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U.S. DEPARTMENT OF ENERGY

OFFICE OF INSPECTOR GENERAL

Semiannual Report to Congress

April 1 to September 30, 1997

October 1997

Department of Energy
Washington, DC 20585

October 31, 1997

The Honorable Federico Peña
Secretary
Department of Energy
Washington, D.C. 20585

Dear Secretary Peña:

This Semiannual Report for the second half of Fiscal Year 1997 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 addition, we have concentrated on reviewing performance-based contracts and cost reduction incentive programs. We view these efforts as assisting the Department in implementing the *Government Performance and Results Act* which requires the Department to establish strategic planning and performance measurement. During this reporting period, we have issued a number of reports in which we discussed planning and performance measurement and have other audits or reviews in process or planned for the next fiscal year that will focus on these areas.

In our Office's planning and operations, we continue to target available audit, inspection, and investigation resources to our customers' most immediate requirements. However, the Office of Inspector General faces a continuing challenge to comply with mandates, such as the *Government Management Reform Act of 1994* which requires audited consolidated financial statements for the Department of Energy. This and other 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 April 1 through September 30, 1997. The report summarizes significant audit, inspection, and investigative accomplishments for the reporting period which facilitated Department of Energy management efforts to improve management controls and ensure efficient and effective operation of its programs.

Narratives of the Office's most significant reports are grouped by measures which the Office of Inspector General uses to gauge its performance. The common thread tying the performance measures together is their emphasis on supporting the Department efforts to produce high quality products at the lowest possible cost to the taxpayer. The five performance measures used during this semiannual period to present outcomes of Office of Inspector General work in improving Departmental programs and operations are as follows: *(1) Recommendations Accepted or Implemented by Management, (2) Audit and Inspection Savings, Recoveries, and Funds Identified for Better Use, (3) Legislative and Regulatory Compliance Related to Office of Inspector General Recommendations, (4) Complaints Resolved, and (5) Investigation Recoveries/Fines and Funds Identified for Better Use.*

During this reporting period, the Office of Inspector General issued 59 reports. These reports included recommendations that, when implemented by management, could result in $211.7 million being put to better use. Furthermore, management has committed to taking corrective actions which the Office of Inspector General estimates will result in a more efficient use of funds totaling $57 million. Office of Inspector General actions in identifying attainable economies and efficiencies in Departmental operations have recently provided a positive dollar impact of about $3.2 million per audit employee per year for the fiscal years 1993 through 1997.

Office of Inspector General investigations led to 7 criminal convictions, as well as criminal and civil prosecutions which resulted in fines and recoveries of approximately $1.95 million. The Office of Inspector General also provided 9 investigative reports to management for recommending positive change.

OIG RESOURCE LIMITATIONS

Between October 1993 and October 1997, the Office of Inspector General's staffing has decreased by 32 percent. During this period, a number of mandates have been placed upon the Office of Inspector General. A primary example is the Government Management Reform Act of 1994 under which the Office of Inspector General is responsible for auditing the consolidated financial statements of the Department. This effort consumes about 47 staff years including the services of a private accounting firm with specialists in the areas of petroleum engineering, cost modeling and actuarial services.

As a result of mandated tasks or additional costs, the Office of Inspector General is serving fewer customers and has diverted resources from other reviews that had focused on significant programs and operations where major vulnerabilities may exist.

Our resource constraints have also led to a higher threshold for investigative case openings and inspection of administrative

allegations, resulting in less coverage and less deterrent.

TRACKING AND REPORTING ON THE STATUS OF OIG RECOMMENDATIONS

The Inspector General Act of 1978 requires that the Office of Inspector General Semiannual Report to Congress identify all significant recommendations described in previous Semiannual Reports where corrective action has not been completed. The Department of Energy's Office of Executive Operations and Planning within the Office of Chief Financial Officer oversees the audit followup system. Thus, information concerning incomplete corrective action is included as part of the companion submission to this report which is provided to 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 reviews the progress of corrective actions on audit and inspection reports. In addition, the Office of Inspector General conducts periodic followup audits or verifications of prior audit and inspection report recommendations implementation and effectiveness. 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 was no unreasonable refusal by management to provide data to the Office of Inspector General.

SOME SIGNIFICANT ACTIONS

The Office of Inspector General completed significant audit, inspection, and investigative reviews of Department of Energy programs and operations during this reporting period. These reviews include:

Auditor Receives the Department's Exceptional Service Award

In August 1997, the United States Court of Federal Claims affirmed the Department of Energy's claims of $11.7 million in unallowable costs plus $2.2 million in interest from Westinghouse Savannah River Corporation. That judgment, one of the largest of its kind in the Department's history, was the result of hard work and cooperation between the Office of Inspector General, the Department, and the Department of Justice. The Office of Inspector General auditor who originally identified the unallowable costs worked with attorneys from the Departments of Energy and Justice to perfect and present the Government's claims. In an unprecedented action, the Manager, Savannah River Operations Office, presented the Department's Exceptional Service Award to the auditor in recognition of his outstanding work.

Audit Finds Weaknesses in Establishing and Implementing Intra-Departmental Requisitions Policies and Procedures (IG-0403)

An Office of Inspector General audit disclosed that the Department's management and operating contractors did not use intra-Departmental requisitions appropriately for 40 of the 104 requisitions reviewed. The Department did not always receive the most cost effective goods and services. Specifically, Department contractors used these requisitions to (1) acquire goods and services that were commercially available; (2) obtain goods and services that were not part of the performing contractor's mission; (3) procure the services of subcontractors; and (4) augment staff. For example, on two requisitions at a specific site, the Department could have saved almost $850,000 out of a $1.6 million procurement if the prime contractors had competed the acquisitions.

Management and Operating Contractors Underreport Occupational Safety Work-Related Injuries and Illnesses (IG-0404)

An audit disclosed that management and operating contractors were not reporting all significant work-related injuries or illnesses as required by Departmental and Occupational Safety and Health Administration (OSHA) guidelines. Through an analysis of selected medical and workers compensation data for contractors at the Savannah River and Lawrence Livermore sites, the audit identified 111 of 237 Calendar Year 1995 cases that were incorrectly categorized as minor. These cases should have been reported to the Department as significant injuries or illnesses. Injuries and illnesses were underreported because (1) contractor personnel did not obtain sufficient medical, restricted work activity, or lost worktime information relating to the injury or illness, and/or (2) they did not properly interpret OSHA reporting requirements.

SOME SIGNIFICANT ACTIONS

Audit Identifies Need to Implement Effective Management of Scientific and Technical Information (IG-0407)

An Office of Inspector General audit examined the Department's system for managing scientific and technical information. The audit disclosed that the scientific and technical information generated by management and operating contractors was not managed appropriately.

As a consequence, the Department was not in a position to know whether it received value for its significant investment in research and development or whether all scientific and technical information resulting from these efforts received the widest possible dissemination in the scientific community.

Shutdown of Mound Plant Could Save $4 to $8 Million Annually (IG-0408)

The Office of Inspector General performed an audit to determine if keeping a portion of the Mound Plant open solely to support the isotopic heat sources and radioisotope thermoelectric generators (HS/RTGs) was in the best interest of the Department and the Government. The audit found that the Department has decided to continue assembling and testing HS/RTGs at the plant despite the transfer or planned transfer of all other production operations. This decision was made without adequately considering the Department's overall economic goals. As a result, the Department may incur $4 million to $8.5 million more than necessary each year to continue HS/RTG operations at the Mound Plant. Additionally, if the HS/RTG operations remain at the Mound Plant, the Department will spend at least $3 million to move the operations into new facilities.

Audit Discloses Approximately $23.8 Million in Contract Overcharges (IG-0409)

An Office of Inspector General audit found that an electric power cooperative overcharged Western Area Power Administration approximately $23.8 million. These overcharges occurred because the cooperative did not perform several actions properly. For example, the cooperative billed Western prematurely for lease and interest costs; overcharged for the cost of coal by including administrative and general expenses and profit, as well as incorrectly calculating discounts, royalty payments and imputed interest costs; and made faulty calculations of amortization rates for deferred costs. In addition to the $23.8 million in overcharges, the audit estimated interest accrued on the overcharges through December 31, 1996, to be approximately $22.1 million, resulting in a total of $45.9 million due Western.

