laboratories as they pursue basic and applied R&D programs.
- o Reviewing DOE's technology transfer programs and CRADA activities, including management controls to prevent organizational and personal conflicts of interest.
- o Identifying opportunities for organizational streamlining, achieving cost savings, and other improvements in DOE and contractor program management policies and practices.
- o Identifying "best practices" in DOE and contractor program management which could be adopted by other organizational elements and programs.

FISCAL YEAR 1995 AUDITS COMPLETED OR ON PROCESS

Several audit reports were issued related to DOE's National Laboratories in FY 1995:

- o An audit of verification of Cooperative Research and Development Agreement partner funds-in-kind contributions at Sandia National Laboratories found that although DOE established a CRADA cost sharing goal, it did not establish controls to provide reasonable assurance of achieving its goal. As a result, Sandia's CRADA partners had shifted an inappropriate part of their share of CRADA costs to the Government. Management disagreed that such controls were necessary and believed that they would undermine the success of the CRADA program if implemented. (WR-B-95-01, December 30, 1994)

- o A report on administration of CRADAs at DOE National Laboratories found that DOE administration of CRADAs did not ensure that these 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. The goals were to ensure that CRADAs enhance U.S. competitiveness in the world economy, provide a reasonable return on resources invested, and enable successful commercialization of technologies developed. The audit examined CRADAs at DOE's Los Alamos, Oak Ridge, and Lawrence Livermore National Laboratories. Management partially concurred with the finding and recommendations and agreed to take action on those recommendations with which it concurred.
(DOE/IG-0373, May 19, 1995)
- o An audit on management and control of information resources at Sandia National Laboratories disclosed specific areas in which Sandia could improve its policies and procedures for acquisition, use and control of computer resources, and in the protection of computer-processed information. Management partially agreed with the conclusions and recommendations and initiated a number of corrective actions during the course of the audit. (AP-B-95-01, November 1, 1994)
- o An audit on program administration by the Office of Energy Research found that Energy Research generally did not clearly specify expectations for scopes of work, milestones, resource limits, and deliverables at the National Laboratories. Instead, Energy Research essentially relied on the contractors to initiate and execute research without agreement on expectations, which gave the Department little basis to measure and evaluate contractor performance. Management partially concurred with the findings and recommendations.
(DOE/IG-0376, August 2, 1995)

The following audits of DOE's laboratories are in process and will continue in FY 1996:

- o A survey of user facilities at DOE laboratories and plants to evaluate DOE's user facility program to determine (1) whether DOE is fully recovering its costs; and (2) the effect of user facility agreements on DOE programs. (A95AL133)

- o An audit on cost sharing between DOE and Los Alamos County for fire station and emergency medical services found that cost sharing was not commensurate with the use of the services: DOE was paying about 99 percent of costs while using about 47 percent of services. Also, the formula used to allocate costs between DOE and Los Alamos County was neither justified as reasonable nor appropriately documented. Data needed to fully understand and reconstruct the formula were not available. Consequently, DOE and Los Alamos County could not be assured of a fair cost allocation. The report recommended that DOE develop alternative methods for a more equitable distribution of costs between the two parties. Management concurred with the finding and recommendations. (A95LA019)
- o An audit of consultant agreements at Los Alamos National Laboratory to determine whether Los Alamos obtained consultants in a manner most advantageous to the Government. (A95LA020)

FISCAL YEAR 1996 PLANNED AUDITS

Audits scheduled to start in FY 1996 include:

- o A survey of the peer review process within the Office of Energy Research to determine whether Energy Research's program managers (1) use results of peer reviews to the maximum practical extent to control research work at the national laboratories; and (2) comply with applicable regulations in the establishment and use of peer reviews. (A96CH001)
- o An audit of the DOE Office of Scientific and Technical Information to determine whether the office could be privatized and contracted out in whole or in part at a cost savings to the Federal Government. (A96OR021)

POWER MARKETING ADMINISTRATIONS

BACKGROUND

The Department of Energy Organization Act of 1977 transferred the five Power Marketing Administrations (PMAs) - Alaska, Bonneville, Southeastern, Southwestern, and the Western Area - to the Department of Energy while preserving them as separate and distinct entities. The PMAs assist the Department in achieving its goal of deploying energy resources by marketing electricity generated primarily by

Federal hydropower projects. Revenues from selling power and transmission services of the five PMAs are used to repay annual operation and maintenance costs, repay the capital investments with interest, and assist capital repayment on irrigation features of certain projects.

The five PMAs market the hydroelectric power generated at all Federal multiple-purpose water projects except those under the jurisdiction of the Tennessee Valley Authority. To carry out their responsibilities, the PMAs contract for the purchase and sale of power; develop rates; construct and maintain transmission lines, substations, switchyards, and attendant facilities; and conduct energy conservation programs.

The Department has requested \$374.4 million in FY 1996 for the PMAs. However, the Department plans to submit legislation to Congress that would implement its policy decision to (1) establish the Bonneville Power Administration as a wholly-owned Government corporation; and (2) transfer (privatize) the Western Area Power Administration, Southwestern Federal Power System and Southeastern Federal Power System to their utility customers for a sale price based on the net present value of the principal and interest payments that the Treasury presently expects to receive from each PMA in the future.

Making Bonneville an independent government-owned corporation would reduce the Department's employment by 3,350 full time employees (FTEs), eliminate 1,744 contractor personnel, and remove 25 offices from the Department. Employees of the resulting Bonneville Government-owned corporation would still be Federal employees, but not within DOE. Privatizing the three PMAs mentioned above would reduce the Federal workforce by approximately 1,700 FTEs, eliminate 975 contractor employees, and result in the closure of 56 DOE offices. Further, DOE and Alaska are continuing to pursue the completion of the sale of Alaska's assets.

FISCAL YEAR 1995 AUDITS COMPLETED OR IN PROCESS

During FY 1995, 10 audits of the PMAs were completed. Four of the audits were financial statement audits required by the Chief Financial Officers Act, and four were special financial audits requested by the Western Area Power Administration. These audits are included in the Financial Management section of this Plan. The remaining audits were performed at the Bonneville Power Administration.

- o The audit of the Residential Conservation Programs disclosed that the Bonneville Power Administration was not effectively managing two residential conservation programs: the Shower Head Program and the Washington State Builders Program.

Between January 1992 and September 1993, Bonneville spent at least \$2.3 million for shower head installations which were either not performed or not billed in accordance with the 1992 Agreement. During the same period Bonneville also spent about \$4.2 million for home builders to construct energy-efficient homes under the Washington State Builders Program. About \$1.9 million of the \$4.2 million represented the share that the electric utilities should have paid to home builders.

The OIG recommended that Bonneville establish a quality assurance process for future shower head billings, review shower head billings to identify and correct inaccuracies and recoup overpayments. The OIG further recommended that Bonneville initiate action to amend the 1992 Agreement so that payments under the Builders Program are limited to the legislatively mandated amount. Management agreed with the finding and recommendations on the Shower Head Program, but disagreed with those on the Washington State Builders Program. As a result of this audit, the OIG questioned the \$4.2 million expenditure and concluded that \$5.8 million could be put to better use. (DOE/IG-0359, November 14, 1994)

- o The audit of Bonneville's Energy Resource Programs showed that Bonneville paid excessive costs to purchase the output from a combustion turbine facility and that electricity was not needed. Bonneville's excess of costs over revenues is projected to be \$146.8 million in the first 5 years of the contract. Management concurred with the audit report recommendations to explore the possibility of renegotiating the contract and base future resource acquisitions on up-to-date analyses. (DOE/IG-0379, September 8, 1995)

One audit is being carried over to FY 1996. This is an audit of Information Management at Bonneville to determine whether Bonneville properly acquired and accounted for computer-related equipment. (A94PL116)

FISCAL YEAR 1996 PLANNED AUDITS

In addition to scheduled financial audits at each of the Power Marketing Administrations, one audit is planned at Bonneville to determine if the PMA is exercising effective oversight of the Washington Public Power Supply System's operations and costs. (A96PL034)

STRATEGIC PETROLEUM RESERVE

BACKGROUND

The Strategic Petroleum Reserve (Reserve) was created as a result of the Energy Policy and Conservation Act of 1975. The mission of the Reserve, which is an emergency crude oil stockpile, is to reduce the nation's economic vulnerability to oil supply disruptions and to meet our obligations under the Agreement on an International Energy Program. The Reserve consists of five crude oil storage sites, interconnecting pipelines, a marine terminal, and a project management office. Crude oil is stored in underground salt caverns along the Texas and Louisiana gulf coast. The marine terminal is located on the Mississippi River at St. James, Louisiana, and the project management office is in New Orleans.

The Reserve is currently directed towards storing 750 million barrels of crude oil in underground salt caverns. However, the Department has announced the planned decommissioning of the Weeks Island site, which will reduce the available capacity of the Reserve to 680 million barrels. At the end of December 1994, the Reserve crude oil inventory was 591.7 million barrels and the inventory by the end of FY 1996 is projected to be 585 million barrels.

The storage sites are organized to allow rapid movement of stored crude oil into three major commercial distribution systems. Should the need arise, 4.3 million barrels of oil per day can be supplied. In addition to daily oil movements, annual large scale drawdown exercises are held at each site to ensure the Reserve is ready to meet mission requirements.

