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U.S. DEPARTMENT OF ENERGY

OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress

October 1, 1995, to March 31, 1996

April 1996

This report can be obtained from the
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MASTER

April 1996

Department of Energy
Washington, DC 20585

April 30, 1996

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

Dear Secretary O'Leary:

This Semiannual Report for the first half of Fiscal Year 1996 is submitted to you by the Office of Inspector General for transmittal to the Congress, pursuant to the provisions of the Inspector General Act of 1978.

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

In our office's planning and operations, we continue to balance available audit, inspection, and investigation resources with our customers' requirements. However, the Office of Inspector General faces an unprecedented challenge to comply with new mandates, such as the *Government Management Reform Act of 1994*. This requires for the first time audited consolidated financial statements for the Department of Energy. This and other unfunded mandates make it increasingly difficult to provide the level of audit coverage of the Department that we consider adequate. Nevertheless, our overall focus remains on assisting Department management to implement management controls necessary to prevent fraud, waste and abuse; helping to ensure the quality of Department programs and operations; and keeping you and the Congress fully informed.

Sincerely,

John C. Layton

John C. Layton
Inspector General

Enclosure

MISSION AND VISION STATEMENTS

MISSION STATEMENT

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

VISION STATEMENT

We do quality work that facilitates positive change

CONTENTS

EXECUTIVE SUMMARY

OVERALL ACTIVITY

This Office of Inspector General Semiannual Report to the Congress covers the period from October 1, 1995, through March 31, 1996. The report summarizes significant audit, inspection, and investigative accomplishments for the reporting period, a large portion of which facilitated Department of Energy management efforts to improve management controls and ensure efficient and effective operation of its programs. A major accomplishment during this period was the completion of financial statement audits for Fiscal Year 1995. Annual financial statement audits are mandated by the Chief Financial Officers Act of 1990.

Narratives of our most significant reports are grouped by measures which the Office of Inspector General uses to gauge its performance. The common thread that ties the performance measures together is their emphasis on supporting Department efforts to produce high quality products at the lowest possible cost to the taxpayer.

During this reporting period, the Office of Inspector General issued 67 audit and 15 inspection reports. For reports issued during the period, the Office of Inspector General made audit recommendations that, when implemented by management, could result in $134.6 million being put to better use. Management committed to taking corrective actions which the Office of Inspector General estimates will result in a more efficient use of funds totaling $333.2 million.

Office of Inspector General investigations led to 6 criminal convictions and 1 pretrial diversion, as well as criminal and civil prosecutions which resulted in fines and recoveries of $10,942,714. The Office of Inspector General also provided 33 investigative referrals to management for recommended positive action.

OIG RESOURCE LIMITATIONS

For Fiscal Year 1996, the Office of Inspector General absorbed a 19 percent budget reduction to $25,000,000 from its amended budget request of $30,696,000. The impact of the budget reduction was exacerbated by moving the Department's 14-member Office of Contractor Employee Protection into the Office of Inspector General without providing funds to cover its cost. Also, as part of the Department's Strategic Alignment Initiative, the Office of Inspector General's staffing level will be reduced from 356 full-time equivalents in Fiscal Year 1995 (excluding the Office of Contractor Employee Protection), to 254 end-of-year positions in Fiscal Year 2000 (including the Office of Contractor Employee Protection). The severe impacts that these cuts are having on the Office of Inspector General are discussed in Section 2 of this report.

TRACKING AND REPORTING ON THE STATUS OF OIG RECOMMENDATIONS

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

Although the followup system is operated by the Department's Chief Financial Officer, the Office of Inspector General provides oversight in the form of biennial audits of the followup system or its components, and semiannual reviews of the progress of corrective actions on audit and inspection reports. In addition, the Office of Inspector General conducts periodic followup audits or verifications in which the objective is to determine if prior audit and inspection report recommendations were implemented and, if so, whether they were effective. Also, at the start of each new audit or inspection, the Office of Inspector General conducts a review of prior reports on related topics, a review of the recommendations included in these prior reports, and an evaluation of the corrective actions that were taken.

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

AUDIT OF THE DEPARTMENT OF ENERGY'S CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Office of Inspector General's Office of Audit Services assumed the leadership role in auditing the Department's first consolidated statement of financial position. This statement, prepared and audited as required by the *Government Management Reform Act of 1994*, reflected the Department of Energy's assets of over $90 billion and liabilities of $220 billion as of September 30, 1995. To account for these activities, the Department operated a financial management system linked to a decentralized network of separate systems maintained by integrated contractors, field offices, and Headquarters offices. From an Office of Inspector General audit standpoint, no precedents existed to deal with many of the accounting issues arising from the Department's varied missions and programs.

Because of the size and complexity of auditing the financial statements of an agency like the Department of Energy, the Office of Inspector General adopted a 2-phased audit approach that incorporated strict deadlines for completion of field work and reporting. Phase I consisted of auditing the Fiscal Year 1995 Statement of Financial Position, while Phase II includes auditing all of the Department's Fiscal Year 1996 financial statements. Phase I provided for audits of the opening balances for Fiscal Year 1996. Phase I also included documenting an understanding of the Department's internal control structure, and provided an opportunity for auditors and the Department's Chief Financial Officer to resolve many of the difficult accounting issues that were inevitably encountered, such as the valuation of nuclear materials and contaminated facilities. Phase I audit activities began in June 1995. The Office of Inspector General's fieldwork was completed in December 1995, and on February 29, 1996, the Office issued the national audit report (see results of Phase I below). In addition, the Office of Inspector General issued 13 reports that addressed local management issues identified during the audit of the consolidated statement. Fieldwork was conducted at 29 Department activities and included 15 major accounts representing over 95 percent of the Department's assets, liabilities, and equity accounts. These efforts, combined with the reports on 10 separate financial statement audits of several of the most significant Departmental commercial-type activities (such as its power marketing administrations), represent a commitment by the Office of Inspector General to audit the Department's financial statements which is as comprehensive as any among Federal agencies.

Results of Phase I

The national audit report was made up of three parts: (1) a report on the Department's Statement of Financial Position as of September 30, 1995; (2) a report on the internal control structure; and (3) a report on compliance with applicable laws and regulations.

The Office of Inspector General was unable to form an opinion on the Department's Fiscal Year 1995 Statement of Financial Position because the Department did not ensure that all unfunded liabilities (recorded at $200 billion) were properly identified. Although the Department prepared an estimate of its unfunded environmental liabilities, it had not estimated the cost of environmental remediation at certain facilities. Also, the Department did not

identify additional unfunded liabilities, including an estimated $1.9 billion for environment, safety and health compliance, that were not included in the statements.

Additionally, the Department did not have adequate controls over its property and equipment to ensure proper accountability for these assets and it could not provide adequate assurance that the balances attributable to the Department's portion of the Bonneville Power Administration's assets and liabilities were accurate.

The internal control report identified eight reportable conditions involving the Department's internal control structure. These weaknesses related to estimating the Department's unfunded environmental liability of $196 billion, accountability and valuation of over $23 billion in property, plant, and equipment, and the inability of the Department's financial management system to produce adjusted consolidated financial statements. The report on the Department's compliance with laws and regulations contained no findings.

Phase II Activities

Phase II, which began in March 1996, focuses on changes in internal controls, but also involves opining on all of the Department's financial statements, including the Statement of Financial Position and the related Statement of Operations and Changes in Net Position. The Chief Financial Officer currently anticipates that the Department will provide the Office of Inspector General an adjusted trial balance by November 1, 1996, and the financial statements by December 16, 1996. To meet the March 1, 1997, submission date to the Office of Management and Budget imposed by the *Government Management Reform Act*, a draft audit product is planned to be issued by the end of December 1996.

The Office of Inspector General's Fiscal Year 1995 financial statement audit efforts, as well as future efforts to meet the March 1, 1997, mandated reporting deadline, have made and will continue to make unprecedented demands on the diminishing level of the Office's audit resources. This is a significant concern. The Office of Inspector General will continue to work with the Office of Management and Budget and the General Accounting Office interagency task groups studying the complex issues associated with financial reporting on Government activities.

SECTION 1

PERFORMANCE MEASURES

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

PERFORMANCE MEASURE:

OIG RECOMMENDATIONS ACCEPTED OR IMPLEMENTED BY MANAGEMENT

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

An Unnecessary Expenditure of Funds Results from Not Obtaining Customer Agreement Before Proceeding with Product Development

The Department has joint responsibility with the Armed Services for the safety of nuclear weapons in their custody. An audit found that after successfully developing and modifying accident resistant containers for use on Army helicopters, the Department subsequently spent about $29 million to design, modify and produce 87 accident resistant containers for the Air Force. However, the Air Force did not want them and expressed no desire to use these containers. This production occurred because the Department unilaterally decided to produce containers without ensuring that the containers met customer expectations.

Although there may be circumstances where the Department might do preliminary design and testing before agreeing with a customer on requirements, the Department should reach agreement on the requirement for products before final design and production, or funds will be spent unnecessarily. The audit report recommended that management resolve issues regarding these containers and preclude spending for production of products without customer agreement to use the product.

Management concurred with the audit report recommendations. However, management stated that this particular case was an exception in that the Department was responding to a "sincerely felt" requirement. *(IG-0380)*

The Department Needs to Address Arms and Military-Type Equipment Inventory Issues

The Department of Energy maintains an inventory of arms and military-type equipment for use in protecting its nuclear weapons, materials, facilities, and classified information. An audit disclosed that nine of ten sites had more arms (handguns, rifles, and other special firearms) on hand than appeared necessary to support site missions. Further, this property was not always accounted for on site inventory lists, complete inventory listings were not always available, some property could not be located or had incorrect nomenclatures and serial numbers, and property was not recorded and tracked on inventory lists because it was defined as nonfunctional.

The review also showed that documentation to support property disposals was not always available and correct, sites retained weapons that went unused for years but were not identified for disposal, and armored personnel carriers were excessed to military museums and other locations without documentation that demilitarization responsibilities were transferred. Additionally, the Department allowed arms and military-type equipment to be loaned for extended periods of time even though it had established specific policies prohibiting the practice. Most of the loans of arms exceeded one year or were for unspecified periods of time, and timely reviews of the loans were not performed.

Department management concurred with the audit report's recommendations to correct the

situation and is taking action to resolve the issues addressed in the report. *(IG-0385)*

Idaho Operations Office Needs to Improve Its Cost Control of A/E Services

In 1990, the Office of Inspector General issued an audit report which concluded that the Department's architect and engineering (A/E) costs averaged more than twice that of private industry. The primary cause of the higher costs was the lack of Departmental A/E cost standards that would provide measurement criteria for controlling costs.