Audit Finds More Data is Needed to Determine Cost Effectiveness of Contaminated Site Remediation (IG-0410)

An Office of Inspector General audit determined that the Department's Los Alamos National Laboratory did not generate the information needed to assess whether specific sites were remediated cost effectively. This situation occurred because the performance criteria used to evaluate cost effectiveness were not always reasonable, measurable, and complete. As a result, neither Los Alamos nor the Department could

evaluate the cost effectiveness or progress of the remediation program or accurately budget for upcoming remediation activities.

The audit also showed that Los Alamos' sample validation procedures were not cost effective because Los Alamos validated more samples than called for by Federal and New Mexico standard practices. As a result, it was determined that Los Alamos paid up to $540,000 more than necessary to validate results.

Rocky Flats Needs to Improve its Use of Performance-Based Contracts (IG-0411)

The Department of Energy uses performance-based contracts and cost reduction incentive programs to motivate contractors to reduce costs by employing innovative practices and to encourage and reward superior, results-oriented performance through a clearly defined performance measure incentive program. An Office of Inspector General audit found that the Rocky Flats Field Office approved three Kaiser-Hill Company cost reduction proposals that did not meet the Department's basic criteria for cost reduction proposals. These proposals, valued at $16 million by Rocky Flats, were not innovative and generally did not return savings to the Department. Rocky Flats, however, awarded Kaiser-Hill almost $5.6 million for its share of those proposals. Because Kaiser-Hill did not always return savings as stipulated in the Department's guidance, Rocky Flats used program funding to pay Kaiser-Hill for the proposals.

In addition, the audit disclosed that the Kaiser-Hill contract included performance measures that were not always supported by objective data, were not always structured to encourage and reward superior performance, and were often focused on a process rather than the results of that process. For meeting such performance measures, Rocky Flats paid about $6.9 million in incentive fees.

Two Former Community Action Agency Directors Fraudulently Obtain Federally Funded Weatherization Funds (190CH007)

A joint investigation between the Office of Inspector General and the Federal Bureau of Investigation confirmed allegations that a community action agency in Lansing, Michigan, had fraudulently obtained Federal funds, including the Department's weatherization funds. The investigation focused on allegations of bribery, kickbacks, theft, and embezzlement from a federally funded program. The investigation led to indictments against two former directors of the agency. One of the former directors pleaded guilty, was sentenced to 30 months incarceration, and fined $18,000. The other former director was apprehended as a fugitive in November 1996. He was sentenced to 10 years imprisonment and ordered to pay $150,000 in restitution.

Oak Ridge Operations Subcontractor Employee is Convicted for Submitting False Time Cards (I95OR004)

The Office of Inspector General received an allegation from an Oak Ridge Operations Office contractor that a subcontractor employee had obtained wages for days he did not work. The investigation determined that the subcontractor employee had submitted fraudulent time cards from January 1993 through November 1994.

SOME SIGNIFICANT ACTIONS

The investigation was referred to the U.S. Attorney's Office for the Eastern District of Tennessee. The subcontractor employee pleaded guilty to one count of false claims. He was sentenced to 4 months imprisonment and 4 months home confinement, and was assessed a $50 fine. The employee reimbursed the subcontractor $44,542 and the subcontractor reimbursed the Department $49,062 (cost of the fraudulent wages plus administrative costs).

Department Employee Illegally Obtains Pension and Salary Benefits (I96RL015)

The Office of Inspector General received an allegation that a Department of Energy employee submitted false Government employment documents to obtain pension and salary benefits to which she was not entitled. The Office of Inspector General conducted a joint investigation with the Office of Personnel Management's Office of Inspector General. The investigation resulted in the employee pleading guilty to one count of Theft of Government Property. The employee was sentenced to 6 months home detention with electronic monitoring, and 1 year probation. The employee was also ordered to pay restitution of $100,483 and was levied a fined of $2,944.

A Department of Energy Weatherization Subgrantee Submits Unsupported Claims *(I95AL035)*

The Office of Inspector General received information from the Federal Bureau of Investigation that a U.S. Department of Energy Weatherization Assistance Program subgrantee may have defrauded the Government.

A joint task force investigation determined that the subgrantee did not have adequate documentation to support many of the homes it claimed to have weatherized. This resulted in the primary grantee overpaying the subgrantee for homes that were never weatherized.

An Administrative Report to Management recommended the recovery of funds for unsupported weatherization projects. The Contracting Officer reported that the grantee reimbursed the Department $75,280.23 for the subgrantee's unsupported costs.

AUDIT OF THE DEPARTMENT OF ENERGY'S CONSOLIDATED FINANCIAL STATEMENTS

The Office of Inspector General's Office of Audit Services is responsible for auditing the Department of Energy's Consolidated Financial Statements as required by the *Government Management Reform Act of 1994.*

The successful completion of the Fiscal Year 1996 audit was especially noteworthy because the Department was one of only six agencies that received an unqualified opinion on its financial statements and the audit report and accompanying statements were issued by the statutory reporting date of March 1, 1997. Furthermore, the audit effort involved was unprecedented in the Office of Inspector General. The audit was nationwide and included 29 of the Department's 60 reporting entities. These entities controlled approximately 94 percent of the Department's total assets, and processed significant portions of the Department's total revenues, obligations, and expenses. In addition to the audit report on the consolidated statements, the Office of Inspector General issued 13 local management reports that identified needed financial management improvements at these reporting entities.

The Office of Inspector General has begun work on the audit of the Department's Fiscal Year 1997 consolidated financial statements. The Office of Inspector General has revised its approach for the Fiscal Year 1997 audit to implement lessons learned during the previous audits. As a result of these lessons and resulting improvements, the Fiscal Year 1997 audit will realize a number of economies in reduced staff time. However, the impact of these economies on the overall resource demands of the financial statement audit and related requirements will be more than offset by increasing demands that expand the scope of the audit. For example, pursuant to the Federal Financial Management Improvement Act, the Office of Inspector General will report for the first time, as part of its audit report, on whether the Department's financial management systems substantially comply with Federal Financial Management System Requirements, Accounting Standards, and requirements for the Standard General Ledger at the transaction level.

As reported in previous *Semiannual Reports*, the increased workload and associated resource demand is a special concern of the Office of Inspector General given the decreasing resources available to meet statutory requirements for financial and performance audits.

SECTION I

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.

OVERVIEW

MISSION

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

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

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

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

4. To recommend policies for, and to conduct, supervise, or coordinate relationships between the Department of Energy and other Federal agencies, state, and local 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.

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

ORGANIZATION AND STAFFING

The activities of the Office of Inspector General are performed by four offices.

The Office of Audit Services provides policy direction and supervises, conducts, and coordinates all internal and contracted audit activities for Department of Energy programs and operations. Audits are planned annually through a prioritized work planning strategy that is driven by several factors, including the flow of funds to Departmental programs and functions, strategic planning advice, statutory requirements, and expressed needs. The Office of Inspector General audit staff has been organized into three regional offices, each with field offices located at major Department sites: Capital

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Regional Audit Office, with field offices in Washington, DC, Germantown, and Pittsburgh; Eastern Regional Audit Office, with field offices located at Cincinnati, Chicago, Oak Ridge, Princeton, and Savannah River; and Western Regional Audit Office, with field offices located at Albuquerque, Denver, Idaho Falls, Las Vegas, Livermore, Los Alamos, and Richland.

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, including investigations of 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 is organized into four regions with field and satellite offices within each region. The four regions and corresponding offices are: Northeast regional field office in Washington, D.C. with satellite offices in Pittsburgh and Cincinnati; Southeast regional field office in Oak Ridge, with a satellite office in Savannah River; Northwest regional field office in Denver, with satellite offices in Richland, Idaho Falls, and Chicago; and the Southwest regional field office in Albuquerque, with a satellite office in Livermore. The Inspector General Hotline is also organizationally aligned within the Office of Investigations.