The FY 1996 budget request of \$312.7 million was designed to continue operations and maintenance activities at a prudent, responsible level to assure a cost-effective capability to respond to a Presidential order to draw down the Reserve. The FY 1996 budget also proposes to continue suspension of oil acquisition activities as one of the Administration's savings initiatives aimed at controlling the deficit. Actions to resolve problems associated with elevated oil temperatures and higher than normal gas content in some of the crude oil will continue. The FY 1996 budget request continues the Comprehensive Life Extension Program initiated in FY 1992 to extend the useful life of critical facilities and systems to the year 2025 by streamlining existing operating systems and using advanced systems technology to improve reliability while reducing life cycle costs. The request also provides funds for decommissioning of the Weeks Island site.

The FY 1996 budget request is proposed to be financed by (1) a transfer of \$187.0 million from balances in the Petroleum Account to the Reserve Account, (2) an asset sale of \$100 million worth of oil stored at the Weeks Island site, and (3) new budget authority of \$25.7 million.

FISCAL YEAR 1995 AUDITS COMPLETED OR IN PROCESS

- o An audit of the Reserve's staffing requirements disclosed that the Reserve staffing levels were significantly higher than those organizations against which it was benchmarked. The OIG estimated that the realization of industry performance levels by selected Reserve activities would enable the Reserve to eliminate 329 of its 1,650 positions. Annual savings resulting from this action were estimated at \$16 million.

The OIG recommended that the Assistant Secretary for Fossil Energy (1) reduce staffing by 329 positions; (2) increase the span of control for Reserve managers; (3) conduct additional analysis to determine if further staffing reductions were feasible; (4) provide incentives to management and contractors to reduce staffing and costs; and (5) perform periodic evaluations of Reserve staffing requirements using appropriate external benchmarks and other performance data. Management did not agree with the specific staffing reductions and savings cited by the OIG. (DOE/IG-0370, March 29, 1995)

FISCAL YEAR 1996 PLANNED AUDITS

Audits of the Reserve planned to start in FY 1996 include the following:

- o An audit of construction management to determine whether construction tasks at the Reserve are needed to meet the site's mission and are efficiently executed. (A96NO013)
- o An audit of communications equipment at the Reserve to determine whether the Reserve is maintaining the minimum amount of communications equipment needed to meet programmatic requirements. (A96NO014)

SAFEGUARDS AND SECURITY

BACKGROUND

The Nuclear Safeguards and Security Program is responsible for the development of measures to assure adequate, cost-efficient, and effective protection of the Department's nuclear weapons, nuclear materials, facilities, and classified information against theft, sabotage, espionage, and terrorist activity. The program supports technology development designed to provide state-of-the-art technology for our facilities. These developments will assist in providing cost-effective, long-term security. It also continues to emphasize a comprehensive review and revision of existing classification policies and the declassification of large volumes of classified documents, especially those documents concerning environmental, safety, and health issues. The FY 1996 budget request for these activities is \$89.5 million.

FISCAL YEAR 1995 AUDITS COMPLETED OR IN PROCESS

During FY 1995, two audit reports were issued relating to safeguards and security:

- o An audit of training provided for the Department's security forces disclosed that standardized annual refresher training requirements for its security forces had not been developed. Individual sites were developing and implementing training programs and course plans without emphasis on standardization. Further, training plans needed improvements to ensure they were complete and addressed the training needs of the Department. The OIG recommended that the Department (1) standardize the annual refresher training requirements for security forces, and (2) conduct reviews of safeguards and security training programs Departmentwide to ensure compliance with the training plan and minimize individual site development courses. Management agreed in principle with the recommendations. (CR-B-95-03, February 6, 1995)
- o An audit of courier's work schedules in the Transportation Safeguards Division revealed that the couriers' traditional 40-hour work schedule from Monday through Friday did not fit the job requirements. As a result, the couriers received an average of 22 hours of regular pay for idle time each two-week period, and an average of 39 hours of overtime each pay period. To save approximately \$1.2 million in courier services annually, the OIG recommended that DOE Albuquerque implement a work schedule that would more closely correspond with the

couriers' actual work schedule. Management partially concurred and acknowledged that cost savings could possibly be realized. (WR-B-95-05, April 3, 1995)

One audit started in FY 1995 will continue in FY 1996. This is an audit of arms and military-type equipment to determine whether the Department properly manages and controls arms and military-type equipment inventories in its possession. The audit will specifically determine whether arms and military-type equipment inventories were accurate, whether property disposals were properly controlled and executed and whether equipment loans were appropriate and accounted for properly. (A95CG048)

FISCAL YEAR 1996 PLANNED AUDITS

No audits specifically designated as Safeguards and Security audits are planned for FY 1996. However, the issue of Safeguards and Security has a significant impact on several planned audits dealing with radiation health and the handling and disposal of radioactive waste.

SUPERCONDUCTING SUPER COLLIDER

BACKGROUND

At the beginning of FY 1994, the Superconducting Super Collider (SSC) Project was being constructed in Waxahachie, Texas. It was designed to be the highest-powered particle collider ever assembled and was to be the largest scientific instrument ever constructed. When completed, the SSC was intended to provide direct evidence concerning the last two predicted, but as yet unobserved, subatomic particles.

On October 28, 1993, the Congress decided to terminate the SSC Project. The FY 1994 Water and Energy Appropriations Act provided \$640 million for the orderly termination of the project. No funds were provided for continuation of the project. The SSC Project Office plans to complete the termination process by the end of Fiscal Year 1996. To that end, DOE and the State of Texas have conducted negotiations on settlement of assets and facilities.

In May 1995, DOE submitted to the Congress and the President a report on maximizing the value of investments made in the SSC. DOE projects that SSC termination activities will continue on schedule and within the FY 1995 appropriated budget. Therefore,

barring unexpected contingencies such as higher-than-expected costs to close out large subcontracts and clean up the site, DOE does not plan to request additional funds in FY 1996. However, the OIG plans to review DOE termination activities in FY 1996, in order to identify opportunities for increased economy and efficiency.

FISCAL YEAR 1995 AUDITS COMPLETED OR IN PROCESS

In addition to annual audits of internal controls for allowable costs and the year-end Federal Managers' Financial Integrity Act, reports issued in this area were:

- o A Management Advisory Report on the controls instituted by Universities Research Associates, Inc. and the SSC Project Office to prevent expenditures for the seven categories of items specifically prohibited by the FY 1994 Water and Energy Appropriations Act (Public Law 103-126). The report found that expenditures for items prohibited by the 1994 Act occurred because Universities Research Associates, Inc. did not take timely action to amend its policy to comply with the Act's requirements, even though it was directed to do so by the DOE SSC Project Office in October 1993. The report recommended that SSC identify such expenditures and reimburse DOE for them. Management concurred with the report's suggested actions. (CR-MA-95-01, October 14, 1994)
- o A Management Advisory Report on Universities Research Associates, Inc.'s Documentation and Technical Closeout Activities. The report found that Universities Research Associates, Inc. did not have an adequate system to collect, summarize, and preserve the scientific and technical information generated during the SSC Project's life. It had not established an adequate records management program until shortly before the project's termination, and procedures for uniform information products established in May 1993 were not always implemented. As a result, Universities Research Associates, Inc. could not provide assurance that project technical information will be available for use by future generations, or that DOE has received all SSC information products generated during its life. The report suggested actions to correct these deficiencies, but did not make formal recommendations. Consequently, no management response was required. (CR-MA-95-02, February 10, 1995)

- o A Management Advisory Report on Universities Research Associates, Inc.'s Administration of its Subcontract with EG&G Science Support Corporation (EG&G-SSC). The report determined that EG&G did not properly adjust its pension expense for EG&G-SSC after its contract with Universities Research Associates, Inc. was terminated. The report suggested that a credit of up to \$1.3 million to Universities Research Associates, Inc. should be made, and that Universities Research Associates, Inc. should provide DOE an equivalent amount as a contingency fund in anticipation of a credit from EG&G-SSC for a reduction in pension expense. The report also suggested Universities Research Associates, Inc. obtain a separate accounting for EG&G-SSC's pension costs. Management generally disagreed with these suggested actions, stating that while an adjustment may be necessary, it would probably only be 10 percent of \$1.3 million. Management said it intended to request the Defense Contract Audit Agency to review this matter further. (CR-MA-95-03, May 31, 1995)

NATIONAL SECURITY

BACKGROUND

Since a credible nuclear deterrent remains the cornerstone of U.S. national security policy, confidence in the safety, security, reliability, and effectiveness of the enduring nuclear weapons is absolutely essential, and this mission belongs to DOE. DOE's goal is to identify strategies that would enable it to maintain these weapons continuously. The overall program strategies are to:

- o Enhance experimental and computational capabilities needed to maintain confidence in the safety and performance of the U.S. stockpile without nuclear testing.
- o Enhance weapons and materials surveillance technologies needed to detect potential safety or reliability problems before they become serious.
- o Create an effective and efficient production complex to meet future manufacturing needs that eliminate the need for large facilities and infrastructure.
- o Maintain long-range stockpile support needed to evaluate the safety, security, reliability, and to repair, replace, and dismantle each of the weapon types in the stockpile when required.

- o Maintain some means of tritium production required to support the stockpile after the year 2011.

The National Security Program of DOE represents \$5.0 billion of DOE's FY 1996 budget request of \$17.8 billion. The National Security budget is divided into two categories: the Weapons Activities (\$3.6 billion), and Other Defense Activities (\$1.4 billion). The Weapons Activities has two major complementary elements: Stockpile Management (\$1.9 billion), and Stockpile Stewardship (\$1.6 billion).