A recent audit at the Idaho Operations Office found that the Office has begun to develop performance measures for A/E design services and has developed cost control measures for internally developed A/E tasks. However, additional opportunities exist to improve management control over the costs of those services. For example, the auditors found that A/E costs for 65 conventional construction projects were $5.8 million higher than comparable industry standards.

The audit report recommended that the Office take aggressive action to control the excessive cost of A/E services that were previously identified in the 1990 Departmentwide audit report. This action should include the establishment of expectations and performance measurements for the management and operating contractor in the area of A/E services.

The Idaho Operations Office agreed with the recommendation, stating that the recommendation is in the process of being accomplished as part of implementing a new Department Life Cycle Asset Management Order. *(IG-0387)*

Idaho Operations Office Acts To Account for $54 Million Worth of Property Left Over From a Terminated Project

The April 1992 termination of the Department's Fuel Processing Restoration Project left the Idaho National Engineering Laboratory with over $54 million in tools, equipment and material to be retained, used, or disposed of. An audit found that the Department and its contractors had not completely and accurately accounted for the property. In addition, the audit disclosed over 2,700 stock items which had neither been identified for redistribution nor excessed. Further, only a limited amount of property distributed outside of the Laboratory was ever placed in the Department's excessing system which makes property available throughout the Department and to other Federal agencies.

The audit report recommended that the Idaho Operations Office ensure that a wall-to-wall inventory be performed on property remaining at the Laboratory; all Fuel Processing Restoration Project property be properly marked, tagged, and accounted for in the Laboratory's approved Government property record; and all surplus property be excessed in accordance with applicable rules and regulations.

Management concurred with the audit's finding and recommendations and has already initiated corrective actions. *(WR-B-96-04)*

An Audit Helps Idaho Operations Office Identify Construction Projects for Further Streamlining

In response to the Secretary's streamlining initiatives and the Department's established policies, the Idaho Operations Office has made a commitment to streamline operations and make the Idaho National Engineering Laboratory less costly to operate. An Office of Inspector General audit assisted Idaho in addressing this commitment by identifying seven ongoing construction projects, totaling over $40 million, that were either not needed or larger than needed.

The audit report recommended that the Idaho Operations Office review construction project plans and cancel those projects that do not support the Idaho National Engineering Laboratory's current and foreseeable mission; independently identify and consistently evaluate alternatives; limit needed projects to the minimum size required to achieve the Laboratory's mission; and reassess the need for and size of construction projects when significant events oc-

cur. By implementing these recommendations, Idaho could save about $26.4 million.

Management concurred with the audit's finding and recommendations and has already begun corrective actions. *(WR-B-96-03)*

An Audit Alerted Albuquerque Operations Office of the Need to Reexamine Requirements for Another Laboratory

An audit found that the Department planned to construct a new Environmental, Safety, and Health Analytical Laboratory at its Pantex Plant in Texas even though the Department's mission requirements were already being satisfied either at onsite laboratories or at commercial laboratories. Construction of the laboratory had been approved because the Department relied on justifications that were not updated. Also, required evaluations of alternatives were either not performed or not documented. As a result, the Department planned to spend an additional $8.4 million on a laboratory that was not adequately justified, that may compete with private sector laboratories, and that may not provide a sufficient appearance of independence (which would be provided by using offsite laboratories).

The audit report recommended that the Albuquerque Operations Office suspend additional funding for the project until the need is clearly established and cost/benefit analyses are performed. Albuquerque should cancel the construction project if the Laboratory cannot be justified. Albuquerque management concurred with the recommendations. *(WR-B-96-02)*

An Audit Called the Department's Attention to Cost Allocation Disparities for Fire and Emergency Medical Services

Under the Atomic Energy Act of 1954, the Department of Energy provides fire and emergency medical services to Los Alamos County, New Mexico. Since the county's inception in 1964, the county and the Department have been working toward making the county self-sufficient. To help achieve this goal, the Department negotiated a contract transferring responsibility for fire and emergency medical services to the county and allocating the expected $39.9 million in costs between the parties.

An audit disclosed that the Department was paying about 99 percent of costs ($39.4 million) while using only 47 percent of the services. The audit also found that the formula used to arrive at the cost allocation was neither justified as reasonable nor appropriately documented. In fact, data needed to reconstruct the formula and fully understand it was not available. As a result, the Department and the county cannot be assured that costs are allocated fairly and that neither party is unnecessarily subsidizing the other. The audit report recommended that the Department either develop alternative methods for sharing fire and emergency medical services costs or separate responsibility for these services between the Department and the county. Management agreed. *(WR-B-96-01)*

An Inspection Identifies a Need for Improvements in Intelligence Oversight at the Special Technologies Laboratory

The Department's Special Technologies Laboratory, located at Santa Barbara, was established in 1986 to conduct research and development on intelligence and national security-related issues. The Laboratory also ensures that the technologies developed are available for application to Department missions.

An inspection at the Laboratory identified a need for improvements in several areas, including distribution of Headquarters intelligence-related guidance to the field, conduct of periodic reviews of collected information, adherence to Attorney General-approved procedures regarding approval of work-for-others projects from the intelligence community, and conduct of foreign travel and contacts briefings. The inspection report recommended corrective actions which, when implemented, would help ensure compliance with intelligence-related orders and procedures. Management concurred with the inspection report's recommendations and outlined

actions which it intends to take to address them. *(INS-O-96-01)*

Los Alamos Will Tighten Internal Controls Over Consultant Agreements

Department regulations state that purchases, which include consulting agreements, be acquired in a manner most advantageous to the Government by ensuring competition. These agreements may be sole sourced, if the sole source is fully justified.

In contrast to these regulations, an audit found that Los Alamos National Laboratory did not adequately justify 17 sole source consultant agreements valued at $842,900. This condition occurred because (1) requesters did not follow policies and procedures when preparing sole source justifications, (2) Los Alamos did not have an internal control mechanism to reject agreements that were not adequately justified, and (3) the Department did not review the adequacy of sole source justifications. Without adequate justifications, the Department may not have obtained consultant services at the lowest possible cost.

The audit report recommended that the Albuquerque Operations Office require Los Alamos to ensure proper sole source justifications and enhance internal controls over consultant agreements. Management concurred with the finding and agreed to implement the recommendations. *(WR-B-96-05)*

PERFORMANCE MEASURE:

LEGISLATIVE AND REGULATORY COMPLIANCE RELATED TO OIG RECOMMENDATIONS

Explanation: Office of Inspector General identification of noncompliance with legislation or regulations.

An Audit Confirms Need for Management to Implement Its Draft Contractor Overtime Policy

Department policy requires contractors with cost-type contracts to hold overtime to the minimum necessary to support mission requirements. Management and operating contractor overtime costs totaled about $251 million in Fiscal Year 1994, including about $65 million for exempt employees (higher-paid executives, administrative, or professional) and $186 million for nonexempt employees.

An audit conducted to evaluate contractor overtime payments for compliance with applicable regulations and contract provisions found that the Department did not adequately monitor and manage contractor efforts to minimize overtime. The audit report recommended a variety of cost reduction strategies, including benchmarking contractor overtime policies and procedures against best practices in the private sector and prohibiting monetary payment to exempt employees for irregular and occasional overtime worked.

Department management commented that a draft overtime policy has been designed to balance the need for reduced oversight against the need to demonstrate responsible stewardship of taxpayer dollars. The policy, which will be implemented through a Contract Reform Rulemaking, specifies conditions that will trigger increased Department management of contractor overtime. *(IG-0381)*

Department Internal Controls for Intelligence and Intelligence-Related Human Subject Research Projects Need to Comply with Regulations

The Office of Inspector General conducted an inspection of internal control procedures used by the Office of Nonproliferation and National Security to manage selected intelligence and intelligence-related projects that involve human subject research. The inspection did not find evidence that Departmental officials and contractors knowingly violated Federal regulations and Departmental directives regarding the conduct of projects involving human subject research projects. The inspection did find, however, that selected officials and contractors did not comply with such directives because they did not recognize that they were conducting human subject research as defined by Federal regulations (10 CFR 745), or were unfamiliar with Departmental procedures developed to conduct human subject research.

The inspection found that officials at the Idaho Operations Office and the Idaho National Engineering Laboratory did not recognize that three intelligence-related Work for Others projects that they had accepted and were conducting involved human subject research as defined by 10 CFR 745. As a result, the Office of Health and Environmental Research issued Idaho a stop work order on the three projects until the conduct of the projects came into compliance with Federal regulations.

The inspection also found that the Sandia National Laboratories obtained approval of six projects involving human subject research but initiated such research in two of these projects before obtaining required human subject approvals. The inspection also disclosed that the Office of Nonproliferation and National Security did not fully implement the procedures they had developed to identify human subject research projects.

The inspection further determined that the Office of Energy Intelligence had not ensured that management and operating contractors, who were not members of a Departmental Field Intelligence Element but were engaged in intelli-

gence-related Work for Others projects, had received training to familiarize them with applicable regulations on intelligence activities and procedures.

The inspection report made ten recommendations which, when implemented, would bring the Department's intelligence and intelligence-related projects that involve human subject research into compliance with Federal regulations. In commenting on the inspection report, management concurred with all recommendations and completed or identified corrective actions. *(IG-0383)*

Oak Ridge Operations Office Needs to Address Environment, Health and Safety Compliance Issues

The President of Martin Marietta Energy Systems, Inc., at Oak Ridge requested a corporate review at the three Department of Energy sites operated by the contractor because of his concerns about safety incidents and accidents during the late spring and early summer of 1994. The corporate review was to determine if root causes existed for these safety incidents and accidents, and to produce recommendations for the reduction or prevention of future safety incidents or accidents.

The Office of Inspector General received a complaint that dissemination of the corporate review team's report on its findings was being intentionally restricted and that response to the findings was not timely. An inspection found that dissemination of the report had been more limited than had typically been the case for past reports of other corporate reviews, and that Energy Systems had not developed timely corrective action plans to address the 18 recommendations contained in the report.

The inspection also found that a deliberate recordkeeping inaccuracy, as reported by the corporate review team, had resulted in noncompliance with the Resource Conservation and Recovery Act, and could result in enforcement actions by the State of Tennessee. Also, an Energy Systems internal investigation team incorrectly concluded that a daily visual inspection, which had been performed in a cursory manner at one site (which was the basis of the noncompliance), had complied with Resource Conservation and Recovery Act regulations.