The Office of Inspections performs inspections and analyses, including reviews based on administrative allegations. In addition, the Office investigates contractor employee allegations of employer retaliation, pursuant to *Department of Energy Contractor Employee Protection Program* (10 CFR Part 708) or Section 6006 of the *Federal Acquisition Streamlining Act of 1994.* The Office also processes referrals of administrative allegations to Department management. The Office of Inspections includes two regional offices. The Eastern Regional Office is located in Oak Ridge, Tennessee, with a field office in Savannah River. The Western Regional Office is located in Albuquerque, New Mexico, with a field office in Livermore, California.

The Office of Resource 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 at budget hearings, negotiations, and conferences on financial, managerial, and other resource matters. The Office also coordinates all activities of the President's Council on Integrity and Efficiency. The Office is organized into three offices: Financial Resources, Human and Administrative Resources, and Information Resources.

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INSPECTOR GENERAL RESOURCE CONCERNS

Since the early 1990s, successive Secretaries of Energy have highlighted the shortage of audit resources as a Department of Energy material weakness in annual *Federal Managers' Financial Integrity Act* reports to the President. Now the Department is experiencing significant realignment and downsizing which may increase vulnerabilities and organizational turbulence resulting in weaker internal controls. This type of environment would tend to require greater, not less, Office of Inspector General oversight.

The Office of Inspector General matched increased work demands with Fiscal Year 1997 staffing and funding levels in part by further reducing the volume of audit, inspection, and investigation work performed. During Fiscal Year 1997, we:

- Assisted the Department in implementing the *Government Performance and Results Act* requirements.

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

- In coordination with the Department, relied on our Cooperative Audit Strategy where contractor internal audits provide reasonable assurances that the procedures used to determine costs and charges to the Government are accurate, complete, and in compliance with Department contracts.

- Worked highest priority issues, categorized as "most significant," and addressed remaining issues afterward until resources were exhausted.

- Raised thresholds for accepting complaints for Office of Inspector General action and referred more complaints to Department management for resolution.

- Investigated as a high priority those cases with the best potential for successful criminal or civil prosecution, and only investigated the remainder as resources permit. Criminal cases which did not score high were 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 delayed indefinitely.

- Conducted administrative allegation inspections (which are highly focused fact-finding reviews) only in response to more significant allegations of waste or mismanagement.

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 other sources are referred to the appropriate Department managers or other Government agencies for review and appropriate action. We referred 152 complaints to Department management and other Government agencies during the reporting period. We asked De-

partment management to respond to us concerning the actions taken on 69 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. The following are examples of the results of referrals to Department management.

- As a result of management's review, an employee who accrued frequent flyer mileage credits while on official duty and used the credits for personal benefit, was suspended for 1 day and was required to repay $3,365.56 for the inappropriately used travel credits.

- Management issued letters of reprimand to seven Department employees who accepted gratuities in the form of meals from Department contractor employees.

- A Department official received a reprimand from the Department's management for misusing frequent flyer mileage credits earned while on travel.

- Management suspended a laboratory employee for 1 week without pay because the employee had inappropriately disposed of hazardous waste.

- A Department subcontractor performed work which was not in compliance with contract specifications. Management advised that the work was reaccomplished by the subcontractor and a credit was negotiated.

OVERVIEW

LEGISLATIVE AND REGULATORY OVERVIEW

Congressional Requests

During the reporting period, congressional committees or subcommittees, members of Congress, and their respective staffs made 60 requests to the Office of Inspector General. We responded by providing 8 briefings and providing data or reports in 60 instances, including 12 interim responses and 48 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 15 legislative and regulatory items.

SECTION II

PERFORMANCE MEASURES

Significant Office of Inspector General work is presented in this section under 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: *Recommendations Accepted or Implemented by Management*

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

AN EFFECTIVE MANAGEMENT SYSTEM IS NEEDED TO MANAGE LEASED PROPERTY EFFICIENTLY AND ECONOMICALLY

The Office of Inspector General performed an audit to determine if the Department was using good business practices to manage its leased space. The audit found that the Department leased more space than it used and could not determine future space needs. These conditions occurred because the Department did not have an effective management system which included comprehensive site development plans or an accurate Departmentwide database. For example, leased space was identified during the audit that was not previously reported by real estate specialists or included in the Department's database. In addition, the various offices responsible for leasing did not coordinate their leasing efforts with each other.

Additionally, the audit disclosed that, despite a 4-year decrease in the number of Departmental and contractor employees, the total square footage of leased space increased. In addition, the Department's overall space utilization rate exceeded the General Services Administration (GSA) standard of 153 square feet per person by approximately 49 percent. In some facilities, the GSA standard was exceeded by as much as 300 percent.

The audit found that the Department's Headquarters and field sites had also paid an estimated $1.8 million to develop and implement a Departmentwide database, while at the same time, the contractors were maintaining their own duplicative database. Neither of the systems tracked the property accurately.

The audit report recommended that Department Headquarters and Field management limit leased space to the minimum amount necessary to perform the Department's mission by developing comprehensive site development plans for all geographic locations. The report also recommended that the Department maintain an accurate Departmentwide database including all leased property and that real estate specialists should coordinate all leasing efforts with each Departmental office maintaining space in the proposed area.

Management agreed with the recommendations and proposed appropriate corrective actions. (IG-0402)

AUDIT FINDS WEAKNESSES IN ESTABLISHING AND IMPLEMENTING INTRA-DEPARTMENTAL REQUISITIONS POLICIES AND PROCEDURES

The Department of Energy's network of management and operating contractors, as well as other prime contractors procure over

$270 million annually in goods and services from one another through intra-Departmental requisitions.

An Office of Inspector General audit disclosed that the Department's prime contractors did not use intra-Departmental requisitions appropriately for 40 of the 104 requisitions reviewed. As a result, the Department did not always receive the most cost effective goods and services. Specifically, Department contractors used these requisitions to (1) acquire goods and services that were commercially available; (2) obtain goods and services that were not part of the performing contractor's mission; (3) procure the services of subcontractors; and (4) augment staff. On two requisitions the Department could have saved almost $850,000 out of $1.6 million if the prime contractors had used normal procurement channels and competed the acquisitions. In other instances, using intra-Departmental requisitions resulted in multiple overhead rates being added to the cost of the goods and services procured. Similar to prior audit findings, the audit showed weaknesses in issuing intra-Departmental requisitions because contractor procurement officials have not adequately established or implemented policies and procedures.

The audit report recommended that the Department issue additional criteria on the use of intra-Departmental requisitions, and that Department operations establish policies and procedures over the use of these requisitions providing a stronger emphasis on the appropriate use of these requisitions through contractor instruction and annual reviews.

Department management concurred with the Office of Inspector General and agreed to initiate action on the recommendations in the report. (IG-0403)

INTERNAL CONTROL WEAKNESSES IDENTIFIED IN GROUNDWATER QUALITY CONTROL PROGRAM

The Department of Energy's management and operating contractor, Westinghouse Savannah River Company, manages the Savannah River Site's groundwater remediation program, which includes a quality control program to ensure that the results of laboratory analyses of groundwater samples are accurate and precise.

A recent Office of Inspector General audit disclosed that Westinghouse's quality control program was not cost effective. Westinghouse required more quality control analyses than necessary to ensure the accuracy and precision of sample results. This occurred because Westinghouse originally designed its groundwater quality control program to secure Departmental acceptance, and it did not periodically review program requirements to identify and eliminate unnecessary analyses. As a result, about $500,000 of the $895,000 spent on the program in Calendar Year 1995 was unnecessary. During the audit, Westinghouse discontinued two types of laboratory analyses, resulting in annual savings to the Department of about $200,000. While acknowledging Westinghouse's accomplishments, the Office of Inspector General determined that an additional $300,000 annually could be saved by eliminating other nonessential analyses.

The Office of Inspector General audit recommended that the Manager, Savannah River Operations Office (1) require Westinghouse to eliminate split sample analyses

from its groundwater quality control program unless a clear requirement can be demonstrated; (2) require Westinghouse to periodically review the effectiveness of the groundwater quality control program and modify the laboratory analyses required accordingly; and (3) perform a "for cause" review of Westinghouse's other quality control programs.