Stockpile Management is responsible for the hands on, day-to-day functions and operations involved in maintenance and surveillance of the enduring nuclear weapons stockpile. This includes the manufacturing of nonnuclear limited life components, reliability upgrades and modifications, warhead dismantlements, and if required, the fabrication of replacement weapons.

One maintenance program, the Tritium Source program, will provide DOE with an analysis of alternative sites and technologies for a new assured tritium source to fulfill national security requirements. FY 1996 funding will be used to initiate a project to provide a new assured tritium source: either a reactor or an accelerator.

Stockpile Stewardship provides design and engineering of new or modified subsystems needed for repairs, upgrades, modifications or replacements of stockpile systems. The program includes first year funding for three major initiatives: Accelerated Strategic Computing Initiative; Defense Programs support for the Los Alamos Neutron Scattering Center (LANSCE); and the National Ignition Facility (NIF) in the Inertial Confinement Fusion (ICF) Program. However, NIF funding for FY 1996 has been cut by the House of Representatives.

Our strategic objectives in auditing National Security activities will be to:

- o Identify opportunities for organizational streamlining, achieving cost savings, and other improvements in DOE and contractor program management policies and practices.
- o Review the DOE intelligence-related activities to identify areas for improved adherence to Federal statutes and regulations and Departmental directives.

FISCAL YEAR 1995 AUDITS COMPLETED OR IN PROCESS

Two reports were issued during FY 1995:

- o A report on DOE's management of its precious metals inventory disclosed that DOE had not developed an effective method for disposing of \$10.3 million of existing excess precious metals. Management concurred with the findings and recommendations. (DOE/IG-0375, June 16, 1995)
- o A report of DOE's implementation of the National Defense Authorization Act of FY 1993 found that Martin Marietta Energy Systems achieved DOE's downsizing goals for both years through voluntary retirements and separations, normal attrition, and employee transfers. However, the report also found that DOE unnecessarily spent about \$8.2 million in achieving its downsizing goals. Management did not concur with the finding and recommendations. (ER-B-95-06, August 3, 1995)

Several audits currently in process will continue in FY 1996. They include:

- o An audit of the National Resource Center for Plutonium at Pantex to determine if the creation of the National Resource Center for Plutonium is necessary and/or cost-effective. (A95AL137)
- o A review of the management of High Explosive Facilities at the Weapons Design Laboratories. The purpose is to evaluate if the Department is consolidating high explosive operations at the weapons design laboratories. (A95LL113)
- o An audit of Departmental Economics Development Initiatives to determine whether the Department's economic development goals are being accomplished in a cost-effective manner. (A95NO070)
- o A review of the Work Force Restructuring at the Fernald Environmental Management Project. The objective is to determine if the Department's work force restructuring goals are effectively being achieved. (A95CN057)

FISCAL YEAR 1996 PLANNED AUDITS

New audits scheduled to begin during the year include:

- o An audit of the Department's Stockpile Management and Stockpile Support programs to determine if stated program goals are being achieved. (A96CG012)
- o A review of the Shutdown/and Transition at the Mound Plant to determine whether the shutdown and transition progressing in an efficient and effective manner. (A96CN008)
- o A survey of Workforce Restructuring at Savannah River to determine if the Department is meeting its objectives under Section 3161 of the FY 1993 Defense Authorization Act. (A96SR039)
- o An audit to determine if Savannah River Site is managing its idle facilities as safely and economically as possible. (A96SR037)

OTHER EFFORTS

Several other Program Management audits are in process or planned for FY 1996 that do not fit the above categories. They are:

- o A Departmentwide audit is planned to determine if DOE is maintaining managerial and financial control over its work-for-others (reimbursable work) projects. (A96PT028)
- o The Clean Coal Technology Program Administration audit will be carried over to FY 1996. The objective of the audit is to determine the adequacy of the Department's internal controls relating to project sponsor cost sharing requirements, oversight of funds obligations and expenditures, and monitoring and accuracy of sponsor repayment obligations. (A95PT020)
- o A followup audit on Energy Information Administration (EIA) procurement is planned. The objective of the review is to reevaluate the selection on contracting methods and determine whether the types of contracts awarded for EIA support services are cost-effective. The audit will also determine if the prior audit report recommendations have been implemented. (A96CM015)

ENVIRONMENTAL MANAGEMENT

BACKGROUND

For almost five decades the Department of Energy and its predecessor agencies have been involved in the research, development, demonstration and production of a wide variety of products that either contain radioactive materials or use them in the fabrication process. In addition, and equally important, many of these processes used non-radioactive toxic chemicals, which have accumulated over the years at the Department's facilities. Now, the Department is faced with the monumental task of cleaning up its facilities, and in some cases, restoring the environment to its original condition. These cleanup tasks consist of minor problems, such as soil contaminated with oil, to more major ones consisting of large aquifers under the earth's surface contaminated with radioactive materials, and hundreds of tanks filled with millions of gallons of radioactive waste. In short, the cleanup effort will be time consuming and very expensive.

Presently, there are 137 environmental management sites in 34 states, which covers in total over 3,300 square miles of area. The cleanup of the sites is regulated by 103 compliance agreements and many other environmental regulations. One of the primary regulatory instruments is the Tri-Party Agreement, which is negotiated between the Department, the individual States and the Environmental Protection Agency. These agreements set forth milestones for conducting cleanup projects, and establish fines and penalties for non-compliance. In addition, applicable provisions of the Resource Conservation and Recovery Act, and the Comprehensive Environmental Response, Compensation and Liability Act impact the cleanup effort.

ORGANIZATION AND FUNDING

The Secretary has established business lines to cover all Department of Energy programs. Environmental Management, under the business line Environmental Quality, includes the Office of Environmental Management; the Office of Civilian Radioactive Waste; the Office of Environment, Health and Safety; and Uranium Enrichment Decontamination and Decommissioning. The total funding for these programs in FY 1995 was about \$7.2 billion. A summary of each program is provided below.

The Office of Environmental Management encompasses both defense and non-defense environmental restoration and waste management at Department facilities. The total budget (including the Uranium Enrichment Decontamination and Decommissioning Fund) for Environmental Management in FY 1995 was \$6.49 billion and the request for FY 1996 is \$6.59 billion. While the FY 1996 request shows a slight increase in funding, it should be noted that Environmental Management will assume site management for Savannah River, Mound, Pinellas and several facilities at other sites. In addition, \$843 million of the \$6.59 billion are budget transfers resulting from the additional responsibilities being assumed by Environmental Management.

The Environmental Management program is planning productivity gains throughout the Department complex by emphasizing greater managerial controls, improving program efficiencies, and reducing contractor personnel. The productivity improvement will be realized without reductions in planned work scope at the sites. Plans are to reduce indirect costs, increase efficiency through better project management, and reduce contractor employees and related costs as a result of improved Federal management.

The major programs carried out under the Office of Environmental Management in FY 1995 were environmental restoration (\$1.38 billion), waste management (\$2.67 billion), nuclear material and facilities stabilization (\$766 million), technology development (\$417 million), and environmental restoration of non-defense facilities and sites (\$216 million).

Environmental restoration work continues at 27 Department sites. There are nearly 700 separate projects or activities funded under the program. The Department's Fernald Ohio site received the most funds, about \$257.7 million in FY 1995, for numerous separate projects and activities. Oak Ridge's Y-12 plant and K-25 site received \$44.2 million and \$14.0 million respectively, making them two of the largest single projects.

The major funding items under waste management are facility operation and maintenance (\$1.24 billion), new facilities (\$708.8 million), the defense waste processing facility (\$234.6 million) and the waste isolation pilot plant at \$174.3 million. In addition, \$184.1 million was spent on program management.

The nuclear materials and facilities stabilization effort is directed toward the deactivation of facilities once used for weapons production but no longer needed. This entails the removal of fuel, draining nonessential systems, removal of stored radioactive and hazardous materials, and other surveillance and

maintenance activities to protect workers, the public and the environment. In FY 1995, \$746 million (out of \$766 million) was spent at three sites--Rocky Flats, Richland and Idaho.

The technology development effort is looking for efficient and effective methods for use in cleaning up the sites and facilities. While numerous research and development activities are being conducted, they can be categorized into five major areas. The areas are mixed waste, radioactive waste tank remediation, landfill stabilization, contaminant plume containment and remediation, and facility transitioning, decommissioning and final disposition.

The Uranium Enrichment Decontamination and Decommissioning work is jointly funded by commercial users of the facilities and the government, since both used the facilities extensively. This effort involves cleaning up the gaseous diffusion plants located at Portsmouth, Ohio; Oak Ridge, Tennessee; Paducah, Kentucky; the K-25 Site at Oak Ridge; and the restoration of active uranium and thorium sites. The budget authority for FY 1995 was \$301.3 million and \$288.8 million is being requested for FY 1996.

The Office of Civilian Radioactive Waste Management has the mission to provide safe disposal for nuclear power reactor fuel and high level defense waste produced by the Department's nuclear weapons program. Thus, the program is jointly funded by the nuclear power industry and the Government. Most of this program's activity centers on proving the ability of the Yucca Mountain site, located in Nevada, to isolate the waste for 10,000 years. The Nuclear Waste Disposal program received \$522.9 million in FY 1995 and is budgeted \$630.0 million in 1996, of which \$198 million is the Government contribution. In addition, the program is also responsible for developing transportation casks and providing for monitored retrieval storage, if it should become necessary.