The inspection report made five recommendations which, when implemented, will enhance the Department's oversight and regulatory compliance in environment, safety and health matters. The Oak Ridge Operations Office identified necessary corrective actions in their response to the recommendations. *(IG-0384)*

Inappropriate Funds Are Used to Pay Support Service Contract Personnel

During an investigation of another matter, the Office of Inspector General identified improper disbursements from an office supply account. A former Acting Chief Financial Officer at a Department field office inappropriately used an account established to obtain office supplies to pay salaries of contractor personnel working for the Chief Financial Officer's section. Such payments are not in compliance with the Federal Acquisition Regulation.

The investigation report recommended that the field office manager conduct a review to ensure that all field office organizational elements are in compliance with portions of the Federal Acquisition Regulation which cover "personal service contracts." Also, the manager should take appropriate administrative action against the former Acting Chief Financial Officer and any other Department employees found to have improperly used funds to pay the salaries of support services contractor employees hired under personal service contracts. Field office management concurred with and implemented the recommendations. *(I94CN008)*

PERFORMANCE MEASURE:

COMPLAINTS RESOLVED

Explanation: *Complaints and allegations resolved as a result of OIG work. Complaints and allegations are considered resolved when a case is closed. Prosecutions and exonerations are included in this measurement.*

A Complainant Alleges Improper Property Control at the Department's CEBAF

The Office of Inspector General received an allegation of improper property accountability at the Department's Continuous Electron Beam Accelerator Facility (CEBAF). CEBAF is a Federally funded research and development center at Newport News which is operated under contract by Southeastern Universities Research Association.

An inspection based on the complaint disclosed that portions of CEBAF's personal property management system did not meet the requirements of the Department's property management regulations. For example, CEBAF property custodians were not adequately performing their duties as custodians and had not received formal training. Also, the personnel out-processing system implemented at CEBAF did not ensure that departing employees' property accounts were properly cleared. Further, CEBAF had not met requirements for conducting walk-through inspections to identify idle and unneeded personal property, and the Department's Contracting Officer had not performed a required review of CEBAF's walk-through inspection procedures to evaluate their effectiveness. Additionally, the inspection found that CEBAF had not met all requirements for conducting periodic physical inventories, processing inventory results, and managing its property loan program.

The inspection report concluded that the Department's CEBAF Site Office Property Administrator needed to provide adequate administration of the property management requirements of the CEBAF management and operating contract with Southeastern Universities Research Association. The inspection report made several recommendations which, when implemented, will help improve CEBAF's property accountability.

Management concurred with the report's recommendations, and Southeastern Universities Research Association committed to preparing a one-page guide for every property custodian to highlight key custodial responsibilities and directions on how to obtain appropriate training. *(INS-O-96-02)*

An Investigation Finds Areas for Improvement in Subcontracting Award Selections

The Office of Inspector General investigated a complaint that contractor employees at the Department's Nevada Test Site were circumventing acquisition regulations in awarding subcontracts and purchase orders. The complainant also alleged that the employees were receiving compensation from subcontractors for their awards.

The investigation found no evidence to substantiate the allegations. In the course of the investigation, however, it was found that a contractor employee had entered into pre-award agreements with a subcontractor which included the promise to pay about $200,000 to the subcontractor in the event that the subcontractor was not awarded the contract. The subcontractor was awarded the contract in spite of not having received the highest evaluation from the selection committee. Additionally, the Financial Compliance Review Division of the Nevada Operations Office conducted an internal audit at the request of the investigators and found that the contractor had used operational funds to make tenant improvements.

The investigative report recommended that the Nevada Operations Office determine (1) if the pre-award agreements gave the contract

award recipient an unfair advantage, and evaluate the merits of this issue as part of the contractor's award fee process; (2) if the contractor's failure to use impartial evaluation criteria gave an unfair advantage to the selectee in the selection process; and (3) if the contractor used operational funds to pay for unallowable tenant improvement costs and, if so, recover the funds.

The Nevada Operations Office responded to the investigation report's recommendations by concurring that the pre-award agreements and the impartial evaluation criteria gave unfair advantages to the selectee. The Office further agreed to evaluate the merits of these issues as part of the contractor's award fee process. The Office also found that the contractor used $24,144 in operational funds for unallowable tenant improvement costs and will request the contractor to refund the money. *(I93LL027)*

Department Management Faces an Allegation of Government-Chartered Aircraft Misuse

A complainant alleged that Department employees flew a Government-chartered aircraft to receive a private tour of Carlsbad Caverns. An investigation determined that a Department contractor provided a chartered flight from Albuquerque to Carlsbad, New Mexico, for six passengers to tour the Department's Waste Isolation Pilot Project. The justification for the chartered flight stated that the six passengers were Department employees, and therefore the charter would save the Government $65.80 because of a reduced charter rate.

The investigation found that not all of the passengers were Department employees. Because the rates for non-Department passengers are considerably higher than the reduced rate for Department employees, a commercial flight would have been more cost-effective than the chartered one, making the chartered flight unallowable. Additionally, chartered Government aircraft are not to be used for travel to make routine site visits, according to Office of Management and Budget Circular A-126.

The passengers were provided a guided afterhours tour of Carlsbad Caverns by an employee of the Department's site contractor who donated his time without charge.

The investigation report recommended that the Operations Office's Chief Counsel (1) determine if there was any conflict of interest involved with the Government employees receiving a park tour provided by the contractor employee, and (2) ensure that adequate policies and procedures are in place regarding the use of aircraft.

Department management concurred with the recommendations, also stating that the incident will be used as a "lessons learned" discussion during the next annual ethics training session. *(I93AL015)*

A Contractor Responds to Misrepresentations Made by One of Its Security Employees

The Office of Inspector General received an allegation that a contractor security employee at the Department's Rocky Flats Environmental Technology Site had contacted households in his neighborhood offering to have the area patrolled by two uniformed guards for a $40 annual cash fee from each household. He had characterized his enterprise as a "neighborhood watch" program to combat crime and gang-related activity.

An investigation determined that the contractor security employee had misrepresented himself to at least 200 homes as a Federal officer and as having a law enforcement background. Further, he had failed to notify his employer of his representations.

When the investigation results were reported to the contractor, the contractor re-advised all of its personnel of their employment status and legal obligations regarding authority reserved for Federal employees versus that of contractors. Additionally, all contractor protection force personnel were counseled that display of Department of Energy credentials, or any other indications that contractor employees are granted authority reserved for Federal employees, is a statutory violation of Federal laws and contractor work rules. *(I94DN004)*

A Contractor Employee's Vehicle Usage Leads to 5-Day Suspension Without Pay

The Office of Inspector General received an allegation that a National Renewable Energy

Laboratory contractor employee was misusing official vehicles by driving them home at night and over weekends.

An investigation uncovered evidence that the contractor employee used Laboratory vehicles leased from the General Services Administration for personal business, including the transportation of relatives. Also, log entries for times during which vehicles were used by the contractor employee were not always clear or logically consistent. For example, one log entry specified the user's "destination and purpose" as "clean." However, the mileage entry showed that the vehicle had been driven 104 miles. Additionally, the contractor employee drove Laboratory-leased vehicles for almost 5 years without a valid driver's license.

The results of the investigation were sent to the Department's Golden Field Office. Shortly thereafter, the contractor employee was suspended without pay for 5 days and admonished that future violations could result in termination of employment. *(I94DN001)*

Better Missing Property Reporting Procedures Could Help to Improve the Rocky Flats Property Control System

A complainant requested that the Office of Inspector General look into "significant property losses" at the Department's Rocky Flats Plant. The request named eight items as "possible stolen property."

An investigation determined that the Federal Bureau of Investigation (FBI) had received a list of over 100 missing property items from the Department's Rocky Flats Field Office, although the FBI had not opened an investigation into the lost property. At the request of investigators, the management and operating contractor at the Rocky Flats Plant listed all missing items categorized as "theft." The list contained only the same eight items which the complainant had originally sent to the Office of Inspector General, but a contractor employee told an investigator that there was no system currently in place at the Rocky Flats Plant for reporting missing and stolen property.

An investigative report was sent to the Rocky Flats Field Office recommending that management consider acquiring and implementing a computerized property management system which would track property from introduction to retirement. The report also recommended that management consider developing and implementing standardized missing Government property forms for use by all Rocky Flats contractors. Management should also ensure that a proposed Rocky Flats individual accountability program becomes operational and that copies of missing property reports are forwarded to the Office of Inspector General.

Management concurred with the recommendations and is taking action to implement them. *(I94DN007)*

An Accident Investigation Board at Brookhaven Did Not Adequately Address Specific Management Systems and Organizations as a Root Cause

A complainant alleged to the Office of Inspector General that an accident investigation of a fire at the Brookhaven National Laboratory violated Department regulations. The complainant contended that there was not clear agreement among the Accident Investigation Board members on the investigation's scope because the Board Chairman wanted to focus on the physical causes of the fire. At least one Board member wanted to focus on the apparent management deficiencies that allowed the experiment to operate for so many years without a proper safety analysis and in violation of Department regulations.

An inspection concluded that the written scope for the accident investigation was generally consistent with Department regulations. However, the inspection also determined that the Board had conducted the investigation and prepared a report that did not adequately address specific management systems and organizations as a root cause. Without a thorough root cause analysis of specific management systems, deficiencies in the exercise of oversight responsibilities by "upstream" management organizations may not be identified and corrected.

The Office of Inspector General concluded that the Board Chairman's and the Board members' limited experience and training in accident investigation (including root cause analysis) may have contributed to the Board conducting an

accident investigation that did not adequately address specific management systems and organizations. Further, the Board Chairman and the Board did not believe that they should be critical of management in their investigative report. The inspection found evidence indicating that this may not be an isolated case, but may be a more general problem with Department accident investigations and, in particular, with those conducted by field components.

The inspection report made 17 recommendations to cognizant Department managers, which included modifying permanent oversight and training procedures and regulations, reviewing and expediting the Department's program on employee concerns, identifying and reviewing management systems and procedures, conducting a root cause analysis of the Brookhaven accident, and ensuring that future investigation boards understand their responsibilities in investigating and reporting management systems as a root cause. Management agreed with the recommendations. *(IG-0386)*

Written Reprimands Result from Misuse of a Government Computer

The Office of Inspector General received an allegation that two National Renewable Energy Laboratory employees were doing personal work on a Government computer. An investigation substantiated the allegation. The two employees were using a Government computer, which was assigned to a third party, to work on architecture plans related to a personal residence which one of the employees was intending to build.