The Manager, Savannah River Operations Office, concurred with the finding and recommendations. (IG-0405)

AUDIT IDENTIFIES NEED TO IMPLEMENT EFFECTIVE MANAGEMENT OF SCIENTIFIC AND TECHNICAL INFORMATION

An Office of Inspector General audit examined the Department's system for managing scientific and technical information. The audit disclosed that the scientific and technical information generated by management and operating contractors was not managed appropriately. Also, implementation and execution problems existed in collecting and disseminating products generated under direct procurements.

These conditions existed because expected deliverables for management and operating contractors were not identified at the beginning of a project. For direct procurements, Departmental managers were not aware of or bypassed established procedures. In both instances, effective and comprehensive quality assurance processes had not been implemented. As a consequence, the Department was not in a position to know whether it received value for its significant investment in research and development or whether scientific and technical information resulting from these efforts received the widest possible dissemination in the scientific community.

The Office of Inspector General recommended that the Deputy Secretary direct cognizant secretarial officers to implement a system to track scientific and technical information properly. For direct procurements, the audit recommended that the Deputy Secretary reiterate to the field the importance of managing scientific and technical information in accordance with established policies and procedures.

In response to the audit recommendations, the Deputy Secretary endorsed a plan proposed by the Director, Office of Energy Research that calls for the Office of Scientific and Technical Information to initiate and coordinate a strategic planning process that will engage the Departmental community in establishing goals and objectives for scientific and technical information. The plan also calls for developing performance measures and establishing a quality assurance process. (IG-0407)

AUDIT DISCLOSES NEED TO STRENGTHEN CONTROLS OVER MANAGEMENT OF ADP SUPPORT SERVICES CONTRACT

An Office of Inspector General audit found that Headquarters Program offices did not effectively manage the ADP support services contract by fully evaluating and controlling costs for Automated Office Systems Support and Local Area Network administration (AOSS/LAN) task assignments. Although the program offices contracted for like or similar work in the AOSS/LAN task assignments, the number of contractor Full-

Time Equivalents used and cost to complete the task assignments varied significantly in comparison to the number of computer users that each task assignment supported. The audit disclosed that the costs to support computer users varied significantly among the program offices. For example, one program office spent about $780,000 to support 423 users, while another program office spent over $1.3 million to support 409 users. This occurred because in all but one instance the AOSS/LAN task assignments were not based on detailed analysis of user requirements and related costs. In addition, none of the task assignments were benchmarked against best practices from internal or external sources.

The Office of Inspector General recommended the Office of Information Management, in conjunction with the program offices, implement effective costs controls by establishing task assignments for AOSS/LAN support based on a detailed analysis of user requirements and related costs and benchmarking tasks against best internal practices and best practices in other Federal agencies and the private sector.

Department management agreed with the recommendation. (CR-B-97-04)

AUDIT DISCLOSES IMPROPER ACCOUNTING FOR COSTS CLAIMED UNDER DEPARTMENTAL INTERAGENCY AGREEMENTS

In 1986, the Department of Energy entered into a work-for-others agreement with the Department of the Air Force to provide technical assistance in support of environmental compliance issues. Lockheed Martin Energy Systems' (Energy Systems) Hazardous Waste Remedial Actions Program (HAZWRAP) supported the Department in fulfilling its responsibilities to the Air Force.

An Office of Inspector General audit found that Energy Systems did not properly manage and account for costs claimed under its interagency agreements for HAZWRAP. Specifically, Energy Systems transferred costs among accounts to avoid overruns and to use the maximum funds authorized by HAZWRAP customers. By avoiding cost overruns, Energy Systems hoped to receive higher award fees from the Department. As a result of its actions, Energy Systems mischarged one HAZWRAP customer by $504,750.

The audit report recommended that the Oak Ridge Operations Office (1) direct Energy Systems to ensure that existing management controls are adhered to and that adequate management controls are maintained; (2) determine the allowability of $504,750 in questioned costs, recover the appropriate amount from Energy Systems, and refund mischarged amounts to the appropriate customers; and (3) perform a "for cause" review of the Work-for-Others Program to identify, recover, and refund amounts received by Energy Systems as the result of improper cost transfers.

Department management concurred with the finding and recommendations and agreed to take appropriate action. (ER-B-97-04)

PERFORMANCE MEASURE: *Audit/Inspection Savings, Recoveries, and Funds Identified for Better Use*

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

SHUTDOWN OF MOUND PLANT COULD SAVE $4 TO $8 MILLION ANNUALLY

The Office of Inspector General performed an audit to determine if the shutdown and transition of the Mound Plant were progressing efficiently and effectively. More specifically, the audit was to determine if keeping a portion of the Mound Plant open solely to support the isotopic heat sources and radioisotope thermoelectric generators (HS/RTGs) was in the best interest of the Department and the Government.

The audit found that, in contrast to the goal of the Nonnuclear Consolidation Plan, the Department intended to keep a portion of the Mound Plant open solely to perform work for other Federal agencies. Specifically, the Department has decided to continue assembling and testing HS/RTGs at the plant despite the transfer or planned transfer of all other production operations. This decision was made without adequately considering the Department's overall economic goals. As a result, the Department may incur $4 million to $8.5 million more than necessary each year to continue HS/RTG operations at the Mound Plant. Additionally, if the HS/RTG operations remain at the Mound Plant, the Department will spend at least $3 million to move the operations into new facilities.

The audit recommended that the Director, Nuclear Energy, suspend the consolidation of HS/RTG activities at the Mound Plant and transfer the function to the alternate Departmental site that is most economically advantageous.

In response to the audit, management said it would perform a thorough review to determine the most economically advantageous site for HS/RTG functions. (IG-0408)

AUDIT DISCLOSES APPROXIMATELY $23.8 MILLION IN CONTRACT OVERCHARGES

At the request of the Department of Energy's Western Area Power Administration (WAPA), the Office of Inspector General audited 17 areas of possible overcharges on a power contract between Western and Basin Electric Power Cooperative (Basin). The contract for Western's purchase of electric power for Basin was entered on April 15, 1982, and was effective from January 1, 1986, through October 31, 1990. During this time, Basin billed WAPA approximately $197.6 million.

The audit found that Basin overcharged WAPA approximately $23.8 million. These overcharges were made because Basin (1) did not recognize or amortize as gain its overestimate of completion and correction costs for Antelope Valley Station (AVS) unit 2; (2) did not amortize the gain on the sale/leaseback of AVS Unit 2 as an offset to lease costs; (3) billed WAPA prematurely for lease and interest costs; (4) overcharged for the cost of coal by including administrative and general expenses and profit, as well as

incorrectly calculating discounts, royalty payments and imputed interest costs; (5) made faulty calculations of amortization rates for deferred costs; (6) used a shorter depreciation period for AVS common facilities than it had used for other power plants; (7) retained tax benefit transfers; and (8) charged WAPA for interest and depreciation that had been paid by others.

In addition to the $23.8 million in overcharges, the audit estimated interest accrued on the overcharges through December 31, 1996, to be approximately $22.1 million, resulting in a total of $45.9 million due WAPA.

The audit recommended that WAPA seek a refund from Basin of $23,843,592, plus interest accrued from January 1, 1986, to the date such refund is received.

The WAPA Administrator concurred with the Office of Inspector General recommendation and stated that WAPA was working to reach closure on the issue of overcharges made by Basin. (IG-0409)

AUDIT FINDS MORE DATA IS NEEDED TO DETERMINE COST EFFECTIVENESS OF CONTAMINATED SITE REMEDIATION

The Department of Energy's Los Alamos Environmental Restoration Program is charged with remediating contaminated sites in a cost effective manner. An Office of Inspector General audit determined that Los Alamos did not generate the information needed to assess whether specific sites were remediated cost effectively. This situation occurred because the performance criteria used to evaluate cost effectiveness were not always reasonable, measurable, and complete. As a result, neither Los Alamos nor the Department could evaluate the cost effectiveness or progress of the remediation program or accurately budget for upcoming remediation activities.

The audit also showed that Los Alamos' sample validation procedures were not cost effective. The Office of Inspector General review determined that Los Alamos validated more samples than called for by Federal and New Mexico standard practices. Los Alamos paid up to $540,000 more than necessary to validate results.