The Office of Civilian Radioactive Waste Management has developed a new program approach to speed up the characterization of Yucca Mountain to determine site suitability. Site characterization activities have been realigned, some postponed and others deleted, and supported with increased funding to provide a determination in 1998. Basically, the approach is not going to fulfill the original characterization plan reviewed by the stakeholders, namely the Nuclear Regulatory Commission.

The Environment, Safety and Health program is dedicated to providing protection to the worker, public and the environment. On the human side, the Department intends to fully meet the Occupational Safety and Health Act requirements at its facilities. The environmental side focuses on preventing any further degradation to the environment at its facilities and correcting past problems to prevent health and safety hazards. The activities conducted pursuant to this program are funded through the various programs conducted by the Department. No separate budget or reporting codes are used to fund these activities. Funding for this program in FY 1995 was \$182.0 million and \$212.7 million is requested for FY 1996.

FISCAL YEAR 1995 AUDITS COMPLETED OR IN PROCESS

Audit reports issued in the area of Environmental Management are summarized in the following paragraphs.

- o An audit of site characterization activities at the Yucca Mountain project disclosed that two characterization activities (deep borehole drilling and exploratory tunnel) were behind schedule and would not be completed until the year 2022 given the present level of effort. Present plans call for completing characterization in the year 2001. Consequently, we recommended a critical path analysis be conducted and a new baseline establishing priorities for critical activities be performed. The Department agreed with the intent of the recommendations and outlined a new program directed toward accelerating progress while preserving key milestones.
(DOE/IG-0366, February 1995)
- o An audit report on Hanford site characterization activities disclosed that neither the Department nor Richland evaluated alternatives to ensure that site characterization objectives were accomplished in a cost-effective manner. First, the Department agreed to accelerate the core-sampling program for high-level waste tanks from 6 to 3 years, in an effort to provide additional safety. While the accelerated program would cost an additional \$71 million it would provide little increased safety benefits. Second, the Department agreed to require that waste sampling be performed within 25 miles of Richland. This measure would result in increased costs of \$46 million over an 8-year period.

We recommended that the accelerated program not be implemented and that the 25 mile requirement be rescinded. The accelerated waste tank program, as planned, never got started. Thus, our recommendation was moot. However, our recommendation concerning the 25-mile requirement was implemented and the problem corrected.
(DOE/IG-0368, March 1995)

- o A report on the laboratory quality assurance testing program found that Department contractors were performing redundant reviews of laboratories that provide analytical services. In one case, a laboratory was reviewed for quality assurance 11 times in one year by various contractors, when only one review is necessary. In addition, the reviews were not consistent and the contractors did not share information with the Department or other contractors. The redundant reviews cost the Department about \$1.2 million annually. The report recommended the implementation of a third party centralized evaluation approach. The Department agreed to implement actions to eliminate the redundancy and correct the other problems noted in the report.
(DOE/IG-0374, June 1995)
- o An audit of Lawrence Livermore's waste treatment facility found that over a 10-year period major changes were made to the facility plan that greatly transformed how the project would meet mission needs. As a result, the initially proposed \$38 million project may cost as much as \$140 million and is significantly different than the one approved by the Congress. Pursuant to our recommendations, the Department agreed to notify Congress of the changes to the project scope and request continuance of the project. (WR-B-95-04, March 1995)
- o A report on the Department's project to build a new high-level waste evaporator at the Savannah River Site (SRS) disclosed that the project which was to be completed in 1993 is now delayed until 2001. In addition, the cost has risen from \$44 million to \$118 million. The evaporator is part of the Defense Waste Processing Facility which will be used to solidify liquid waste stored in tanks at SRS. The completion of the project is essential to the long term operations of the processing facility. The delays were attributable to changing architect/engineering services, inadequate planning, staffing problems and funding shortfalls.

The report recommended that Department procedures concerning construction projects be followed and that solutions be found to solve the architect/engineering and staffing problems. The Manager of the Savannah River Operations office agreed with our recommendations and is taking corrective actions. (ER-B-95-04, June 1995)

- o A report on Oak Ridge Operations Office's management control over the remedial investigation and feasibility study (RI/FS) process at the Oak Ridge National Laboratory disclosed that the RI/FS was generally managed in accordance with Department goals and objectives and applicable laws and regulations. However, expenditures of \$3.8 million of remedial design cost could have been avoided if clarification on environmental requirements had been obtained. The Oak Ridge Operations Office agreed to implement corrective actions pursuant to our recommendations. (ER-B-95-03, May 1995)
- o An audit at Rocky Flats found that the Management and Operating contractor did not evaluate alternatives to contractor-provided analytical services when less expensive and more efficient services were available from subcontract laboratories. As a result, about \$2.9 million in unnecessary charges will be incurred annually for data that is not timely or reliable. We recommended that the Manager of the Rocky Flats Field Office evaluate alternative methods for procuring these services. The Manager disagreed with our finding and recommendation, but did agree to perform the make-or-buy analysis contemplated by our recommendation. (CR-B-95-01, November 1994)

Three audit are being carried over to FY 1996. They are:

- o An audit to review waste minimization and pollution prevention efforts at Department facilities in Oak Ridge that are managed by Lockheed Martin Energy Systems, Inc. The objective of the audit is to determine if the waste minimization and pollution prevention activities are being properly managed and emphasized in order to meet legal requirements. (A95OR016)

- o An audit to determine if the cleanup of specific groundwater contamination at the Savannah River Site was necessary to protect human health and the environment and whether the treatment methods were effective and cost efficient. The Department was required to reduce groundwater contamination representing a risk to human health and the environment. The standard to which the groundwater must be decontaminated is in part dependent on the intended future use of the property. (A94SR015)
- o An audit to determine whether the Chicago Operations Office has effectively and efficiently managed environmental projects to allow achievement of desired program results. (A95CH001)

FISCAL YEAR 1996 PLANNED AUDITS

Audits currently planned to begin in FY 1996 include:

- o An audit to determine if the Department has adequately planned the proposed construction of waste handling facilities at Rocky Flats and the Hanford Reservation. (A96DN008)
- o An audit to determine if the Department is limiting expenditures for mixed waste treatment facilities until it has assurance that viable technologies are available. (A96LL027)
- o An audit at Los Alamos National Laboratory to determine if seven waste management construction projects were adequately planned. (A96LA022)
- o An audit to determine whether the Department's decontamination and decommissioning strategy for the Fernald project is cost-effective and technically feasible, and whether agreements between the Department and the State of Ohio are in the best interest of the taxpayers based on the current technology available. (A96CN007)

INFRASTRUCTURE

BACKGROUND

Infrastructure is defined as the basic facilities, equipment, and installations needed for DOE to fulfill its current and future missions. Infrastructure encompasses facilities management; General Plant Projects (GPP's) planning and construction; and general purpose Line Item Construction Projects (LICP's) at DOE facilities spread throughout the nation.

Facility management consists of all actions necessary to plan, construct, maintain, and dispose of the facilities at a DOE site. The functions of site development planning, design management, construction/project management, facility utilization planning and management, utilities management, energy management, maintenance management, real property management, and workspace management planning are all aspects of facility management activity. Both GPP's and LICP's require some exposure to facility management activity during their life-cycles.

General Plant Projects are miscellaneous minor new construction projects of a general nature. The total estimated cost of GPP's should not exceed \$1.2 million per project as mandated by Public Law 99-145. Valid needs for GPP's include adapting facilities to new or improved production techniques, affecting economies of operations, and reducing or eliminating health, fire, and security problems. The design and construction of small new buildings; replacements or additions to roads; improvements to land, buildings and utility systems; and general area improvements are funded as GPP's.

As opposed to the \$1.2 million limit on GPP's, Line Item Construction Projects can be of any amount. LICP's are submitted as separately identified projects for review and approval by Congress during the budget process. The projects may be used to provide land and/or facilities for the long-term programmatic support and administrative needs of DOE facilities. Program specific buildings, support and service buildings, utilities, and major new roads are examples of LICP's.

A major portion of the Department's infrastructure/assets and facility management activities support its various research and weapons complex facilities. These facilities are primarily national laboratories that support the bulk of DOE's far-ranging research and development and national security activities. The Galvin Report, discussed earlier in the National Laboratories section of "Program Management" contained the following recommendations that could effect laboratory infrastructure:

- o **SCIENCE/ENGINEERING RESEARCH** – Support for operating and maintaining large facilities in the DOE's Office of Energy Research should be budgeted separately from funds for specific programs.
- o **FACILITIES** – Over a period of one to two years, the Department and Congress should develop and implement a new modus operandi of Federal support for the national laboratories, based on private sector style "corporatized" laboratory system.
- o **NATIONAL SECURITY** – Continued funding support for the Dual-Axis Radiographic Hydrodynamic Testing facility; continued near-term support for the Los Alamos Neutron Scattering Experiment/Los Alamos Meson Physics Facility; continued pursuit of advanced computing, including computing through workstation networks; and proceeding with the National Ignition Facility as a research facility, balanced with respect to other major investments.

Science-Engineering

The Office of Energy Research is the primary landlord or funding source for facilities support for multiprogram non-defense energy laboratories. The goal of facilities support is to provide for the ongoing rehabilitation, upgrade, and replacement of general purpose infrastructure support facilities necessary to the continued safe, cost-effective, and environmentally responsible operation of the Department's multi-program laboratories. However, the Galvin Report recommended that support for operating and maintaining large facilities by the Office of Energy Research should be budgeted separately from funds for specific programs. Such separation would provide better accountability and budgetary control, and would impose greater discipline on decisions requiring trade-offs to be made between investing in new facilities and keeping existing ones in service. During FY 1996, Energy Research will fund facilities management and GPP activities at Argonne National Laboratory, Brookhaven National Laboratory, Lawrence Berkeley National Laboratory, Oak Ridge National Laboratory, Pacific Northwest Laboratory, and Oak Ridge Institute of Science and Education.