The investigative report recommended to the Department's Golden Field Office that appropriate administrative action be taken against the two employees and that specific steps be taken to increase Laboratory employee awareness of what constitutes improper computer use. The Golden Field Office responded by stating that the Laboratory agreed to issue written reprimands to the two employees and to reimburse the Department $100 for the inappropriate use of Government property. The Laboratory also agreed to ensure that all of its employees receive two applicable brochures ("Standards of Business Conduct," and "Computer Security at NREL"). The Laboratory will ensure that all employees sign acknowledgment forms, which will then be retained in the Laboratory's Human Resources Office. *(I96DN001)*

Investigative Results Increase Awareness of the Need for Tighter Property Controls on Government Equipment

The Office of Inspector General received an allegation that two contractor employees at the Department's Savannah River Site improperly took Government property offsite and misused a Government vehicle. Subsequent investigation substantiated the allegation.

The two contractor employees had removed Government property from the Site for repairs without first obtaining a Material and Authorization Pass. Because the property fell below the monetary threshold for inventory control, the pass would have documented the property's removal and served as a tracking device until the property's return. Additionally, the property had not been properly marked or otherwise identified as belonging to the Government, as specified in established procedures.

The investigation further revealed that, while transporting the Government property, the two contractor employees had used their Government vehicle to travel to a hardware store to make personal purchases.

The investigation report recommended that the Savannah River Operations Office ensure that the contractor adheres to established procedures regarding identification, marking and transporting Government property. The Office should also ensure that all employees are familiar with established procedures for the proper use of Government equipment and consider administrative action for its misuse.

The Savannah River Operations Office agreed with the recommendations, and the two contractor employees received written reprimands for misuse of the Government vehicle. *(I95SR016)*

Savannah River Operations Office Noncompetitive Promotions Needed Better Processing Procedures

A complainant alleged to the Office of Inspector General that several Savannah River

Operations Office personnel had conspired to fraudulently promote an employee from GS-14 to GS-15. An investigation did not substantiate the conspiracy allegation; however, weaknesses in personnel procedures were identified.

The investigation disclosed that a personnel management specialist altered a "Request for Personnel Action" form originally intended for a reorganization to process a promotion of an employee. The specialist's team leader, who was aware of the change made by the specialist, did not initiate action to correct it.

Additionally, the investigation found that there were no procedures in place to notify management of pending noncompetitive promotions. Without written procedures to follow, the personnel management specialist simply noted the results of applying newly revised position classification standards which raised the employee's grade level and processed the action without management notification.

The specialist had previously examined this same position before publication of the newly revised standards, but the action at that time had not resulted in a change to higher grade. The specialist contended that a promotion resulting from an application of standards does not have to be competitively announced.

In response to the investigative report, the Savannah River Operations Office developed procedures to define and document its personnel program processes, including notifying management before processing noncompetitive promotions. *(I95SR007)*

A Contractor Employee's Allegations of Wrongful Discharge for Raising Concerns to the Inspector General Hotline Were Settled After Investigation

An employee of a Department Headquarters support contractor alleged that he was discharged for providing information to an Inspector General investigator regarding alleged misuse of funds by Department managers overseeing the contract. The contractor asserted that the employee's discharge was based upon cost reduction requirements.

The investigation determined that the employee had provided information to an Office of Inspector General investigator regarding misuse of imprest funds and alteration of invoice documents. The information had resulted in disciplinary action against the Contracting Officer's Technical Representative overseeing the contractor for whom the employee worked. A review of the contractor's financial records disclosed no significant cost savings effected as a result of the employee's discharge.

A decision was issued requiring the contractor employee's reinstatement and payment of back pay. *(S96IS021)*

A Contractor Employee's Allegations of Reprisal Were Determined To Be Unfounded

An employee of the management and operating contractor for the Oak Ridge Institute for Science and Education alleged that she had been reprised against for disclosing health and safety issues and for making allegations of fraud, waste and abuse by contractor management. The employee asserted that the retaliation included harassment, poor performance evaluations, and a reduction-in-force dismissal.

The investigation determined that the employee's alleged health and safety disclosure was too remote from the actions she alleged were reprisals. Moreover, there was no corroborative evidence to support the employee's harassment allegations. The employee did make allegations of management fraud, waste or abuse to Inspector General representatives. However, there was no information to indicate contractor management became aware that the employee was the source of the allegations at the time that the alleged retaliatory actions were taken. Further, there was no evidence that the employee was deliberately singled out for reduction-in-force dismissal, and the contractor had found a new position for the employee when the reduction-in-force occurred. The contractor also provided evidence that the employee's performance reports were not significantly at variance with those she received before making any disclosures.

A decision was issued finding that the employee had not been reprised against. As a result of this finding, the employee withdrew a second complaint of reprisal that was based upon similar allegations. *(S96IS035)*

Contractor Employees Misuse Government Computers to Access Pornography on the Internet

A complainant alleged to the Office of Inspector General that about 130 Pacific Northwest National Laboratories employees had used Government computers to download pornographic pictures from the Internet. The complainant reported that the pictures were "softcore" images, not "hardcore" or child pornography.

In response to investigative report recommendations, Pacific Northwest National Laboratories management stated that the Laboratories will continue to randomly monitor computer usage to inhibit abuse. The Laboratories will also conduct a review to determine whether the Department should be reimbursed for any time related to the misuse of Government computers. Management also notified the Office of Inspector General that 19 employees received suspensions without pay which ranged from 3 days to 2 weeks, and 73 employees received written reprimands. *(I96RL004)*

A Security Contractor Fails to Properly Report a Potentially Criminal Matter Involving Two of Its Employees

An Office of Inspector General investigation found administrative deficiencies in a security contractor's handling of an investigation of computer equipment stolen by two of its own employees. The Inspector General's review disclosed that the theft of the computer equipment and the mishandling of classified material associated with the theft had not been properly reported to the cognizant Department Operations Office or to the Office of Inspector General. The security contractor's report listed the computer as merely "discovered missing" from a building, and the report stated that the computer had been recovered. The security contractor terminated the employment of the two individuals responsible for the theft. After being notified by the Office of Inspector General about the theft, the field office moved to review the still-effective security clearances of the two former employees.

Based on investigative report recommendations, field office management directed the security contractor to improve communications with the field office and Office of Inspector General officials through use of the contractor's daily activity report which is submitted to Department management. The security contractor was reminded of its contractual obligation to report and identify any matter that may adversely affect the Department.

The contractor has been directed to advise field office management of actions it plans to take to address Office of Inspector General concerns regarding (1) timely notification of the Inspector General and Department management about potentially criminal matters, (2) providing complete and accurate details on issues discussed in the daily activity reports, (3) providing adequate information to the Department so that appropriate decisions can be made regarding terminated employees' security clearances, and (4) ensuring adequacy of the contractor's administrative process for identifying deficiencies in the areas of property control and security. The Department terminated the two contractor employees' security clearances. *(I96SR017)*

PERFORMANCE MEASURE:

INVESTIGATION RECOVERIES/FINES AND FUNDS IDENTIFIED FOR BETTER USE

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

Internal Auditors Catch Second Submission of Fraudulent Invoices, Leading to Over $75,000 in Recoveries

Internal auditors working for a management and operating contractor in Las Vegas found duplicate submissions of at least 100 small purchase invoices that had been made over an 18-month period.

An investigation found that the project manager of a subcontractor had conspired with a vendor to submit false invoices. The vendor supplied 152 invoices with a total value of over $42,000 to the project manager, who then submitted them to the management and operating contractor for reimbursement. The vendor and the project manager shared the proceeds equally. Unknown to the vendor, however, the project manager also resubmitted 118 of the false invoices for a second payment of over $33,000 which was not shared.

Based on the investigative report, the county district attorney accepted the case for prosecution. The vendor and the project manager each pled guilty to one count of felony theft. They were sentenced to 2 years in prison (suspended), 5 years of probation, 80 hours of community service, and full restitution of the stolen amount. *(I94LV003)*

An Engineer's False Statement Results in $40,431 in Improper Charges

The Department's Idaho Field Office notified the Office of Inspector General that a contractor engineer may have falsified information provided to the Nuclear Regulatory Commission (NRC).

A joint investigation with the NRC revealed that the engineer's employment had been terminated when the falsification of the information came to light. The engineer had arranged for the procurement of materials and for testing their aging and corrosion at two independent laboratories, but he had neither procured nor actually conducted the tests. His actions ultimately resulted in $40,431 of improper testing-related charges.

As a result of the investigation, the Assistant U.S. Attorney accepted the case for prosecution and the engineer was indicted on seven counts of making false statements. The engineer pled guilty to one count and was ordered to pay restitution of $1000 and a fine of $5600. He was also ordered incarcerated for 4 months in home detention and was placed on probation for 5 years.

In a report to management, the Office of Inspector General recommended that the Idaho Operations Office verify that $40,431 in improper charges have been credited by the management and operating contractor to the Department. Management responded by verifying that the $40,431 was in fact credited back to the Department. *(I92IF009)*

An Investigation Finds Delinquent Reimbursable Travel Going Unrepaid and Honoraria Remaining Unidentified

The Office of Inspector General was informed that a Lawrence Livermore National Laboratory technical expert had not turned in reimbursable travel checks and honoraria given to him by another agency.

The investigation determined that the technical expert had failed to reimburse the Laboratory over $16,000 in travel payments he had received directly from another agency while on reimbursable travel at that agency. He also had failed to report $2,250 in honoraria that he had received for his work at the agency.

The investigation found that the Laboratory had no defined policy on the acceptance and reporting of honoraria received by Laboratory employees who are traveling on official business funded by the Government. Also, although travel clerks contacted the technical expert on several occasions regarding the status of his travel reimbursements, there appears to be no formal method of contacting travelers for repayment whose vouchers are in hold status pending reimbursements from host agencies.

The investigation did not establish any intent by the technical expert to defraud the Government. He repaid his delinquent travel and turned over his honoraria to the Laboratory. The investigative report which was issued to the Oakland Operations Office recommended that the Office confirm repayment of the travel funds and the submission of the honoraria to the Laboratory. Additionally, the report recommended that the Laboratory be directed to establish policy prohibiting employees from accepting honoraria while on official duty. The Laboratory should also ensure restitution or settlement of delinquent travel accounts associated with reimbursable travel and enforce its policies of (1) not approving further travel for employees whose repayments are more than 30 days delinquent, and (2) deducting amounts delinquent for more than 45 days from the employee's salary. The Oakland Operations Office complied with all report recommendations. *(I94LL032)*

Over $3,600 in Personal Family Reunion Work That Was Charged to the Government Is Recovered

A prime contractor's audit director notified the Office of Inspector General of allegations that a subcontractor's supervisor had directed that time and materials for personal work on a family reunion be charged to Government accounts.