The audit recommended that the Manager, Albuquerque Operations Office (1) require Los Alamos to track detailed cost data; (2) incorporate a performance measure that would evaluate how well actual costs compare to planned baseline cost data; and (3) require Los Alamos to follow the guidance established by the Environmental Protection Agency and the New Mexico Environment Department.

Department management concurred with the recommendations and agreed to implement substantive changes in Los Alamos' Environmental Restoration Program. (IG-0410)

PERFORMANCE MEASURE: *Audit/Inspection Savings, Recoveries, and Funds Identified for Better Use*

ROCKY FLATS NEEDS TO IMPROVE ITS USE OF PERFORMANCE-BASED CONTRACTS

The Department of Energy uses performance-based contracts and cost reduction incentive programs to motivate contractors to reduce costs by employing innovative practices; and to encourage and reward superior, results-oriented performance through a clearly defined performance measure incentive program. An Office of Inspector General audit found that the Rocky Flats Field Office approved three Kaiser-Hill Company cost reduction proposals that did not meet the Department's basic criteria on cost reduction proposals. These proposals, valued at $16 million, were not innovative and generally did not return savings to the Department. Rocky Flats, however, awarded Kaiser-Hill almost $5.6 million for its share of those proposals. Because Kaiser-Hill did not always return savings as stipulated in the Department's guidance, Rocky Flats used program funding to pay Kaiser-Hill for the proposals.

In addition, the audit disclosed that the Kaiser-Hill contract included performance measures that were not always supported by objective data, were not structured to encourage and reward superior performance, and were often focused on a process rather than the results of that process. For meeting such performance measures, Rocky Flats paid about $6.9 million in incentive fees.

The audit report recommended that the Office of Procurement and Assistance Management and the Rocky Flats Field Office take several corrective actions.

Department management generally concurred with the recommendations. (IG-0411)

PROPOSED ACQUISITION OF ADDITIONAL LAND COULD LEAD TO APPROXIMATELY $655,000 TO $2.2 MILLION IN UNNECESSARY COSTS

The U.S. Department of Energy obtained an appraisal and developed a cost estimate to acquire 78 to 100 acres of privately held land adjoining the Fernald Environmental Project (FEMP) as a buffer zone for its waste disposal facility. The Office of Inspector General conducted an audit to determine whether the proposed purchase of land was essential to support the site's mission.

Federal and Department Property Management regulations state that executive agencies may only acquire and retain land that is necessary to support mission related activities. The Department proposed, however, to acquire 78 to 100 acres of land adjoining the FEMP even though current land holdings met the minimum mission requirements. The Department obtained an appraisal and developed a cost estimate to acquire the additional land without confirming that a valid need for the land existed. Acquisition of such land would unnecessarily cost the Department approximately $655,000 to $2.2 million. Additionally, the Department could incur unnecessary maintenance and security costs to maintain the land after acquisition.

The Office of Inspector General recommended that Department management

dismiss the proposal to acquire the additional land.

Department management agreed with the recommendation, stating that the acquisition could not be justified at this time. Management did not, however, agree with the finding that the Department obtained an appraisal and developed a cost estimate without confirming that a valid need for the land existed. Management stated that the appraisal and costs estimate were principal and necessary to determining whether a need for the land existed. (ER-B-97-03)

AUDIT DISCLOSES UNALLOWABLE CONTRACTOR SALARY INCREASE COSTS

The Department of Energy Acquisition Regulation requires that contractor salary actions be within specific limitations, supportable, and approved prior to incurrence of costs. In addition, the Secretary of Energy imposed a 1-year salary freeze on the merit portion of management and operating contractor employee salaries for each contractor's Fiscal Year 1994 compensation year.

A review of eight major contractors showed that six complied with the Department's policies on salary increases. The other two, Lawrence Livermore National Laboratory and Lawrence Berkeley National Laboratory, gave salary increases that were not always in accordance with Departmental policies. This occurred because these contractors did not implement and contracting officers did not properly enforce contract and Department requirements, and contracting officers did not properly monitor salary expenditures. As a result, both contractors did not fully comply with the Secretary's pay freeze in 1994. This resulted in unallowable costs of about $1.1 million at Livermore and about $267,000 at Berkeley. Also, both contractors incurred questionable costs in 1995, about $2.6 million at Livermore and about $31,000 at Berkeley, by exceeding their salary increase budgets.

The Office of Inspector General recommended that Department management require (1) contracting officers and contractors to define which employees will be included in the salary increase fund, (2) contractors to implement contract terms, and (3) contracting officers to enforce contract terms and properly monitor salary increase funds. Furthermore, the audit recommended the recoupment of unallowable costs of about $1.1 million at Livermore and about $267,000 at Berkeley in Fiscal Year 1994 and that a determination be made on the $3.4 million of questionable costs for Fiscal Year 1995.

Although Department management agreed with two of the three recommendations, it did not agree with the amount of unallowable costs stated in the report or that there were any unallowable costs for 1995. (CR-B-97-02)

PERFORMANCE MEASURE: *Audit/Inspection Savings, Recoveries, and Funds Identified for Better Use*

CONTRACTORS PAID ABOUT $130,000 IN QUESTIONABLE EMPLOYEE EDUCATIONAL ASSISTANCE COSTS DUE TO INADEQUATE INTERNAL CONTROLS

A change in mission, coupled with the Department of Energy's (Department) downsizing and the consolidation of three management and operating contractors, required the Department's Nevada Operations (Nevada) to reduce its management and operating contractor staffing. Under work force reductions, Federal, Department, and Nevada policies authorize the Department and its contractors to provide educational assistance to employees impacted by work force reductions.

An Office of Inspector General audit found that management and operating contractor training records on displaced employees were not accurate and that, as a result, contractors incurred questionable costs. These costs consisted of contractors paying for training classes that employees had not requested, duplicate payments being made to vendors, overpaying vendors, and paying for courses that employees did not complete. Additionally, the audit found that contractors made record keeping errors including posting transactions to the wrong employee accounts and not posting refunds properly. As a result, Department contractors erroneously paid at least $130,000.

The audit recommended that Department management instruct the contractors to review all terminated employee training files to reconcile the payment data with the training records, verify the date with the employee, and make appropriate adjustments to the records; recover all erroneous payments; document the administrative practices and procedures used to manage employee assistance; and reconcile the various training records used to track educational assistance on a regular basis.

Department management concurred with the findings and recommendations. (WR-B-97-05)

SUBSTANTIAL SAVINGS COULD BE REALIZED THROUGH IMPLEMENTATION OF COST AND BENEFIT ANALYSES

The Department of Energy should renovate and construct only facilities that satisfy mission needs at the least cost.

An Office of Inspector General audit found that Lawrence Livermore National Laboratory (Livermore) was pursuing three construction projects, valued at $78 million, even though it had not demonstrated that it had selected the best alternatives for meeting the Department's needs while minimizing cost. Livermore was able to pursue these projects because the Department's Oakland Operations Office (Oakland) did not ensure that the laboratory had performed cost and benefit analyses of all alternatives. Further, Oakland did not establish benchmarks to assess the reasonableness of the total costs of designing, constructing, and managing these projects. As a result, it was likely that the Department was spending more than necessary on renovation and new construction projects at Livermore.

Although the projects met mission needs, the Office of Inspector General recommended that the Manager, Oakland (1) require Livermore to perform analyses of

expected costs and benefits for alternatives; (2) evaluate the adequacy of Livermore's cost and benefit analyses of alternatives; (3) establish benchmarks based on industry and other government agency cost data to assess the reasonableness of Livermore's total design, construction, and project management costs; and (4) select the alternative that meets established needs at the least cost to the Government.

Oakland agreed with the recommendations and will implement them starting with the Fiscal Year 1999 project submission and validation. (WR-B-97-06)

REDUCTION IN COMPUTER ACQUISITION COSTS COULD RESULT IN ANNUAL SAVINGS OF ABOUT $750,000

An Office of Inspector General audit showed that Lockheed Martin Idaho Technologies Company (Lockheed Martin) did not always pay the lowest possible prices for desktop computers because its standard desktop computer configuration was excessive. Additionally, some desktop computers that Lockheed Martin acquired exceeded its established standard and were not fully justified according to established policies and procedures. Further, the audit found that Lockheed Martin purchased desktop computers from a local vendor rather than a less costly alternative source and did not pursue the possibly more economical option of leasing computers.