Facilities

The Galvin Report noted that although superb facilities exist at DOE laboratories, some facilities have been allowed to languish. The report went on to state that the insufficient attentiveness of DOE in keeping up the quality of existing facilities or the disposition of obsolete facilities is evident. A gradual reinvestment by the Government in repairing research laboratories, and upgrading research instrumentation is needed. After facilities are upgraded and repaired over a period of years, the responsibility for maintaining and upgrading those facilities should be turned over to the laboratories.

National Security

The Department has committed to transforming its national security infrastructure to meet all current and future requirements caused by the profound change resulting from the collapse of the Soviet Union. The Department's national security activities are being transformed from an emphasis on weapons production to stockpile stewardship. A key mission is to enhance the technology infrastructure and core competencies for the execution of the National security mission while assisting industrial competitiveness. The Core Stockpile Stewardship program provides for the physical and intellectual infrastructure required for the science-based stewardship program at the three defense laboratories and maintains the Nevada Test Site in a state of readiness to conduct underground nuclear tests within 3 years, if necessary.

H.R. 1530 authorized \$15.6 million for FY 1996 to fund a support facility in North Las Vegas, Nevada. Additionally, Defense Programs provides support for the Los Alamos Neutron Scattering Center and the National Ignition Facility in the Inertial Confinement Fusion program. The ICF program is maintained at a level to promote the application of ICF technology in support of Stockpile Stewardship objectives, such as laboratory experimentation and theoretical studies into weapons physics and weapons effects testing. Also, H.R. 1530 authorized \$37.4 million for the NIF.

The other major National Defense function of the Department is stockpile management. Stockpile management encompasses the production, maintenance, and surveillance of those nuclear weapons specified in the Nuclear Weapons Stockpile Plan, which is jointly developed by the Department of Defense and Department

of Energy and approved annually by the President. Although no new nuclear weapons are expected to be built in the near future, the Department anticipates a need for an assured tritium source to fulfill national security requirements.

The Department requested FY 1996 funding to initiate a project to provide a new tritium source, either a reactor or an accelerator. The record of decision is expected in November 1995. However, H.R. 1530 section 3133 authorized FY 1996 funds of \$100 million for new tritium production activities. Of the \$100 million, \$60 million was allocated for implementation of the multipurpose water reactor technology and the remaining \$40 million would go toward research and development of accelerator technology to produce tritium. The Idaho National Engineering Laboratory (INEL) would receive \$20 million of the \$60 million for the test and development of both the Light Water Reactor Tritium Target Program and the Mixed Oxide Fuels program.

Other Program Areas

Major infrastructure initiatives in other program funding areas have not been fully identified in OMB/Congressional passbacks to the Department at this time.

FISCAL YEAR 1995 AUDITS COMPLETED OR IN PROCESS

Audits reports issued in the area of Infrastructure or general construction are summarized in the following paragraphs.

- o A report on the Office of Energy Research's plans to construct an Environmental Molecular Sciences Laboratory found that all practical alternatives were not evaluated prior to starting construction of a new facility at Richland, Washington. Specifically, the audit disclosed that existing facilities and equipment at other sites could possibly be utilized, thus avoiding the cost of a new facility. However, the Department disagreed and construction is continuing.
(DOE/IG-0371, June 1995)
- o A report on the audit of construction of protective force training facilities at the Pantex Plant disclosed that the construction of a physical training facility was not necessary to fulfill mission needs, and that the Department did not consider all viable alternatives to constructing a weapons tactics and training facility. We recommended that management cancel the proposed

construction, consider making necessary repairs and upgrades to the existing facility and perform an economic analysis of all alternatives before proceeding on another facility. Management did not agree to cancel the one project and make necessary repairs and upgrades. It did, however, agree to perform an economic analysis of all alternatives for the other project.
(WR-B-95-06, May 1995)

- o A report on the audit of management controls over selected Energy Research major system acquisitions found that "other project costs" for major system acquisitions were not adequately included in the project management system and received less management attention than construction costs under this system. Also, certain project management practices did not ensure that the objectives of ensuring accountability, traceability, and visibility of decisions at all levels were met. We recommended that management establish controls to ensure total costs are included in independent costs estimates and that these costs are updated and reported regularly. We also recommended that management change its project management practices to ensure better accountability, traceability, and visibility over decisions for these acquisitions. Management agreed with most of the intent of our recommendations and stated that changes in policies and practices were either in process or under consideration. (CR-B-95-02, November 1994)

The following audits were started in FY 1995 and will continue into FY 1996:

- o An audit of construction management at the INEL to determine if Idaho is managing cost effective, efficient, and economical construction projects. The audit objectives are to determine whether Idaho was validating plans; identifying and evaluating construction project alternatives; and reassessing the need for planned construction projects. (A95IF018)
- o An audit of the Human Genome Laboratory at the Lawrence Berkeley Laboratory to determine if the Department has adequately assessed the current mission need for the Human Genome Laboratory and evaluated possible alternative methods of meeting the need. (A95LL138)

- o An audit of Architect/Engineer services and costs at INEL to determine whether Idaho is acquiring contracts for these services in accordance with Federal requirements; whether costs for conventional construction projects are reasonable; and whether the costs are comparable with private industry standards. (A95IF130)

FISCAL YEAR 1996 PLANNED AUDITS

Audits currently planned to begin in FY 1996 include:

- o An audit of management of construction projects at the Nevada Test Site (Site) to determine whether construction projects at the Site are based on current and foreseeable mission requirements. A moratorium on nuclear testing went into effect in October of 1992, however, DOE continues to plan and construct facilities to support a mission of nuclear testing. Many of these construction projects may not be needed or could be rescoped based on the changed mission. (A96LV032)
- o An audit of construction management at the Strategic Petroleum Reserve (Reserve) to determine if the Reserve's construction tasks are efficiently planned, executed and consistent with its Comprehensive Life Extension Program. The Reserve may be executing projects not needed to accomplish its mission and may be incurring excess costs for other projects. The Program will extend the life of the Reserve to the Year 2025 and will require a reduction in the size of the Reserve. (A96NO013)
- o An audit of idle facilities at the Savannah River Site to determine whether the SRS is managing its idle facilities as safely and economically as possible. The mission change at SRS has caused millions of dollars to be incurred to maintain idle facilities that may never be needed. Some costs may be saved by deactivating and decommissioning idle facilities that have no foreseeable mission need. Savannah River currently has 195 facilities identified as idle and 39 other facilities which will become idle within the next five years. Savannah River has an additional 103 facilities that have diminishing Defense Programs missions and funding which could also become idle. (A96SR037)

ADMINISTRATIVE SAFEGUARDS

BACKGROUND

The key issue area of Administrative Safeguards includes those audits that cover activities with a high risk for waste, fraud, or mischarging. These audits are performed to identify instances of waste, fraud, or mischarging and to deter similar instances from occurring in the future. For example, identification of fraudulent actions in an activity will often deter others from engaging in the same actions. Similarly, identification of claims for unallowable costs will alert the Department to such improper claims and help deter their recurrence. Prompt detection of problem areas in an activity will foster corrective actions before operations are significantly impacted.

Past audits of vulnerable activities have identified improper actions such as misuse of imprest funds, claims for overtime not worked, and fraudulent travel claims. In addition, past audits have identified numerous instances of claims for unallowable costs such as travel and relocation costs that were not in compliance with contract terms or applicable regulations. Generally, audits of these activities involved more than one key issue area.

Most vulnerable activities have received some coverage. However, further audits in these areas can help reduce the risk of waste, fraud, and mischarging.

FISCAL YEAR 1995 AUDITS COMPLETED OR IN PROCESS

Reports that were issued during the year that had focused on administrative safeguards include:

- o An audit of the transfer of Government-owned property at the Mound and Pinellas Plants disclosed that they did not have property disposition plans that would properly protect Departmental interests. Specifically, Mound planned to make about \$13.2 million of Government-owned property available to private businesses even though the property was needed by Defense Programs at other facilities and would cost less than \$1 million to relocate. In addition, Mound and Pinellas planned to make available to economic development initiatives several hundred million dollars of Government-owned property without first determining if it was needed by other DOE

elements. These conditions occurred because neither Headquarters nor the Albuquerque Operations Office provided Mound and Pinellas adequate guidance, and Plant management believed that economic development initiatives could take precedence over some DOE programs.
(DOE/IG-0360, November 1994)

- o An audit of overtime payments at the SRS showed that overtime compensation for salaried employees exempt from the Fair Labor Standards Act overtime provisions had increased substantially since Westinghouse became the onsite contractor in April 1989. Exempt employees, including upper level managers, were routinely compensated for overtime, often for extended periods. In Fiscal Year 1993, overtime compensation to exempt employees totaled \$34.1 million.