The investigation substantiated the allegations. At the direction of the supervisor, the subcontractor inappropriately charged expenses of three subcontractor employees who had spent about 4 weeks working to prepare a booklet for the family reunion of a manager of their prime contractor. The supervisor expressed gratitude for all that the manager had done for the subcontractor, and said that he did not intend to charge him for the cost of the work. He said that producing the material for the manager's family reunion was a way of showing appreciation. The manager denied any wrongdoing, saying that he had asked the subcontractor supervisor to bill him for any costs.

As a result of the investigation, the manager wrote two checks to the subcontractor totaling $1,112.45 to cover expenses for the family reunion materials. The subcontractor's corporate president admonished the supervisor concerning his improper time charging.

The Assistant U.S. Attorney declined prosecution in lieu of available administrative remedies. An investigative report recommended that the Oak Ridge Operations Office (1) recommend appropriate disciplinary action be taken by the prime contractor against the manager, (2) require reimbursement of all costs associated with work on the family reunion, (3) ensure prime contractor employees are aware of what constitutes prohibited acts of conflict of interest.

The prime contractor suspended its manager for one day and will reimburse the Department $2,500 for labor costs associated with the mischarging. The prime contractor also advised its employees of conflict of interest prohibitions. The total recovery on this case was $3,612.45. *(I95OR030)*

Computer Equipment Purchases on a Personal Services Contract Result in $15,000 in Avoidable Costs

An investigation found that a computer company on a personal services contract had improperly charged the Department's Oak Ridge management and operating contractor for computer hardware and software.

The investigation established that the management and operating contractor's program manager had requested and authorized the com-

puter company to purchase computer hardware and software, in spite of knowing that the company's statement of work was for direct labor hours only. The computer company complied with the program manager's request, billing the $15,000 in hardware and software as a direct cost. The program manager then approved the invoices for payment. Similar equipment, purchased through proper procurement channels, would have cost about $3,000 less.

After an interview with investigators, the program manager resigned his employment with the management and operating contractor. Although the matter was referred to the Assistant U.S. Attorney for prosecution, the case was declined for civil action in lieu of other administrative remedies available.

An investigative report to management recommended that the Oak Ridge Operations Office pursue reimbursement for the improper charges. Management concurred with the recommendation and stated that the Department will recoup over $15,000 as an avoidable cost. *(I93OR019)*

A Company Employee Billed the Government for Airline Tickets Obtained Through Frequent Flyer Credits

The Office of Inspector General received an allegation that a company employee had claimed reimbursement for airline tickets purchased with frequent flyer credits. The company worked under contract to a university which was a secondary recipient of Department funds through a cooperative agreement.

The investigation substantiated the allegation, determining that the company employee used frequent flyer credits to obtain airline tickets and then invoiced the Department for the quoted ticket prices. The investigation report recommended that Department management seek reimbursement for any unallowable travel costs by the employee. Management informed the Office of Inspector General that the company had credited the university $2,189, plus $328.25 in ticket handling fees, for the full amount of the employee's unallowable travel costs. Management also stated that reimbursement of travel costs to contractors under the Department's cooperative agreement will be monitored more carefully. *(I95SR020)*

Thieves at Savannah River Will Make Full Restitution for Stealing Freon Cylinders

The Office of Inspector General was informed of the loss of 76 30-pound cylinders of Freon-12 from a storage facility at the Department's Savannah River Site. The value of the missing cylinders was estimated at over $18,000.

An investigation determined that a total of 81 cylinders was missing. The investigation also identified a purchaser of some of the missing cylinders who, in turn, identified the seller. Further review disclosed that the seller and an accomplice, both contractor employees at the Site, had stolen the Freon cylinders and had sold them to several businesses and individuals. Some empty or partially filled cylinders were recovered.

The case was accepted for prosecution by the Assistant U.S. Attorney, and a grand jury indicted the two thieves. During the arraignment hearing, they pled guilty to one count of theft of Government property and agreed to make full restitution of $19,845. The Assistant U.S. Attorney also recommended that the thieves receive 4 to 10 months in-house detention in lieu of custodial detention, and sentencing is scheduled for later in the year. Both men were fired by their employers. *(I95SR017)*

A Savannah River Site Subcontractor Acknowledges Charging Time to Two Contracts Simultaneously

The Office of Inspector General received a complaint that a Westinghouse Savannah River Company subcontractor had submitted timesheets claiming that he had worked on his Westinghouse contract when in fact he had worked on another contract elsewhere. An internal Westinghouse investigation report showed that the subcontractor had fraudulently charged 720 hours to Westinghouse while he was actually working at another site. The Federal Bureau of Investigation began a review of the case, but agreed to continue working the investigation with the Office of Inspector General as lead agency.

As a result of the investigation, the Assistant U.S. Attorney accepted the case for prosecution. The subcontractor entered a guilty plea to making false statements in Federal District Court and was sentenced to 3 years probation and was required to pay $40,000 in restitution to the Department of Energy. *(I93SR019)*

Using a Department Credit Card to Purchase a Computer Allowed Property Controls To Be Circumvented

A Department of Energy Headquarters senior official informed the Office of Inspector General of the theft of a Government computer valued at over $3,000. Subsequent investigation disclosed that an administrative clerk had taken the computer and pawned it at a local pawn shop. Instead of being bought through the Department's procurement system, the computer had been purchased directly with a Government credit card. When it was delivered, the computer had not been processed to receive a Department of Energy control number, nor had it been marked as Government property.

The administrative clerk admitted selling the computer to the pawn shop. After her arrest, she agreed to pay full restitution and to perform 40 hours of community service.

The investigation report recommended that Department management monitor the restitution repayment, take appropriate administrative and disciplinary action against the administrative clerk, and ensure that measures are in place to safeguard against theft of Government-owned equipment. Management should specifically ensure that all equipment purchased with a Department credit card is properly identified as Government property and is entered on applicable inventory records.

In response to the investigative report, management notified the Office of Inspector General that it was garnishing the administrative clerk's pay for the full value of the computer, plus interest. The administrative clerk's supervisor has proposed a 3-day suspension for the clerk, as well as directed counseling under the direction of the Department's Employee Assistance Counselor. Further, new office procedures have been put in place, including a sign-in procedure for visitors and a new reporting system for missing office items. Additionally, regular discussions during staff meetings are being held to keep employees mindful of their responsibilities in managing Federal property. *(I95HQ032)*

A Company Misapplied Funding While Executing a Cooperative Agreement

A Pittsburgh Energy Technology Center official notified the Office of Inspector General that a coal processing company was not complying with the requirements of its cooperative agreement with the Department of Energy. Specifically, the company had requested and was receiving payments from the Department to be used in Phase 3 of a project to produce a modified, low cost coal. Contrary to the cooperative agreement, the company was using the Phase 3 money to pay for its share of the still incomplete Phase 2.

An investigative report recommended that the Pittsburgh Energy Technology Center take appropriate action to recover misappropriated Phase 3 payments. Management responded that the Department is withholding $9.7 million in future payments on the project until the company's debt involving Phase 3 expenditures is satisfied. It is estimated that satisfaction of the debt will occur in August 1996. *(I96PT003)*

Senior Department Official Misuses Frequent Flyer Award Certificates and Repays the Department Over $6200

The Office of Inspector General received allegations that a senior field office official had used frequent flyer miles accrued on official Government business for personal travel. An investigation substantiated the allegation.

Investigators found that the senior official had used frequent-flyer accumulated mileage at times for which there were no travel vouchers or other itineraries to account for their use. The total value of award certificates unsupported by official documentation was $6,297. The senior official confirmed that he had used the award certificates for his personal travel and offered to make full reimbursement. As a result of the investigation, management gave the senior official an oral reprimand. The official also reimbursed the Department $6,297. *(I95LL003)*

NONCONCURRENCE WITH OFFICE OF INSPECTOR GENERAL REPORTS

Explanation: *The reports summarized in this section met with Department management's general nonconcurrence. In some cases, management may have concurred with a finding or principle stated in a report, but it did not concur with the recommendations or agree to take alternative actions to address the issues raised in the report. The Office of Inspector General cannot compel compliance with its recommendations. Nevertheless, the Office considers it an accomplishment just to have made its customers aware of important issues, and recommendations offered in these reports may still be of use to management at some future time.*

Guidance Contained in Site Safeguards and Security Plans Is Being Used as Policy

The Department's Safeguards and Security program is designed to provide appropriate, efficient, and effective protection of the Department's nuclear weapons, nuclear materials, facilities, and classified information. Department policy contained in directives specifies that Departmental interests shall be protected against a range of threats through the development of Site Safeguards and Security Plans. These plans are intended to depict the existing condition of safeguards and security of each facility site-wide, establish improvement priorities, and provide an estimate of the resources required to carry out the necessary improvements.

An audit found that the Site Safeguards and Security Plan guidance issued by the Office of Safeguards and Security was used as policy to prepare, complete, and review field site security plans. This guidance was not coordinated with and did not receive concurrence from Headquarters program offices and field sites. In addition, the guidance established new unjustified protection requirements and was used improperly as a tool to evaluate field site performance. The Departmental Directives System Manual states that guidance may only provide non-binding instructions for implementation that are not mandatory and do not establish new requirements. Moreover, policy directives can only be issued with the appropriate review, coordination and concurrence of the affected organizations.

The audit report recommended that the Office of Nonproliferation and National Security discontinue using guidance as policy for evaluation, approval, and concurrence of Site Safeguards and Security Plans until they have been formally coordinated and concurred on by program and field elements. The audit report also recommended that all proposed policy changes and guidance, when used as policy, be coordinated with affected program and field offices through the Departmental Directives System.

Although the Office of Nonproliferation and National Security agreed that guidance should not be used as policy, it did not agree to implement the recommendations and stated that it will continue to use the guides. In addition, the Office did not agree that the guidance it issued established requirements or that the new security requirements were unjustified. *(IG-0382)*

Government Credit Cards Are Being Used for Personal Purchases at Savannah River Operations Office

Through an account number processing error, a personal purchase made by a Savannah River Operations Office employee on her Government American Express charge card appeared on the canceled Government card of a former employee. An investigation determined that the two credit card numbers were nearly

identical. When the investigator brought the personal charge on the Government credit card to the attention of the current employee, she freely admitted making the purchase on her card and told the investigator of several others. She stated that she had seen official notices informing employees that they should only use their Government American Express cards for official business.

The investigation disclosed that the Savannah River Operations Office Finance Division has sent out information on the Site's "all-in-one" communication system notifying employees to use Government-issued cards only for official business. Although employees continue to make personal purchases with the card, the Finance Division does not initiate disciplinary action against any employees as long as the employees pay their debts on time.

A review of one American Express Industry Spending Summary for the Savannah River Operations Office revealed that Savannah River employees spent $21,070 on retail purchases from January to August 1995. The analysis identified frequent use of the Government card to pay for meals at local restaurants, as well as for purchases at retail businesses such as a muffler shop, a floral service, Walt Disney World, and a tire service center.