The audit report recommended that the Idaho Operations Office reduce computer acquisition costs by having Lockheed Martin establish and adhere to a more conservative standard configuration for computers, use alternative sources of supply, and reevaluate the feasibility of leasing rather than continuing to purchase computers. By implementing these recommendations the Office of Inspector General estimates that the Department could save approximately $750,000 annually.

Management concurred with the recommendations. (WR-B-97-07)

PERFORMANCE MEASURE: *Legislative and Regulatory Compliance Related To Office of Inspector General Recommendations*

Explanation: *Based on Office of Inspector General recommendations, Department adoption of principles and guidance contained in statutes, executive orders, and U.S. Code of Federal Regulations.*

MANAGEMENT AND OPERATING CONTRACTORS UNDERREPORT OCCUPATIONAL SAFETY WORK-RELATED INJURIES AND ILLNESSES

An Office of Inspector General audit disclosed that management and operating contractors were not reporting all significant work-related injuries or illnesses as required by Departmental and Occupational Safety and Health Administration (OSHA) guidelines. Through an analysis of selected medical and workers compensation data for contractors at the Savannah River and Lawrence Livermore sites, the audit identified 111 of 237 cases during Calendar Year 1995 that were improperly categorized as minor. These cases should have been reported to the Department as significant injuries or illnesses. The audit indicated that this information was underreported because contractor personnel did not obtain sufficient medical, restricted work activity, or lost worktime information relating to the injuries or illnesses, or they did not properly interpret OSHA reporting requirements. In addition, the Department did not have a systematic process for periodically validating the completeness and accuracy of contractor generated injury and illness data.

The failure to properly report injuries or illnesses is a recurring problem at Departmental contract facilities. For example, a December 1990 OSHA review determined that reporting problems at about 50 percent of the Department's contract facilities covered in its review had underreported employee lost workdays and had improperly applied work restrictions. Also, a 1994 Office of Inspector General audit disclosed that the Department had overpaid award fees to a contractor because it relied on contractor data that significantly understated the extent of illnesses and injuries.

The audit report recommended that the Savannah River and Oakland Operations Offices ensure that their contractors take action to correct the occupational injury and illness recordkeeping problems identified in the report. The report also recommended that the Department examine all contractor programs and issue additional guidance delineating OSHA recording requirements.

Management generally concurred with the finding and recommendations noting that corrective actions have been initiated to improve the occupational injury and illness recordkeeping and reporting process. (IG-0404)

INSPECTION IDENTIFIES DEFICIENCIES IN CONTRACTOR PROCUREMENT PROCESS

During this reporting period, the Office of Inspector General received an allegation regarding possible kickbacks in a proposed Westinghouse Savannah River Company (Westinghouse) subcontract with the Computer Sciences Corporation (CSC) for outsourcing information technology. While an investigation did not substantiate the allegation, the Office of Inspector General found that Westinghouse's selection of CSC for

this proposed subcontract had possibly involved significant deviations from procurement rules and regulations. A multidisciplinary review by the Office of Inspector General was conducted to determine if Westinghouse used appropriate procurement rules and regulations in selecting CSC as a proposed subcontractor.

In December 1996, the Department's Savannah River Operations Office disapproved Westinghouse's proposed subcontract with CSC because it disagreed with Westinghouse's legal analysis that concluded that the proposed CSC procurement met the requirements of the Department of Energy Acquisition Regulation. Although Savannah River officials disapproved the subcontract, the Office of Inspector General completed its review and issued a report to address some management and possible future procurement issues. Westinghouse and Savannah River officials stated that the Department of Energy Acquisition Regulation should be the basis for determining the propriety of the CSC procurement process. That regulation provides, in part, that a contractor's procurement system should ensure the use of effective competitive techniques, adequate documentation, and fair and reasonable pricing.

The Office of Inspector General review found that Westinghouse (1) did not use effective competitive techniques regarding both the solicitation and evaluation of bids for this procurement; (2) failed to maintain adequate file documentation appropriate to the value of the proposed procurement; and, (3) had not ensured that the pricing of the proposed subcontract was fair and reasonable. In addition, the Office of Inspector General learned of several activities that could provide CSC with an unfair competitive advantage in future procurements of information technology services at Savannah River. One such activity was that CSC had up to 30 employees at Savannah River during the proposed subcontract's negotiation process.

The Office of Inspector General report recommended that Department management direct Westinghouse to (1) conduct any future procurements of outsourcing information technology support services in accordance with the requirements of Westinghouse's approved procurement procedures; and (2) ensure that any potential unfair competitive advantage provided to CSC in competing for future information technology procurements at Savannah River is considered and mitigated, as appropriate.

Department management concurred with both recommendations. (IG-0406)

PERFORMANCE MEASURE: *Legislative and Regulatory Compliance Related To Office of Inspector General Recommendations*

THE DEPARTMENT COULD MAKE GREATER USE OF FIXED PRICE CONTRACTS TO OBTAIN SUPPORT SERVICES

The Office of Inspector General performed a followup audit on actions taken in response to a July 1990 audit report on "Procurement of Support Services for the Energy Information Administration" (Energy Information Administration) (CR-OC-90-2). The followup audit found that Procurement and the Energy Information Administration had made little progress in developing the defined statements of work necessary for fixed-priced contracting. The 1990 audit disclosed that over 50 percent of the work under six of the cost-reimbursement contracts examined was recurring and could have been estimated with a reasonable degree of accuracy, making the work suitable for fixed-price contracting. None of the 14 Energy Information Administration contracts active in 1996, valued at $202 million, were fixed-price contracts.

The audit recommended that the Energy Information Administration take advantage of the recently enacted Federal Acquisition Streamlining Act. The Act allows task-by-task contracting and should facilitate the use of fixed-price contracting when the Energy Information Administration segregates out those tasks that can be estimated with a reasonable degree of accuracy.

The Administrator, Energy Information Administration, agreed with the finding and recommendation and stated that management is committed to establishing guidelines and policies for best value contracting. Actions are underway to identify tasks where the work to be performed can be estimated with a reasonable degree of accuracy, and Energy Information Administration planned to award a fixed-price task order in August 1997. (CR-B-97-03)

FORMER OPERATIONS OFFICE EMPLOYEE VIOLATES FREQUENT FLYER PROGRAM POLICY

The Office of Inspector General received an allegation concerning possible frequent flyer abuse by a former operations office employee. An Office of Inspector General inspection found that the former employee made personal use of frequent flyer miles obtained from official Government travel. Specifically, it was determined that the former employee used 120,000 frequent flyer miles earned from Government travel for six personal trips for himself and members of his family in violation of Departmental Order 1500.2A, Travel Policy and Procedures. The Order prohibits Department employees from making personal use of frequent flyer miles obtained from official Government travel. The Office of Inspector General recommended that Department management take action to collect the full value of the tickets for the six personal trips.

PERFORMANCE MEASURE: *Legislative and Regulatory Compliance Related To Office of Inspector General Recommendations*

Department management concurred with the recommendation and the former employee reimbursed the Department $2,730. (S95IS007)

OAK RIDGE OPERATIONS CONTRACTOR VIOLATES RESOURCE CONSERVATION AND RECOVERY ACT PERMIT REQUIREMENTS

The Office of Inspector General's Office of Investigations received a referral concerning possible violations of the Resource Conservation and Recovery Act (RCRA). The allegation involved falsification of daily inspection reports by contractor personnel at the Department's Oak Ridge Y-12 facility. The RCRA permit required daily inspections of a particular tank farm at the Y-12 facility.