The audit disclosed that the contractor's exempt overtime policy and practices did not mirror the majority of those of the public and private sector. We recommended that the Savannah River Operations Office negotiate a revision to the contract to limit overtime payments to exempt employees and establish a salary threshold above which overtime payments are prohibited. The Operations Office agreed and requested a proposal to change the current exempt overtime provisions used at Savannah River.
(DOE/IG-0361, November 1994)

A Departmentwide audit of sales and leases of real property will be continued in FY 1996. The audit is focusing on the risks associated with not receiving the best price for a sale or a lease of Department property; litigation due to noncompetitive sales and leases; and circumvention of Government regulations.
(A95NO090)

FISCAL YEAR 1996 PLANNED AUDITS

Audits planned to begin in FY 1996 include:

- o A Departmentwide audit of DOE facilities to evaluate the Department's leases. Specifically, the audit will determine if leases have been properly reviewed and justified, and if leases are economical and prudent when compared with the costs associated with purchasing facilities. (A96CG013)

- o A review of equipment that is being held for future use to determine if certain equipment is still needed for future projects or programs. With the changes in programmatic emphasis and recent cutbacks experienced by DOE in the past few years, there is a strong possibility that some of this equipment is no longer needed. (A96AL001)

CUSTOMER SERVICE

The Deputy Inspector General for Audit Services has established policies and procedures to ensure that customer input is obtained and responded to throughout the audit process from planning through post-evaluation of issued audit reports.

In the early stages of its annual planning process, the Office of Audit Services solicits audit suggestions from Program Secretarial Officers and others, including local field office managers. Senior OIG staff, including the Deputy Inspector General for Audit Services, periodically convene customer focus groups to discuss audit suggestions and to obtain additional planning input. Similarly, OIG staff at local DOE field offices periodically meet with program managers to obtain their input to the audit planning process. Customer input to Office of Audit Services' plans are best exemplified in recent audits conducted at the request of the Deputy Secretary at the Strategic Petroleum Reserve and the Assistant Secretary for Environmental Management at the Waste Isolation Pilot Plant.

Customer suggestions are evaluated by senior OIG staff to determine their priority as shown by their relationship to the OIG key issue areas, the Secretary's Strategic Plan, previous or ongoing work by the OIG or other audit entities working in the Department. The Office of Audit Services advises its customers about the disposition of their suggestions at the end of the planning process.

During the performance of audits, the Office of Audit Services ensures that customers are afforded many opportunities to express their views and expectations. Audit policy requires an entrance conference with the auditees to inform them about audit goals and objectives. Also, it is our policy to obtain management comments on audit findings as early as possible during an audit, rather than waiting until all field work has been completed and a draft report written--thus ensuring continual communication with customers about the results of our work.

Customers are also afforded the opportunity to comment officially on Office of Audit Services' Official Draft Reports and Final Reports. OIG staff meet with auditees to discuss their comments during exit conferences and respond to comments in final reports.

The Office of Audit Services also includes a "Customer Response Form" in each issued final report which allows customers to provide the Office of Inspector General with their perceptions and recommendations for improved service. The Deputy Inspector General for Audit Services acknowledges receipt of and responds to the customer feedback.

U.S.DEPARTMENT OF ENERGY
DEPUTY INSPECTOR GENERAL FOR AUDIT SERVICES
FISCAL YEAR 1996 AUDIT WORK PLAN SCHEDULE

<u>AUDIT NUMBER</u>	<u>TITLE</u>
<u>PERFORMANCE CARRY-IN AUDITS</u>	
A94OR086	ENERGY SYSTEMS WASTE MANAGEMENT
A94PL116	INFORMATION MANAGEMENT @ BONNEVILLE POWER ADMIN
A94SR015	SAVANNAH RIVER SITE ENVIRONMENTAL SAMPLING PROGRAM
A95AL005	PANTEX MANAGEMENT OF ENVIRONMENT, SAFETY & HEALTH
A95AL133	USER FACILITIES @ DOE LABORATORIES & PLANTS
A95AL137	PLUTONIUM NATIONAL RESOURCE CENTER
A95AT001	DOE ACCOUNTING SYSTEM APPLICATION CONTROLS
A95CF002	OVERTIME USE
A95CG008	DOE CONSTRUCTION PROJECTS
A95CG044	REVIEW OF INTERAGENCY AGREEMENTS
A95CG048	ARMS & MILITARY TYPE EQUIPMENT REVIEW
A95CH001	CHICAGO ENVIRONMENTAL PROJECT MANAGEMENT
A95CH003	ADVANCED PHOTON SOURCE USER FEES
A95CH004	OMB CIRCULAR A-131 IMPLEMENTATION
A95CH005	DOE'S USE OF CONTRACTOR EMPLOYEES
A95CN057	FERNALD WORK FORCE RESTRUCTURING
A95DN016	M&O WORKERS' COMPENSATION BENEFITS
A95IF018	IDAHO NATIONAL ENGINEERING LABORATORY CONSTRUCTION PLANNING & MANAGEMENT
A95IF130	IDAHO NATIONAL ENGINEERING LABORATORY ARCHITECT/ ENGINEERING SERVICES & COSTS
A95IF132	USE OF MEMO PURCHASE ORDERS
A95LA020	LOS ALAMOS NATIONAL LABORATORY CONSULTANTS
A95LL113	HIGH EXPLOSIVES FACILITIES MANAGEMENT
A95LL138	HUMAN GENOME LABORATORY AT LAWRENCE BERKELEY NATIONAL LABORATORY
A95LV136	DOE/NEVADA NUCLEAR PREPAREDNESS
A95NO069	PINELLAS WORK FORCE RESTRUCTURING
A95NO070	DOE ECONOMIC DEVELOPMENT INITIATIVES
A95NO090	DOE REAL PROPERTY DISPOSITION
A95OR015	OAK RIDGE CONSTRUCTION CONTRACTING
A95OR016	MARTIN MARIETTA ENERGY SYSTEMS WASTE MINIMIZATION
A95PL032	BONNEVILLE POWER ADMIN MAINTENANCE PROGRAMS
A95PR020	SALARY FREEZE @ MANAGEMENT & OPERATING CONTRACTORS
A95PT020	CLEAN COAL TECHNOLOGY PROGRAM ADMINISTRATION

U.S.DEPARTMENT OF ENERGY
DEPUTY INSPECTOR GENERAL FOR AUDIT SERVICES
FISCAL YEAR 1996 AUDIT WORK PLAN SCHEDULE

AUDIT
NUMBER

TITLE

A95PT043 M&O PERFORMANCE BASED AWARD FEES
A95RL035 WASTE HANDLING FACILITY REQUIREMENT
A95RL116 SUBCONTRACT MANAGEMENT AT HANFORD
A95SR021 SAVANNAH RIVER SITE ELECTRICITY & STEAM PRODUCTION

FINANCIAL STATEMENT CARRY-IN AUDITS

CFO / GMRA AUDITS

A94PL120 BONNEVILLE POWER ADMINISTRATION (FY 1994)
A95AT005 DOE'S FINANCIAL INFO SYSTEM (FIS)
A95CR041 DEPARTMENTWIDE CFO AUDIT TASK FORCE
A95DN011 WESTERN AREA POWER ADMINISTRATION
A95DN014 SOUTHWESTERN POWER ADMINISTRATION
A95DN034 ALASKA POWER ADMINISTRATION
A95LL025 NAVAL PETROLEUM & OIL SHALE RESERVES
A95OR071 ISOTOPE PRODUCTION & DISTRIBUTION PROGRAM
A95OR072 URANIUM ENRICHMENT DECONTAMINATION &
 DECOMMISSIONING FUND
A95OR073 SOUTHEASTERN FEDERAL POWER PROGRAM
A95PL033 BONNEVILLE POWER ADMINISTRATION (FY 1995)
A95AL118 ALBUQUERQUE OPERATIONS OFFICE
A95AL119 LOS ALAMOS NATIONAL LABORATORY
A95AL120 SANDIA NATIONAL LABORATORY
A95AL122 ALLIED SIGNAL - KANSAS CITY, MO
A95AL123 PANTEX PLANT - AMARILLO, TX
A95CH079 CHICAGO OPERATIONS OFFICE
A95CH080 FERMI NATIONAL ACCELERATOR LABORATORY
A95DN121 ROCKY FLATS, CO
A95IF128 IDAHO OPERATIONS OFFICE
A95IF129 LOCKHEED - IDAHO FALLS, ID
A95LL126 OAKLAND OPERATIONS OFFICE
A95LL127 LAWRENCE LIVERMORE NATIONAL LABORATORY
A95OR075 OAK RIDGE OPERATIONS OFFICE
A95OR076 MARTIN MARIETTA ENERGY SYSTEMS
A95OR081 UNIVERSITY RESEARCH ASSOCIATES
A95RL124 RICHLAND OPERATIONS OFFICE
A95RL125 WESTINGHOUSE - RICHLAND
A95SR077 SAVANNAH RIVER OPERATIONS OFFICE
A95SR078 WESTINGHOUSE - SAVANNAH RIVER