The Accounting Officer of the Finance Division explained that the Division is aware of employees using their Government charge cards for personal purchases. However, as long as the employee has a good payment history and the account is not in arrears, no action is taken.

The investigation report recommended that the Savannah River Operations Office conduct a review of potential personal purchases and consider taking administrative or disciplinary action in connection with Department employees' misuse of Government credit cards. The report also recommended that all Savannah River Operations Office employees comply with the provisions and agreements governing the proper use of the card.

In response to the report, the Savannah River Operations Office stated that it did not conduct a review of potential personal purchases because it is difficult to determine when a purchase is personal versus business-related. Therefore, no administrative actions will be taken against employees discussed in the report. The Office reiterated its position that its primary focus will be to counsel employees who become delinquent debtors. The Office did, however, issue an announcement to remind employees of their responsibility when using Government credit cards. *(I95SR021)*

SECTION 2

OFFICE OF INSPECTOR GENERAL OVERVIEW

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

OFFICE OF INSPECTOR GENERAL OVERVIEW

MISSION

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

- To provide policy direction for, and to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of the Department of Energy.

- To review existing and proposed legislation and regulations relating to programs and operations of the Department of Energy, and to make recommendations in the semiannual reports required by the Inspector General Act of 1978 concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by the Department, or on the prevention and detection of fraud and abuse in such programs and operations.

- To recommend policies for, and to conduct, supervise, or coordinate other activities carried out or financed by the Department of Energy for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.

- To recommend policies for, and to conduct, supervise, or coordinate relationships between the Department of Energy and other Federal agencies, state and local government agencies, and nongovernmental entities with respect to:

    - ◊ All matters relating to the promotion of economy and efficiency in the administration of, or the prevention and detection of fraud and abuse in, programs and operations administered or financed by the Department.

    - ◊ The identification and prosecution of participants in such fraud or abuse.

- To keep the Secretary of the Department of Energy and the Congress fully and currently informed, by means of the reports required by the Inspector General Act of 1978, concerning fraud and other serious problems, abuses and deficiencies relating to the administration of programs and operations administered or financed by the Department of Energy, to recommend corrective action concerning such problems, abuses, and deficiencies, and to report on the progress made in implementing such corrective action.

In addition to the above, the Office of Inspector General receives complaints by contractor employees alleging reprisal by their employers for engaging in activities protected un-

der Section 6006 of the *Federal Acquisition Streamlining Act of 1994* or the *Department of Energy Contractor Employee Protection Program* (10 CFR Part 708), and attempts to resolve those complaints through investigation and adjudication, or alternative dispute resolution. Further, the Office of Inspector General receives and investigates allegations by Federal and contractor employees of misuse of the personnel security process in reprisal for engaging in "whistleblower" activities.

ORGANIZATION AND STAFFING

The activities of the Office of Inspector General are divided into four offices which are administered by Deputy Inspectors General.

The Office of Audit Services provides policy direction and supervises, conducts and/or coordinates all internal and contracted audit activities for Department of Energy programs and operations. The Office of Inspector General audit staff has been organized into three regional offices, each with field offices located at major Department sites: Capital Regional Audit Office, with field offices in Washington, DC, Germantown, and Pittsburgh; Eastern Regional Audit Office, with field offices located at Cincinnati, Chicago, New Orleans, Oak Ridge (Tennessee), Princeton, and Savannah River; and Western Regional Audit Office, with field offices located at Albuquerque, Denver, Idaho Falls, Las Vegas, Livermore (California), Los Alamos, Richland (Washington), and Portland.

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

The Office of Inspections performs inspections and analyses, as required by the Inspector General. This Office also performs reviews based on administrative allegations received by the Office of Inspector General and processes Inspector General referrals to Department management for appropriate action. The Office of Inspections, through its Contractor Employee Protection component, investigates and adjudicates contractor employee

allegations of employer retaliation for engaging in activities protected by Section 6006 of the *Federal Acquisition Streamlining Act of 1994*, or the *Department of Energy Contractor Employee Protection Program* (10 CFR Part 708). The Contractor Employee Protection component provides guidance and support for using alternative dispute resolution methods to resolve contractor employee reprisal complaints, investigates Federal and contractor employee allegations of reprisal through misuse of personnel security procedures, and conducts systemic inspections to ascertain the existence or level of the reprisal environment at Department of Energy facilities. The Inspection staff is organized with a Headquarters organization and two regional offices. The Eastern Regional Office is located in Oak Ridge, with a field office in Savannah River. The Western Regional Office is located in Albuquerque, with a field office in Livermore, California.

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

INSPECTOR GENERAL RESOURCE CONCERNS

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

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

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

In November 1995, the Office of Contractor Employee Protection was transferred to the Office of Inspector General from the Office of the Assistant Secretary for Field Management. The Office of Inspector General absorbed the cost of the transfer without funding, even though the transfer increased the Office of Inspector General staffing total in FY 1996 by 14 positions. The Office of Contractor Employee Protection performs investigations relating to "whistleblower retaliation." Due to continued downsizing within the Department of Energy, it is reasonable to expect an increased number of complaints to be filed throughout the foreseeable future. The Office of Contractor Employee Protection will continue to emphasize alternative dispute resolution to effect cost savings and reduce average case processing times.

As we begin the second half of FY 1996, the Department of Energy and the Office of Inspector General face further staffing and funding reductions. By FY 2000, the Department will make a 27 percent reduction in its work force to 10,269, and the Office of Inspector General will be reduced 29 percent to 254, which includes the Office of Contractor Employee Protection.

In terms of the FY 1996 budget, the Department of Energy as a whole was reduced in funding from its request of $18.6 billion to $16.3 billion, or 12 percent. The Office of Inspector General was reduced in funding from its FY 1996 request of $31 million to $25 million, a 19 percent reduction. While the Office of Inspector General has been able temporarily to make up the difference, recent unfunded mandates have significantly increased the Office's work load. The Office has matched increased work demands with FY 1996 staffing and funding levels in part by further reducing the volume of audit, inspection and investigation work performed. We are working priority issues with the resources available. Our efforts include:

- Continuing implementation of the *Chief Financial Officers Act of 1990* and the *Government Management Reform Act of 1994* audit requirements.

- Relying, in coordination with the Department, on our Cooperative Audit Strategy where contractor internal auditors provide reasonable assurances that the procedures used to determine costs and charges to the Government are accurate, complete, and in compliance with Department contracts. It should be noted, however, that as downsizing occurs within contractor internal audit staffs, our ability to rely on this Strategy could be impaired.

- ✧ Working highest priority issues, categorized as "most significant," and addressing remaining issues afterward until resources are exhausted.

- ✧ Raising thresholds for accepting complaints for Office of Inspector General action and referring more complaints to Department management for resolution.

- ✧ Investigating as a high priority those cases with the best potential for successful criminal or civil prosecution, and only investigating the remainder as resources permit. Criminal cases which do not score high may be referred to other law enforcement agencies for their consideration, put on hold in the event that resources might become available, referred to Department management for action, or may be dropped.

- ✧ Continuing to conduct administrative allegation inspections that are highly focused fact-finding reviews and are typically in response to allegations of waste or mismanagement.

- ✧ Managing expected increase in whistleblower reprisal allegation cases resulting from continued contractor downsizing.

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

MANAGEMENT REFERRAL SYSTEM

The Office of Inspections manages and operates the Office of Inspector General Management Referral System. Under this system, selected matters received through the Office of Inspector General Hotline or from other sources are referred to the appropriate Department managers or other Government agencies for review and appropriate action. We referred 213 complaints to Department management and other Government agencies during the reporting period. We asked Department management to respond to us concerning the actions taken on 111 of these matters. Complaints referred to the Department managers included such matters as time and attendance abuse, misuse of Government vehicles and equipment, violations of established policy, and standards of conduct violations. Referrals to management resulted in 14 administrative disciplinary actions being taken during the reporting period. The following are examples of the results of referrals to Department management.

- An allegation was substantiated that a second-tier subcontractor at a Department of Energy laboratory was inappropriately allowed to use Department heavy equipment in the performance of its contract. It was also determined that out-of-scope work was being done by the second-tier subcontractor at the direction of first-tier subcontractor employees

as compensation for use of the equipment. Such compensatory measures had not been authorized by the contract administrator. The second-tier subcontractor subsequently compensated the laboratory $6,051 for the use of the equipment, and steps were taken to prevent future incidents of out-of-scope work.

- As a result of an allegation raising concerns about asbestos removal at a Department laboratory, additional cleanup measures were taken and air sampling procedures were to be enhanced.

- Costs are being examined for recovery as a result of the identification of underused training facilities leased by a Department laboratory subcontractor. Also, identification of noncompliance with contracting/subcontracting requirements resulted in the management and operating contractor being directed to obtain Department approval to lease space and to ensure that all applicable subcontracts contain a standard clause which, if it had been included in the subcontract, could have avoided some of the costs associated with the subcontract.

- As a result of an allegation being substantiated that an employee was conducting a personal business on Government time, the employee received oral and written reprimands.

- An allegation was substantiated that a contracting officer's representative was inappropriately directing the activities of contractor personnel. The representative was counseled on proper procedures.

- A complaint that an employee only got voice mail when attempting to reach a management and operating contractor's employee concerns hotline resulted in management establishing specific hours when the hotline will be staffed and notifying employees of the new practice.

- In response to an allegation that a Department site experienced an increase in thefts between Fiscal Years 1994 and 1995 as a result of increased "openness" at the site, management reported that alternative measures have been implemented to enhance security, such as special security patrols.

LEGISLATIVE AND REGULATORY OVERVIEW

Congressional Requests

During the reporting period, congressional committees or subcommittees, members of Congress, and their respective staffs made 56 requests to the Office of Inspector General. We responded by appearing at one hearing, providing four briefings, and providing data or reports in 74 instances, including 17 interim responses and 57 final responses. Interim responses are provided for open matters which remain under review by the Office of Inspector General.

Legislative Review

In accordance with the Inspector General Act of 1978, the Office of Inspector General is required to review existing and proposed legislation and regulations relating to Department program and operations, and to comment on the impact which they may have on economical and efficient operations of the Department. During this reporting period, the Office coordinated and reviewed 10 legislative and regulatory items.

INSPECTOR GENERAL REPORTS AVAILABILITY

On the Internet

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

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

By U.S. Mail

Persons wishing to request hardcopies of reports to be mailed to them may do so by calling the automated Office of Inspector General Reports Request Line at (202) 586-2744. The caller should leave a name, mailing address, and identification number of the report needed. If the report's identification number is unknown, then the caller should leave a short description of the report and a telephone number where the caller may be reached in case further information is needed to fulfill the request.