The investigation confirmed the allegations and the U.S. Attorney's Office for the Eastern District of Tennessee recommended administrative action in lieu of prosecution. The Office of Investigations coordinated this matter with the Environmental Protection Agency's (EPA) Compliance Division. The EPA Compliance Division assessed the contractor with a $22,500 administrative penalty as a result of the violation. (I95OR017)

PERFORMANCE MEASURE: *Complaints Resolved*

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

FALSE CLAIMS FOR CRUDE OIL REFUNDS ARE SUBMITTED TO THE DEPARTMENT

The Office of Inspector General received an allegation from the Department's Office of Hearings and Appeals that an individual had submitted 22 false crude oil refund applications. The Office of Inspector General conducted a joint investigation with the Internal Revenue Service, the U.S. Probation Service, and the State Department which confirmed that the individual submitted 22 false refund applications totaling over $1 million and received $173,208 in refunds.

The individual was indicted by a Federal grand jury for mail fraud; wire fraud; false claims; use of a false social security number; false statement in a passport application; scheme to falsify, conceal and cover-up; obstruction of justice; and money laundering. As a result of a guilty plea, he was sentenced to 41 months imprisonment. Additionally, the individual and 22 associated companies were debarred from receiving Federal financial assistance, non-financial assistance, and benefits pursuant to any Federal programs or activities for a period of 3 years. (I93DN002)

EMPLOYEE USES GOVERNMENT TIME AND EQUIPMENT TO CONDUCT PERSONAL BUSINESS

The Department's Rocky Flats Field Office reported to the Office of Inspector General that a Department employee was allegedly using Government computer and telecommunications equipment to conduct personal business during work hours. In addition, it was alleged that the employee had loaded unauthorized personal software on his Government computer. The investigation determined that the employee acquired two unauthorized telephone lines, connected an unauthorized fax/modem to his Government computer, accessed the internet using the unauthorized modem, breached the site computer firewall system (potentially exposing the site to possible intrusion), downloaded files from the internet, loaded unauthorized personal software (America Online) on his Government computer, created and used personal files on his Government computer, and used a Government fax machine for personal business.

As a result of an Office of Inspector General Administrative Report to Management, the Department took corrective action. The employee received a 2-day suspension, was removed as a property custodian at the site, and was counseled regarding the proper use of Government property. (I97DN005)

PERFORMANCE MEASURE: *Complaints Resolved*

DEPARTMENT EMPLOYEE VIOLATES DEPARTMENT POLICY REGARDING COMPUTER USAGE

The Department's Savannah River Operations Office provided information to the Office of Inspector General that a Department employee misused a Government computer to access the Internet for non-government activities. The investigation determined that the employee accessed sexually oriented web sites and placed a sexually explicit advertisement on the Internet.

The case was referred to the U.S. Attorney's Office for the District of South Carolina where it was declined for prosecution in lieu of administrative remedies.

As a result of an Office of Inspector General Administrative Report to Management, the Department took corrective action. The employee was placed on a 20-day suspension without pay and required to receive counseling under the Employee Assistance Program. In addition, the employee's system access authorization was suspended throughout the disciplinary period. (I97SR007)

MANAGER USES GOVERNMENT TIME AND EQUIPMENT TO CONDUCT PRIVATELY OWNED BUSINESS

The Office of Inspector General received an anonymous letter which alleged that a Department manager at the Nevada Operations Office conducted his privately owned business during official duty hours and used Government equipment in doing so An Office of Inspector General investigation substantiated the allegation.

As a result of the investigation, the Office of Inspector General issued an Administrative Report to Management to the Manager of the Nevada Operations recommending that appropriate action be taken to ensure that the manager would not allow his personally owned business to interfere with his Department responsibilities.

The Nevada Operations Office Manager issued a Letter of Reprimand to the Department manager; directed the Department manager to review applicable Departmental regulations; directed the Department Manager to reimburse the Department for personal long distance calls; and imposed an increased level of supervision for 1 year. (I96LL014)

CONTRACTOR EMPLOYEE REPRISAL COMPLAINTS

The Office of Inspections conducted numerous inquiries into reprisal allegations and issued Reports of Inquiry, most pursuant to 10 C.F.R. Part 708. Copies of findings were provided to Department management, involved contractors, and complainants. Complaints concerned contractor employees allegedly making protected disclosures regarding fraud, waste, abuse, mismanagement, or health and safety issues that contribute to adverse actions being taken against them. The following are examples of the findings and recommendations of the reprisal inquiries:

- A complaint was received by a contractor employee who disclosed that performance test logs of a radiation measuring instrument indicated that he had tested the performance of such instrument on a day when he was on leave.

The complainant alleged that, after making such disclosure, various supervisors retaliated against him over a period of almost 5 years which led to the termination of his employment. The contractor claimed it fired the employee because the employee conducted personal business during work hours. The Office of Inspector General inquiry concluded that the complainant's disclosure was "protected," pursuant to Part 708, however, the evidence did not support a finding that the complainant's protected disclosure contributed to his employment termination. (S96IS024)

- A complainant alleged that his disclosure concerning excessive mandatory overtime imposed upon security personnel contributed to his employment termination. The contractor claimed that the complainant's employment was terminated as a result of an incident in which the complainant allegedly sprayed another employee with "pepper spray" as well as another incident where the complainant displayed aggressive behavior. The Office of Inspector General inquiry concluded that the available evidence did not indicate that the complainant had made a protected disclosure, pursuant to Part 708, and that the complainant's employment was terminated for reasons unrelated to the alleged disclosure. (S96IS049)

- A complainant made various disclosures to management officials and the Office of Inspector General concerning a supervisor. The complainant alleged that the supervisor (1) gave preferential treatment to certain young female employees; (2) subjected the complainant to embarrassing comments; and (3) excluded the complainant from meetings. The complainant alleged that the supervisor retaliated as a result of the disclosures by having the complainant's duties reassigned, allowing other employees to interfere with the complainant's work, and coercing the complainant into accepting retirement. The Office of Inspector General's inquiry concluded based on the available evidence that it did not appear that the actions taken were retaliatory, or that the employee was coerced into accepting retirement. (S96IS036)

- A quality assurance and safety manager made health and safety disclosures and attempted to suspend construction work pending a safety determination. The project manager strongly objected to the complainant's attempt to suspend work and overruled the complainant's proposal. Incidentally, the project manager was the son of the contractor president. The contractor president terminated the complainant's employment, citing the complainant's performance in protecting worker safety. The Office of Inspector General inquiry concluded based on the available evidence that the complainant's protected activity in attempting to suspend work and to evaluate a safety issue contributed to his employment termination. The Office of Inspector General recommended an award of back pay and benefits for the duration of the project period, including reasonable costs and expenses. (S96IS067)

PERFORMANCE MEASURE: *Investigation Recoveries/Fines and Funds Identified for Better Use*

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

CONTRACTOR EMPLOYEE PROFITS FROM SALE OF STOLEN GOVERNMENT PROPERTY

Department officials from the Pinellas Area Office informed the Office of Inspector General that a contractor employee stole proceeds from scrap metal sales at the Pinellas Plant. The investigation determined that the Pinellas Plant could not account for $53,298 in cash proceeds from the sale of scrap metals.

The investigation revealed that for at least 10 years the Pinellas Plant did not adequately control, monitor, and record the sale of scrap metals. Under an informal system, a contractor employee loaded and transported scrap metal to a local scrap dealer, sold the metal for cash, then turned the cash over to a supervisor. The supervisor turned the cash over to a contractor cashier. The contractor had not implemented a system to record the number of scrap sales made, the types of metals sold, or the dates and amounts of cash proceeds. The contractor's records showed that $21,838 had been deposited with its cashier for scrap metal sales. However, records from the scrap metal dealer indicated that it had purchased $75,135 worth of scrap metal from the Pinellas Plant. The contractor terminated the employment of the employee who sold the scrap.

An Office of Inspector General Administrative Report to Management was issued to the Manager, Pinellas Area Office, requesting the Department recover the missing $53,298 from the contractor. In response to the report, the Department recovered $31,311 which represented funds unaccounted for while the current contractor operated the facility. (I95SR013)

DEPARTMENT AND CONTRACTOR EMPLOYEES STEAL GOVERNMENT EQUIPMENT AND FUNDS

The Office of Inspector General completed three investigations that substantiated the theft of Department of Energy property and funds. One investigation determined that a contractor employee at the Federal Energy Technology Center--Pittsburgh stole computer equipment valued at $3,300 and resold it for personal profit. The Office of Inspector General was able to recover the equipment and the subject was charged with receiving stolen property. Thereafter, the subject entered a pre-trial diversion program.