U.S.DEPARTMENT OF ENERGY
DEPUTY INSPECTOR GENERAL FOR AUDIT SERVICES
FISCAL YEAR 1996 AUDIT WORK PLAN SCHEDULE

<u>AUDIT NUMBER</u>	<u>TITLE</u>
FINANCIAL CERTIFICATION AUDITS	
A94PR039	PRINCETON PLASMA PHYSICS LABORATORY (FY 1994)
A95AL076	WESTINGHOUSE - CARLSBAD, NM
A95AL077	MASON/HANGER - AMARILLO, TX
A95AL078	SANDIA NATIONAL LABORATORY
A95AL079	RUST GEOTECH - GRAND JUNCTION, CO
A95CH059	ARGONNE NATIONAL LABORATORY (YEAR END)
A95CH060	AMES LABORATORY (YEAR END)
A95CH061	FERMI NATIONAL ACCELERATOR LABORATORY (YEAR END)
A95CH062	WEST VALLEY NUCLEAR SITE (YEAR END)
A95CH063	ARGONNE NATIONAL LABORATORY (IAA)
A95CH064	FERMI NATIONAL ACCELERATOR LABORATORY (IAA)
A95CH065	AMES LABORATORY (IAA)
A95CH066	WEST VALLEY NUCLEAR SITE (IAA)
A95CN032	EG&G MOUND, OH
A95DN080	EG&G ROCKY FLATS, CO
A95DN081	NATIONAL RENEWABLE ENERGY LABORATORY
A95DN082	FLEUR DANIELS - CASPER, WY
A95IF083	LOCKHEED - IDAHO FALLS, ID
A95LA084	ALLIED SIGNAL - KANSAS CITY, MO
A95LA085	LOS ALAMOS NATIONAL LABORATORY
A95LL086	LAWRENCE LIVERMORE NATIONAL LABORATORY
A95LL087	BECHTEL - BAKERSFIELD, CA
A95LL088	LAWRENCE BERKELEY LABORATORY
A95LL089	STANFORD LINEAR ACCELERATOR CENTER
A95LL111	ENERGY TECHNOLOGY ENGINEERING CENTER
A95LV090	EG&G ENERGY MEASUREMENTS - LAS VEGAS, NV
A95LV091	RAYTHEON SERVICES
A95LV092	REYNOLDS ELECTRICAL ENGINEERING COMPANY, INC
A95NO033	DYN MCDERMOTT
A95NO034	MARTIN MARIETTA SPECIALTY COMPONENTS
A95OR035	OAK RIDGE ASSOCIATED UNIVERSITIES
A95OR036	M-K FERGUSON
A95OR037	MARTIN MARIETTA ENERGY SYSTEMS
A95PR038	BROOKHAVEN NATIONAL LABORATORY
A95PR039	PRINCETON PLASMA PHYSICS LABORATORY (FY 1995)
A95RL093	WESTINGHOUSE - RICHLAND, WA

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<u>AUDIT NUMBER</u>	<u>TITLE</u>
A95RL094	BATELLE PACIFIC NORTHWEST LABORATORY
A95RL095	HANFORD ENVIRONMENTAL HEALTH FOUNDATION
A95SR040	WESTINGHOUSE SAVANNAH RIVER (YEAR END)
A95SR053	WESTINGHOUSE SAVANNAH RIVER (IAA)

NOTE: YEAR END AND INTERNAL AUDIT ASSESSMENTS PERFORMED AS
SEPARATE AUDITS IN FY 1995, BUT COMBINED IN FY 1996

OTHER FINANCIAL AUDITS

A94OR078	MARTIN MARIETTA COST ACCOUNTING STANDARDS REVIEW
A95CN074	FERNALD INTERIM COST AUDIT
A95CG040	FY 1995 FEDERAL MANAGERS FINANCIAL INTEGRITY ACT
A95DN134	WAPA BOULDER CANYON FY 1995 FINANCIAL STATEMENT
A95DN135	WAPA PARKER DAVIS FY 1995 FINANCIAL STATEMENT
A95LV027	WACKENHUT FY 1993-1994 INCURRED COSTS
A95OR087	MARTIN MARIETTA TELECOMMUNICATIONS SERVICE
A95PR088	PRINCETON X-RAY LASER FINAL COST
A95PR089	PRINCETON BENEFITS FY 1988-1994

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<u>AUDIT NUMBER</u>	<u>TITLE</u>	<u>PLANNED STARTING QUARTER</u>
<u>PLANNED FISCAL YEAR 1996 PERFORMANCE AUDITS</u>		
A96AL001	EQUIPMENT HELD FOR FUTURE USE	2
* A96AL002	AWARDS TO SANDIA NATIONAL LABORATORY EMPLOYEES	3
* A96AL003	PANTEX MAINTENANCE	3
A96AT004	DOE COMPUTER CENTER CONSOLIDATION	4
A96CF001	CONTRACTOR INSURANCE COSTS	1
A96CF002	SUPPLY AND WAREHOUSE OPERATIONS	2
A96CF003	M&O COVERAGE - TRW ENVIRONMENTAL SAFETY SYSTEMS	2
* A96CF004	FEDERAL ENERGY REGULATORY COMMISSION ACQUISITION OF ADP	3
* A96CF005	UTILITY PURCHASES	4
A96CG010	REVIEW OF RADIATION HEALTH PROGRAM	1
* A96CG011	SMALL BUSINESS INNOVATIVE RESEARCH PROGRAM	2
A96CG012	STOCKPILE MANAGEMENT AND SUPPORT	2
A96CG013	DEPARTMENT-WIDE AUDIT OF LEASED FACILITIES	2
A96CH001	SURVEY OF ENERGY RESEARCH'S PEER REVIEW PROCESS	4
* A96CM015	FOLLOWUP AUDIT ON ENERGY INFORMATION ADMINISTRATION PROCUREMENT	3
A96CN007	SURVEY OF DECONTAMINATION & DECOMMISSIONING ACTIVITIES AT FERNALD	1
A96CN008	MOUND PLANT SHUTDOWN AND TRANSITION	2
* A96CN009	COMMUNITY RE-USE ORGANIZATION LOBBYING ACTIVITIES	3
A96DN008	ROCKY FLATS WASTE HANDLING FACILITIES	1
* A96DN009	ENVIRONMENTAL RESTORATION AT ROCKY FLATS	3
A96DN010	ROCKY FLATS PERFORMANCE AWARDS	4
A96IF017	IDAHO NATIONAL LABORATORY LEASED FACILITIES	2
A96IF018	IDAHO NATIONAL LABORATORY AUTOMATIC DATA PROCESSING MANAGEMENT	4

"*" indicates significant audits that are a high priority,
but will probably not be started due to staffing
limitations

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<u>AUDIT NUMBER</u>	<u>TITLE</u>	<u>PLANNED STARTING QUARTER</u>
* A96LA021	LOS ALAMOS NATIONAL LABORATORY GENERAL INDIRECT & RECHARGE FUND	1
A96LA022	LOS ALAMOS NATIONAL LABORATORY WASTE MANAGEMENT	1
* A96LA023	SURVEY OF JOHNSON CONTROLS	2
A96LL025	LIVERMORE & BERKELEY LABS RENOVATION PROJECTS	4
* A96LL026	UNIVERSITY OF CALIFORNIA LABORATORY DIRECTED R&D	4
A96LL027	MIXED WASTE CONSTRUCTION	4
A96LV031	CONTRACT CONSOLIDATION	1
A96LV032	NUCLEAR TEST SITE CONSTRUCTION PROJECTS MGMT	2
A96LV033	YUCCA MOUNTAIN QUALITY ASSURANCE	4
* A96NO013	STRATEGIC PETROLEUM RESERVE CONSTRUCTION MGMT	1
* A96NO014	STRATEGIC PETROLEUM RESERVE COMMUNICATIONS EQUIP	1
A96NO015	SURVEY OF SAVANNAH RIVER CONSTRUCTION MGMT	2
A96OR018	DOE'S RADIOACTIVE WASTE LEVEL DETERMINATIONS	1
A96OR019	DIFFUSION PLANT TROUGHING/INSPECTION	2
A96OR020	LOCKHEED MARTIN ENERGY SYSTEMS MAINTENANCE	2
A96OR021	SCIENTIFIC & TECHNICAL INFORMATION OFFICE	3
* A96PL034	BONNEVILLE'S OVERSIGHT OF SUPPLY SYSTEM COSTS	3
A96PR030	SURVEY OF LABOR DISTRIBUTION AT DOE LABORATORIES	2
A96PR031	INTERNATIONAL THERMONUCLEAR REACTOR	4
* A96PT018	DOE SCIENTIFIC AND TECHNICAL INFORMATION PROCESSES	3
* A96PT019	OCCUPATIONAL INJURIES & ILLNESSES	3
A96PT020	LABORATORY DIRECTED RESEARCH & DEVELOPMENT	1
A96RL036	LEASED FACILITIES	3
A96RL037	HANFORD DRILLING OPERATIONS	4
A96SR037	SAVANNAH RIVER SITE IDLE FACILITIES	1
* A96SR038	DOE ENVIRONMENTAL CONTROL SAMPLING	2
A96SR039	SAVANNAH RIVER SITE WORKFORCE RESTRUCTURING SURVEY	2

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<u>AUDIT NUMBER</u>	<u>TITLE</u>	<u>PLANNED STARTING QUARTER</u>
<u>PLANNED FISCAL YEAR 1996 FINANCIAL AUDITS</u>		
CFO / GMRA AUDITS		
A96AL004	ALBUQUERQUE OPERATIONS OFFICE	2
A96AL005	LOS ALAMOS NATIONAL LABORATORY	2
A96AL006	SANDIA NATIONAL LABORATORY	2
A96AL007	ALLIED SIGNAL - KANSAS CITY, MO	2
A96AT002	DOE ACCOUNTING SYSTEM SITE REVIEWS	2
A96AT003	PAY/PERS AUTOMATED SYSTEMS REVIEW	2
A96CH002	CHICAGO OPERATIONS OFFICE	3
A96CM017	DOE CONSOLIDATED FIN AUDIT-PHASE 2	2
A96DN011	ROCKY FLATS, CO	2
A96DN012	SOUTHWESTERN FEDERAL POWER SYSTEM	2
A96DN013	WESTERN AREA POWER ADMINISTRATION	3
A96DN014	ALASKA POWER ADMINISTRATION	4
A96IF019	IDAHO OPERATIONS OFFICE	2
A96IF020	LOCKHEED - IDAHO FALLS, ID	2
A96LL028	OAKLAND OPERATIONS OFFICE	2
A96LL029	LAWRENCE LIVERMORE NATIONAL LABORATORY	2
A96LL030	NAVAL PETROLEUM & OIL SHALE RESERVES	4
A96OR022	OAK RIDGE OPERATIONS OFFICE	3
A96OR023	LOCKHEED MARTIN ENERGY SYSTEMS	3
A96OR024	UNIVERSITY RESEARCH ASSOCIATES	3
A96OR025	URANIUM ENRICHMENT DECONTAMINATION & DECOMMISSIONING FUND	3
A96OR026	SOUTHEASTERN FEDERAL POWER SYSTEM	3
A96OR027	ISOTOPE PRODUCTION & DISTRIBUTION PROGRAM	3
A96PL035	BONNEVILLE POWER ADMINISTRATION	3
A96PT025	NAVAL REACTORS @ PITTSBURGH, PA & SCHENECTADY, NY	1
A96RL038	RICHLAND OPERATIONS OFFICE	2
A96RL039	WESTINGHOUSE - HANFORD	2
A96SR040	SAVANAH RIVER SITE	3