Requests by Telefax

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

Point of Contact for More Information

Persons with questions concerning the contents, availability, or distribution of any Office of Inspector General report may contact Wilma Slaughter by telephone at (202) 586-1924 or via the Internet at *wilmatine.slaughter@hq.doe.qov*.

SECTION 3

REPORTS ISSUED

The 67 audit reports issued during this semiannual reporting period are listed below in three categories: contract, operational, and financial reports. Significant financial results associated with each report are also presented when applicable. Nine inspection reports are listed separately.

REPORTS ISSUED

CONTRACT AUDIT REPORTS

ER-C-95-06* Audit of Final Indirect Cost Rates for Fiscal Year 1988 Through 1992 Princeton University, Princeton, New Jersey, September 27, 1995
Questioned Costs: $6,150,499

ER-C-95-07* Final Audit of U.S. Department of the Navy Contracts With Princeton University, Princeton, New Jersey, September 27, 1995

ER-C-96-01 Report on the Interim Audit of Costs Incurred Under Contract No. DE-AC05-92OR21972 From October 1, 1993, to September 30, 1994, Fernald Environmental Restoration Management Corporation, Fernald, Ohio, March 29, 1996
Questioned Costs: $928,000

WR-C-96-01 Review of Mason & Hangar-Silas Mason Company, Inc., Cost Accounting Standards Compliance, October 30, 1995
Questioned Costs: $139,000

WR-C-96-02 Audit of Costs Claimed Under Contract Numbers DE-AC02-85ER80276, DE-AC02-87ER80454, and DE-AC02-88ER80599, September 1985 Through December 1993, Scientific Systems International, Los Alamos, New Mexico, November 13, 1995
Questioned Costs: $22,233

WR-C-96-03 Review of Lawrence Livermore National Laboratory Cost Accounting Standards Board Disclosure Statement Adequacy and Cost Accounting Standards Compliance, January 4, 1996

WR-C-96-04 Review of Lawrence Berkeley National Laboratory Cost Accounting Standards Board Disclosure Statement Adequacy and Cost Accounting Standards Compliance, January 8, 1996

**Note: *These audit reports were processed too late to be listed in the previous semiannual reporting period.*

OPERATIONAL AUDIT REPORTS

IG-0380 Audit of the Department of Energy's Transportation Accident Resistant Container Program, October 11, 1995
Savings: $46,000

IG-0381	Audit of Management and Operating Contractor Overtime Costs, October 27, 1995 ***Savings: $65,000,000***
IG-0382	Audit of the Department of Energy's Site Safeguards and Security Plans, December 1, 1995 ***Savings: $12,000,000***
IG-0385	Special Audit Report on the Department of Energy's Arms and Military-Type Equipment, February 1, 1996
IG-0387	Audit of Architect and Engineering Costs at the Idaho National Engineering Laboratory, March 22, 1996 ***Savings: $2,500,000***
CR-L-96-01	Review of Funds-Out Interagency Agreements, November 22, 1995
CR-L-96-02	Report on the Department of Energy's Implementation of Restrictions on Lobbying, December 13, 1995
CR-L-96-03	Assessment of Pittsburgh Naval Reactors Internal Audit Function, December 15, 1995
CR-L-96-04	Federal Managers' Financial Integrity Act Audit Report, December 20, 1995
CR-L-96-05	Assessment of Schenectady Naval Reactors Internal Audit Function, December 21, 1995
ER-L-96-01	Audit of Work Force Restructuring at the Pinellas Plant, October 5, 1995
ER-L-96-02	Audit of Lockheed Martin Energy Systems, Inc.'s, Waste Management Program, October 19, 1995
ER-L-96-03	Review of the Adequacy of Lockheed Martin Specialty Components, Inc.'s, Cost Accounting Standards Disclosure Statement, October 25, 1995
ER-L-96-04	Methods of Obtaining Steam and Electricity at the Savannah River Site, January 4, 1996
ER-L-96-05	Audit of Pollution Prevention at Lockheed Martin Energy Systems, Inc., January 25, 1996
ER-L-96-06	Audit of Chicago Environmental Project, February 15, 1996
WR-B-96-01	Audit of Fire and Emergency Medical Services Cost Sharing Between the Department of Energy and Los Alamos County, October 2, 1995 ***Savings: $18,300,000***

WR-B-96-02	Audit of Construction of an Environmental, Safety, and Health Analytical Laboratory at the Pantex Plant, October 6, 1995 ***Savings: $8,400,000***
WR-B-96-03	Audit of Construction Management at the Idaho National Engineering Laboratory, October 18, 1995 ***Savings: $26,800,000***
WR-B-96-04	Audit of Fuel Processing Restoration Property, October 20, 1995
WR-B-96-05	Audit of Consultant Agreements at Los Alamos National Laboratory, February 25, 1996 ***Questioned Costs: $842,900***
WR-L-96-01	Review of the Department of Energy's Management and Operating Contractors' Workers' Compensation Benefits, October 10, 1995
WR-L-96-02	Audit of Management of Department of Energy Nevada Operations Office Nuclear Emergency Preparedness and Response Teams, January 5, 1996 ***Savings: $500,000***
WR-L-96-03	Audit of the Management of High Explosive Facilities at the Weapon Design Laboratories, March 15, 1996

FINANCIAL AUDIT REPORTS

AP-FS-96-01	Audit of the Design, Operations and Internal Control Structures for the Financial Information System, March 15, 1996
AP-FS-96-02	Audit of Departmental Integrated Standardized Core Accounting System (DISCAS) Design and Internal Control Structure, March 19, 1996
CR-FC-96-01	Federal Energy Regulatory Commission's Fiscal Year 1995 Financial Statement Audit Under the Chief Financial Officers Act, February 12, 1996
CR-FS-96-01	Report on Matters Identified at the Pittsburgh Naval Reactors Office During the Audit of the Department's Consolidated Statement of Financial Position as of September 30, 1995, March 8, 1996
CR-FS-96-02	Management Report Audit of the Department of Energy's Consolidated Statement of Financial Position as of September 30, 1995, March 20, 1996

CR-V-96-01	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to TRW Environmental Safety Systems, Inc., Under Department of Energy Contract No. DE-AC01-91RW00134, February 8, 1996 ***Questioned Costs: $233,311***
CR-V-96-02	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Westinghouse Electric Corporation's Bettis Atomic Power Laboratory Under Department of Energy Contract No. DE-AC11-93PN38195, February 29, 1996
CR-V-96-03	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Martin Corporation's Knolls Atomic Power Laboratory Under Department of Energy Contract No. DE-AC12-76SN00052, February 29, 1996 ***Questioned Costs: $4,044***
ER-FC-96-01	Isotope Production and Distribution Program's Fiscal Year (FY) 1995 Financial Statement Audit, February 12, 1996
ER-FC-96-02	Department of Energy's Uranium Enrichment Decontamination and Decommissioning Fund Fiscal Year 1995 Financial Statement Audit Under the Chief Financial Officers Act, February 21, 1996
ER-FC-96-03	Department of Energy's Southeastern Federal Power Program Fiscal Year 1995 Financial Statement Audit Under the Chief Financial Officers Act, February 20, 1996
ER-FS-96-01	Report on Results of Audit Procedures Performed at Chicago Operations Office During the Audit of the Department's Consolidated Statement of Financial Position as of September 30, 1995, March 22, 1996
ER-FS-96-02	Report on Matters Identified at the Oak Ridge Operations Office During the Audit of the Department's Consolidated Statement of Financial Position as of September 30, 1995, March 27, 1996
ER-V-96-01	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Oak Ridge Associated Universities Under Department of Energy Contract No. DE-AC05-76OR00033, February 16, 1996
ER-V-96-02	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Fermi National Accelerator Laboratory Under Department of Energy Contract No. DE-AC02-76CH03000, February 28, 1996

ER-V-96-03	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Ames Laboratory Under Department of Energy Contract No. W-7405-ENG-82, February 28, 1996
ER-V-96-04	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to EG&G Applied Technologies, Inc., Under Department of Energy Contract No. DE-AC24-88-DP43495, February 28, 1996
IG-FS-96-01	Audit of the Department of Energy's Consolidated Statement of Financial Position as of September 30, 1995, February 29, 1996
WR-FC-96-01	U.S. Department of Energy Naval Petroleum and Oil Shale Reserves 1995 Financial Statement Audit Under the Chief Financial Officers Act, February 15, 1996
WR-FC-96-02	Southwestern Federal Power System 1995 Financial Statement Audit Under the Chief Financial Officers Act, February 22, 1996
WR-FC-96-03	Alaska Power Administration Fiscal Year 1995 Financial Statement Audit Under the Chief Financial Officers Act, February 22, 1996
WR-FC-96-04	Western Area Power Administration Fiscal Year 1995 Financial Statement Audit Under the Chief Financial Officers Act, February 23, 1996
WR-FS-96-01	Report on Matters Identified at the Richland Operations Office During the Audit of the Department's Consolidated Statement of Financial Position as of September 30, 1995, March 18, 1996
WR-FS-96-02	Report on Matters Identified at the Idaho Operations Office During the Audit of the Department's Consolidated Statement o Financial Position as of September 30, 1995, March 22, 1996
WR-FS-96-03	Report on Matters Identified at the Rocky Flats Field Office During the Audit of the Department's Consolidated Statement of Financial Position as of September 30, 1995, March 22, 1996
WR-FS-96-04	Report on Matters Identified at the Oakland Operations Office During the Audit of the Department's Consolidated Statement of Financial Position as of September 30, 1995, March 22, 1996
WR-FS-96-05	Report on Matters Identified at the Albuquerque Operations Office During the Audit of the Department's Consolidated Statement of Financial Position as of September 30, 1995, March 22, 1996

WR-V-96-01	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation Under Department of Energy Contract No. DE-AC04-94AL85000, October 5, 1995
WR-V-96-02	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Lawrence Livermore National Laboratory Under Department of Energy Contract No. W-7405-ENG-48, January 9, 1996
WR-V-96-03	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Raytheon Services Nevada Under Department of Energy Contract No. DE-AC08-91NV10833, February 9, 1996
WR-V-96-04	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Reynolds Electrical and Engineering Company, Inc., Under Department of Energy Contract No. DE-AC08-94NV11432, February 9, 1996
WR-V-96-05	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to EG&G Energy Measurements Under Department of Energy Contract No. DE-AC08-93NV11265, February 16, 1996
WR-V-96-06	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Allied Signal Federal Manufacturing & Technologies/Kansas City Under the Department of Energy Contract No. DE-AC04-76DP00613, February 23, 1996
WR-V-96-07	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Westinghouse Electric Corporation, Waste Isolation Division Under Department of Energy Contract No. DE-AC04-86AL31950, March 11, 1996
WR-V-96-08	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Lockheed Idaho Technologies Company Under Department of Energy Contract No. DE-AC07-94ID13223 and DE-AC07-94ID13299, March 20, 1996
WR-V-96-09	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Mason & Hanger-Silas Mason Company, Inc., Under Department of Energy Contract No. DE-AC04-91AL65030, March 26, 1996

INSPECTION REPORTS

IG-0383	Inspection of Human Subject Research in Intelligence and Intelligence-Related Projects, January 16, 1996
IG-0384	Inspection of Concerns Regarding the Martin Marietta Corporate Review of Health and Safety at Martin Marietta Energy Systems, January 18, 1996
IG-0386	Summary Results of the Inspection of Issues Regarding the Scope of the Accident Investigation of the TRISTAN Fire at the Brookhaven National Laboratory, March 15, 1996
INS-L-96-01	Inspection of the Control of Selected Chemicals at the Rocky Flats Environmental Technology Site, October 20, 1995
INS-L-96-02	Report on Inspection of Los Alamos National Laboratory Chest Count Screening Procedures, November 3, 1995
INS-L-96-03	Inspection of the Use of Investigatory Leave at Los Alamos National Laboratory, November 24, 1995
INS-L-96-04	Inspection Report on Savannah River Property Maintenance and Storage, March 11, 1996
INS-O-96-01	The Intelligence Oversight Inspection of the Special Technologies Laboratory, October 13, 1995
INS-O-96-02	Selected Concerns Regarding Property Accountability at the Continuous Electron Beam Accelerator Facility, November 24, 1995

SECTION 4

STATISTICS

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

DEFINITIONS

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

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

1. An alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;

2. A finding that, at the time of an audit, such cost is not supported by adequate documentation; or

3. A finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

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

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

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

1. Reduction in outlays;

2. Deobligation of funds from programs or operations;

3. Withdrawal of interest subsidy costs on losses or loan guarantees, insurance or bonds;

4. Costs not incurred by implementing recommended improvements related to Department operations, contractors, or grantees;

5. Avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or

6. Any other savings which are specifically identified.

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

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

AUDIT REPORT STATISTICS

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

	Total Number	One-Time Savings	Recurring Savings	Total Savings
Those issued before the reporting period for which no management decision has been made:	9	$165,717,907	$94,015,948	$259,733,855
Those issued during the reporting period:	60	$129,026,255	$5,600,000	$134,626,255
Those for which a management decision was made during the reporting period:	25	$263,223,200	$70,051,948	$333,275,148
Agreed to by management:		*$101,141,926*	*$66,774,864*	*$167,916,790*
Not Agreed to by management:		*$124,309,109*	*$3,277,084*	*$127,586,193*
Those for which a management decision is not required:	35	$104,044	$400,000	$504,044
Those for which no management decision had been made at the end of the reporting period*:	9	$69,189,083	$29,164,000	$98,353,083

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

AUDIT REPORT STATISTICS

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

	Total Number	Questioned Costs	Unsupported Costs
Those issued before the reporting period for which no management decision has been made:	16	$13,872,077	$110,948
Those issued during the reporting period:	7	$7,239,732	
Those for which a management decision was made during the reporting period:	2	$551,088	
Value of disallowed costs:		*$4,616*	
Value of costs not disallowed:		*$546,472*	
Those for which a management decision is not required:	0		
Those for which no management decision had been made at the end of the reporting period:	21	$20,560,721	$110,948

REPORTS LACKING MANAGEMENT DECISION

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

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

CR-C-89-01	Interim Audit of Costs Claimed Under Contract Number DE-AC05-84OR21441, October 1, 1986, to September 30, 1987, Cotton and Company, 100 South Royal Street, Alexandria, VA 22314, June 20, 1989
CR-C-90-01	Interim Audit of Costs Claimed Under Contract No. 21441, October 1, 1987, to September 30, 1988, Cotton & Company, 100 South Royal Street, Alexandria, VA 22314, October 19, 1989
ER-CC-90-03	Interim Audit of Costs Claimed Under U.S. DOE-Funded Contracts, July 1, 1986, to June 30, 1988, and Review of Proposed Cost Allocation Plan With Revis Institute of Biological Research, Inc., Oak Ridge, Tennessee, October 31, 1989
ER-CC-90-21	Report on the Independent Interim Audit of Subcontract Costs Claimed Under Contracts No. DE-AC05-85OR21510 and No. DE-AC05-86OR21644, September 30, 1985, to December 31, 1986, Analysas Corporation, Washington, D.C., April 16, 1990
WR-CC-90-32	Audit of Costs Claimed Under Contract No. DE-AC01-80RA32049 for the Operation Period From October 1, 1984, Through April 30, 1985, and the Post Operation Period from August 1, 1985, Through November 30, 1987, Williams Brothers Engineering Company, Tulsa, Oklahoma, May 10, 1990

WR-C-92-01	Report on the Final Audit of Costs Incurred by EWA, Inc., Environmental and Water Resources Management, Minneapolis, Minnesota, Under Its Contract with the Yakima Indian Nation, United States Department of Energy Grant DE-FG06-83RL10545, for the period May 14, 1984, Through December 22, 1988, April 6, 1992
WR-C-93-01	Report on the Independent Final Audit of Contract No. DE-AC04-85AL27671, October 22, 1984, Through June 30, 1990, Wackenhut Services, Inc., Central Training Academy, Albuquerque, New Mexico, January 22, 1993
ER-CC-93-05	Report Based on the Application of Agreed-Upon Procedures With Respect to Temporary Living Allowance Costs Claimed Under Contract No. DE-AC09-88SR18035, October 1, 1987, to September 20, 1990, Bechtel National, Inc., San Francisco, California, and Bechtel Savannah River, Inc., North Augusta, South Carolina, May 3, 1993
ER-C-94-01	Interim Audit of Costs Claimed Under Contract No. DE-AC05-84ER40150, October 1, 1988, Through September 30, 1991, Southeastern Universities Research Association, Inc., Newport News, Virginia, October 27, 1993
CR-C-95-01	Report on the Interim Audit of Contract No. DE-AC35-89ER40486, Jan. 18, 1989, to September 30, 1989, Universities Research Association, Inc., Superconducting Super Collider Laboratory, Waxahachie, Texas, February 3, 1995
WR-C-95-01	Report on Independent Final Audit of Contract No. DE-AC34-91RF00025, July 26, 1990, to March 31, 1993, Wackenhut Services, Inc., Golden, Colorado, March 13, 1995
ER-C-95-03	Report on the Interim Audit of Costs Incurred Under Contract No. DE-AC05-92OR21972 from September 1, 1992, to September 30, 1993, Fernald Environmental Restoration Management Corporation, Fernald, Ohio, May 11, 1995
ER-C-95-04	Interim Audit of Contract Number DE-AC05-84ER40150, October 1, 1991, Through September 30, 1993, Southeastern Universities Research Association, Inc., Newport News, Virginia, June 6, 1995
WR-C-95-05	Review of Los Alamos National Laboratory Disclosure Statement Adequacy and Cost Accounting Standards Compliance, June 2, 1995

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

AP-B-95-01	Audit of Management and Control of Information Resources at Sandia National Laboratories, November 1, 1994 *(The auditee collected additional information and has had several meetings to resolve issues regarding the recommendations. It is estimated that a management decision will be reached by August 15, 1996.)*
IG-0373	Audit of Administration of Cooperative Research and Development Agreements at DOE National Laboratories, May 19, 1995 *(The finalization of the management decision on this report is awaiting the resolution of pertinent responsibilities within the Department.)*

INVESTIGATIVE STATISTICS

The investigative statistics below cover the period from October 1, 1995, through March 31, 1996

Investigations open at the start of this reporting period:	292
Investigations opened during this reporting period	94
Investigations closed during this reporting period	102
Investigations open at the end of this reporting period	284
Debarments/Suspensions	4
Investigations Referred to Management for Recommended Positive Action	33
Complaints Referred to Management for Review and Followup	4
Administrative Disciplinary Actions Taken	116
Investigations Referred for Prosecution	47
Accepted◆	38
Declined◆	24
Indictments	19
Convictions	6
Pretrial Diversions	1
Fines, Settlements, and Recoveries◆◆	$10,942,714

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

◆◆*Some of the money collected was the result of Task Force Investigations.*

Hotline Statistics

Complaints Received via the Hotline	117
Complaints Received via the General Accounting Office	1
Total Complaints Received	118
Investigations Opened on Hotline Complaints	4
Complaints Resolved or Pending Resolution	93
Complaints That Required No Investigation by OIG	21
Total Complaints Disposition	118

INSPECTION STATISTICS

The inspection statistics below cover the period from October 1, 1995, through March 31, 1996

Allegation-Based and Management System Inspections

Inspections open at the start of this reporting period	143
Inspections opened during this reporting period	27
Inspections closed during this reporting period	21
Inspections open at the end of this reporting period	149
Complaints referred to Department management/others	213
Number of these referrals requesting a response for OIG evaluation	111
Reports issued◆	15
Allegation-based inspections closed after preliminary review	9
Inspection recommendations	
Accepted this reporting period	42
Implemented this reporting period	51
Personnel management actions taken as a result of inspections or complaints referred to management	14
Funds impacted by inspections◆◆	$1,074,981,000

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

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

Contractor Employee Protection Investigations

Complaints open at the start of this reporting period	68
Complaints opened during this reporting period	32
Complaints closed during this reporting period	25
Complaints dismissed	*8*
Reports of investigation and proposed decisions issued	*3*
Allegation of Reprisal complaints settled	*9*
Allegation of Reprisal complaints withdrawn	*3*
Personnel security abuse reviews completed	*2*
Complaints open at the end of this reporting period	75

FEEDBACK SHEET

The contents of the April 1996 Semiannual Report to Congress comply with the requirements of the Inspector General Act of 1978, as amended. However, there may be additional data which could be included or changes in format which would be useful to recipients of the Report. If you have suggestions for making the report more responsive to your needs, please complete this feedback sheet and return it to:

Department of Energy
Office of Inspector General (IG-13)
Washington, D.C. 20585

ATTN: Wilma Slaughter

Your name:

Your daytime telephone number:

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

If you would like to discuss your suggestion with a staff member of the Office of Inspector General or would like more information, please call Wilma Slaughter at (202) 586-1924 or contact her on the Internet at *wilmatine.slaughter@hq.doe.gov*.