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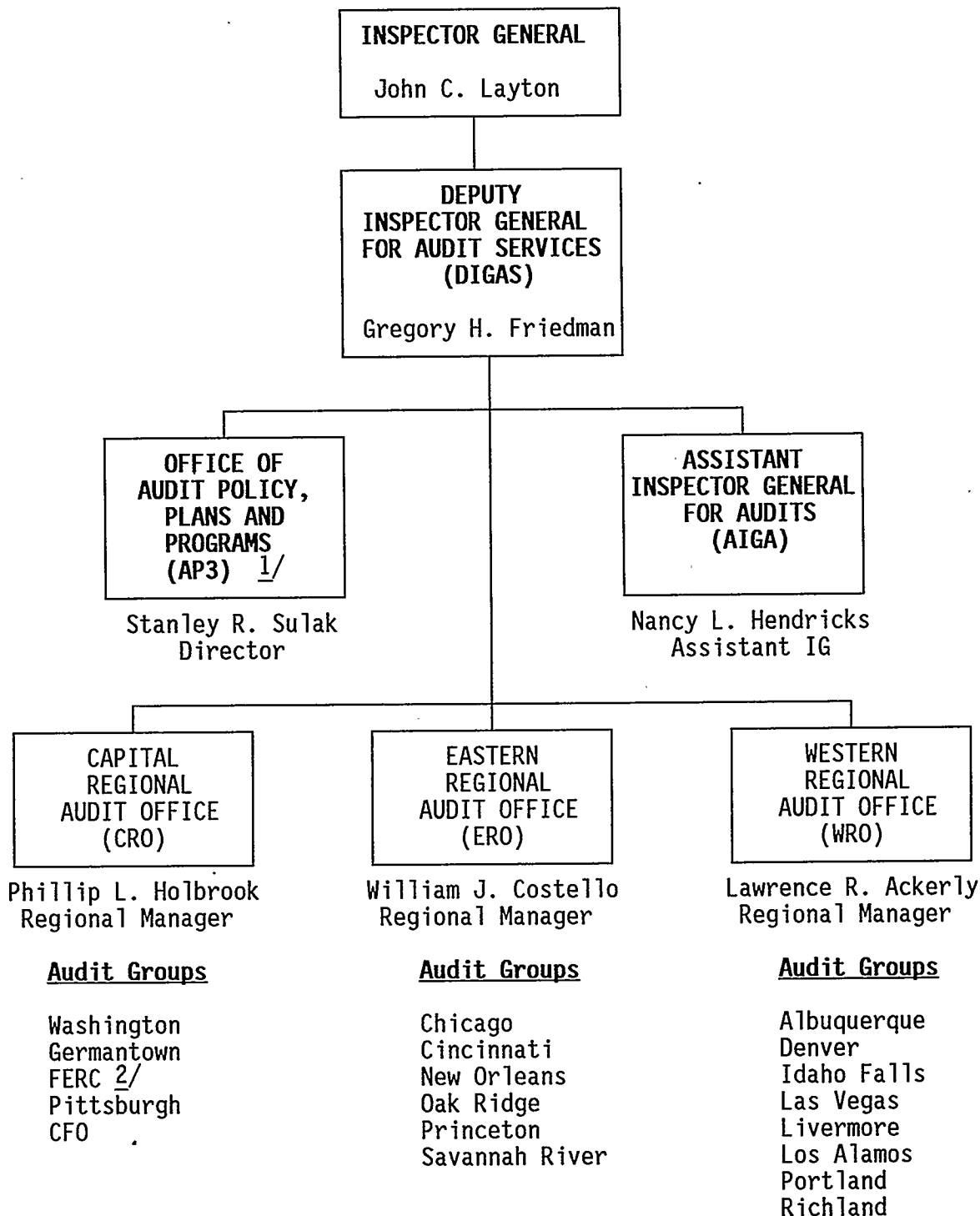
<u>AUDIT NUMBER</u>	<u>TITLE</u>	<u>PLANNED STARTING QUARTER</u>
FINANCIAL CERTIFICATION AUDITS		
A96CF009	TRW ENVIRONMENTAL SAFETY SYSTEMS	1
A96CH003	ARGONNE NATIONAL LABORATORY	4
A96CH004	FERMI NATIONAL ACCELERATOR LABORATORY	4
A96CH005	WEST VALLEY NUCLEAR SITE	4
A96CH006	AMES LABORATORY	4
A96CN011	EG&G MOUND, OH	4
A96LV044	KAISER-HILL - GOLDEN, CO	4
A96NO016	DYN MCDERMOTT	1
A96NO017	LOCKHEED MARTIN SPECIALTY COMPONENTS	2
A96OR028	OAK RIDGE ASSOCIATED UNIVERSITY	4
A96OR029	LOCKHEED MARTIN ENERGY SYSTEMS	4
A96PR032	PRINCETON PLASMA PHYSICS LABORATORY	4
A96PR033	BROKHAVEN NATIONAL LABORATORY	4
A96PT021	SCHENECTADY NAVAL REACTORS	1
A96PT022	PITTSBURGH NAVAL REACTORS	1
A96PT023	KNOLLS ATOMIC POWER LABORATORY	1
A96PT024	BETTIS ATOMIC POWER LABORATORY	1
A96RL040	WESTINGHOUSE - RICHLAND, WA	4
A96RL041	BATELLE PACIFIC NORTHWEST LABORATORY	4
A96RL042	HANFORD ENVIRONMENTAL LABORATORY	4
A96SR041	WESTINGHOUSE SAVANNAH RIVER CORPORATION	4

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<u>AUDIT NUMBER</u>	<u>TITLE</u>	<u>PLANNED STARTING QUARTER</u>
OTHER FINANCIAL AUDITS		
A96CF006	CONTRACTOR SALARIES	1
A96CF007	RESTRICTIONS ON LOBBYING (FY 1995)	1
* A96CF008	M&O CONTRACTOR TRAVEL	2
* A96CG014	ADP CONTRACT COST CONTROLS	1
* A96CN010	FERNALD COMPENSATION	4
A96LA024	COMMUNITY ASSISTANCE	2
A96PT028	DEPARTMENTWIDE WORK-FOR-OTHERS	2
A96PT029	DOE'S NATIONAL OIL PROGRAM	4
A96DN015	WAPA-BOULDER CANYON FY 1996 FINANCIAL STATEMENT	4
A96DN016	WAPA-PARKER DAVIS FY 1996 FINANCIAL STATEMENT	4

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**ORGANIZATION CHART OF THE DEPARTMENT OF ENERGY
OFFICE OF THE DEPUTY INSPECTOR GENERAL
FOR AUDIT SERVICES**



1/ Includes the ADP and Technical Support Division
2/ Federal Energy Regulatory Commission

DEPUTY INSPECTOR GENERAL FOR AUDIT SERVICES
FISCAL YEAR 1996 ANNUAL WORK PLAN
LIST OF ABBREVIATIONS

ABBREVIATION	DEFINITION
ADP	Automatic Data Processing
AIGA	Assistant Inspector General for Audits
AP ³	Office of Audit Policy, Plans and Programs
CAS	Cost Accounting Standards
CFO	Chief Financial Officers Act of 1990
CRADA	Cooperative Research and Development Agreement
CRO	Capital Region Audit Office
D&D	Uranium Enrichment Decontamination & Decommissioning Fund
DOE	Department of Energy
EG&G	EG&G Energy Measurement Systems
EIA	Energy Information Administration
ERO	Eastern Region Audit Office
FIS	Financial Information System (DOE)
FMFIA	Federal Managers' Financial Integrity Act
FY	Fiscal Year
GMRA	Government Management Reform Act of 1994
GPP	General Plant Projects
IAA	Internal Audit Assessment
ICF	Inertial Confinement Fusion
IG	Inspector General
INEL	Idaho National Engineering Laboratory
IPA	Independent Public Accountant
LANL	Los Alamos National Laboratory
LICP	Line Item Construction Projects
M&O	Management and Operating (contractor)
NIF	National Ignition Facility
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAY/PERS	Payroll/Personnel System (DOE)
PMAS	Power Marketing Administrations
R&D	Research and Development
SRS	Savannah River Site
SSC	Superconducting Super Collider
VANEA	Voucher Accounting for Net Expenditures Accrued
WAPA	Western Area Power Administration
WRO	Western Region Audit Office