A second investigation disclosed that several Department of Energy Headquarters employees improperly obtained Department funds by submitting fraudulent travel authorizations for ghost employees and claiming invalid overtime. Three of the employees were convicted for theft of Government property. The investigation resulted in the recovery of $28,000 in fines and restitution.

A third investigation disclosed that another Department of Energy Headquarters

employee submitted false time and attendance claims in the amount of $12,800. The investigation revealed that the employee submitted inflated overtime claims and failed to fully report annual leave hours taken. The subject pleaded guilty to a charge of theft of Government property. (I97PT003, I95HQ028, I94HQ028)

A DEPARTMENT OF ENERGY WEATHERIZATION SUBGRANTEE SUBMITS UNSUPPORTED CLAIMS

The Office of Inspector General received information from the Federal Bureau of Investigation that a U.S. Department of Energy Weatherization Assistance Program subgrantee may have defrauded the Government.

A joint task force investigation determined that the subgrantee did not have adequate documentation to support many of the homes it claimed to have weatherized. This resulted in the primary grantee overpaying the subgrantee for homes that were never weatherized.

An Administrative Report to Management recommended the recovery of funds for unsupported weatherization projects. The Contracting Officer reported that the grantee reimbursed the Department $75,280.23 for the subgrantee's unsupported costs. (I95AL035)

TWO FORMER COMMUNITY ACTION AGENCY DIRECTORS FRAUDULENTLY OBTAIN FEDERALLY FUNDED WEATHERIZATION FUNDS

A joint investigation between the Office of Inspector General and the Federal Bureau of Investigation confirmed allegations that a community action agency in Lansing, Michigan, had fraudulently obtained Federal funds, including the Department's weatherization funds. The investigation focused on allegations of bribery, kickbacks, theft, and embezzlement from a federally funded program. The investigation led to criminal indictments against two former directors of the agency. One of the former directors pleaded guilty, was sentenced to 30 months incarceration, and fined $18,000. The other former director was apprehended as a fugitive in November 1996. He was sentenced to 10 years imprisonment and ordered to pay $150,000 in restitution. (I90CH007)

DEPARTMENT EMPLOYEE ILLEGALLY OBTAINS PENSION AND SALARY BENEFITS

The Office of Inspector General received an allegation that a Department of Energy employee submitted false Government employment documents to obtain pension and salary benefits to which she was not entitled. The Office of Inspector General

conducted a joint investigation with the Office of Personnel Management's Office of Inspector General. The investigation resulted in the employee pleading guilty to one count of Theft of Government Property. The employee was sentenced to 6 months home detention with electronic monitoring, and 1 year probation. The employee was also ordered to pay restitution of $100,483 and was levied a fine of $2,944. (I96RL015)

OAK RIDGE OPERATIONS SUBCONTRACTOR EMPLOYEE IS CONVICTED FOR SUBMITTING FALSE TIME CARDS

The Office of Inspector General received an allegation from an Oak Ridge Operations Office contractor that a subcontractor employee had obtained wages for days he did not work. The investigation determined that the subcontractor employee had submitted fraudulent time cards from January 1993 through November 1994. The investigation was referred to the U.S. Attorney's Office for the Eastern District of Tennessee. The subcontractor employee pleaded guilty to one count of false claims. He was sentenced to 4 months imprisonment and 4 months home confinement, and was assessed a $50 fine. The employee reimbursed the subcontractor $44,542 and the subcontractor reimbursed the Department $49,062 (cost of the fraudulent wages plus administrative costs). (I95OR004)

SUBCONTRACTOR EMPLOYEE SUBMITS FRAUDULENT TRAVEL VOUCHERS

The Office of Inspector General received allegations from an Albuquerque Operations Office contractor alleging that a Sandia National Laboratories, New Mexico (SNL), employee submitted fraudulent travel claims.

The investigation determined that the former SNL employee submitted and received reimbursement for 59 travel vouchers for trips that never occurred. The fraudulent travel vouchers totaled $10,433.

The investigation also disclosed that the value of the former employee's time traveling to fictitious destinations totaled $10,295.

As a result of the investigation, the SNL employee's employment was terminated and an investigative report was provided to the U.S. Attorney's Office, District of New Mexico. The employee signed a negotiated Pretrial Diversion which required her to pay restitution of $20,728. (I96AL019)

SECTION III

REPORTS ISSUED

The 59 Office of Inspector General reports issued during this semiannual reporting period are listed in three categories: operational and financial audit reports, and inspection public reports. Significant financial results associated with each report are also presented when applicable.

REPORTS ISSUED

OPERATIONAL AUDIT REPORTS

IG-0402 Audit of the Management of the Department of Energy's Leased Administrative Facilities, April 1, 1997
Savings: $112,000,000

IG-0403 Audit of the Use of Intra-Departmental Requisition, May 2, 1997

IG-0404 Audit of Department of Energy Contractor Occupational Injury and Illness Reporting Practices, May 7, 1997

IG-0405 Audit of the Savannah River Site's Quality Control Program for Groundwater Sampling, May 20, 1997
Savings: $2,250,000

IG-0407 Audit of the Department of Energy's Scientific and Technical Information Process, June 17, 1997

IG-0408 Audit of Shutdown and Transition of the Mound Plant, June 24, 1997
Savings: $23,000,000

IG-0409 Audit of the Western Area Power Administration's Contract With Basin Electric Power Cooperative, June 25, 1997
Questioned Costs: $45,917,003

IG-0410 Audit of Environmental Restoration at the Los Alamos National Laboratory, July 15, 1997
Savings: $2,700,000

IG-0411 Audit of the Contractor Incentive Programs at the Rocky Flats Environmental Technology Site, August 13, 1997
Questioned Costs: $12,500,000

CR-B-97-02 Audit of Department of Energy's Contractor Salary Increase Fund, April 4, 1997
Questioned Costs: $3,431,000 Savings: $1,367,000

CR-B-97-03 Followup Audit on the Procurement of Support Services for the Energy Information Administration, May 16, 1997

REPORTS ISSUED

CR-B-97-04 Audit of Controls Over the ADP Support Services Contract, August 25, 1997
Savings: $6,000,000

CR-L-97-05 Audit of the Federal Energy Regulatory Commission's Annual Charges, May 9, 1997

CR-L-97-06 Survey of the Department's Headquarters Telephone Lines and Related Equipment, August 20, 1997

ER-B-97-03 Audit of Proposal to Acquire Land at the Fernald Environmental Management Project, June 5, 1997
Savings: $1,000,000

ER-B-97-04 Audit of Selected Hazardous Waste Remedial Actions Program Costs, August 11,1997
Questioned Costs: $504,750

WR-B-97-05 Audit of Work Force Restructuring Under Section 3161 of the National Defense Authorization Act, May 6, 1997
Questioned Costs: $130,000

WR-B-97-06 Audit of Renovation and New Construction Projects at Lawrence Livermore National Laboratory, June 9, 1997

WR-B-97-07 Audit of Desktop Computer Acquisitions at the Idaho National Engineering and Environmental Laboratory, August 25, 1997
Savings: $750,000

FINANCIAL AUDIT REPORTS

AP-FS-97-01 Audit of the Department's Integrated Payroll/Personnel System May 7, 1997

AP-FS-97-02 Audit of Departmental Integrated Standardized Core Accounting System (DISCAS) Operations at Selected Field Sites, June 6, 1997

REPORTS ISSUED

CR-FS-97-02 Management Report Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 1996, May 1, 1997

ER-FS-97-01 Report on Matters Identified at the Chicago Operations Office During the Audit of the Department's Consolidated Fiscal Year 1996 Financial Statements, April 4, 1997

ER-FS-97-02 Report on Matters Identified at the Strategic Petroleum Reserve During the Audit of the Department's Consolidated Fiscal Year 1996 Financial Statements, April 4, 1997

ER-FS-97-03 Report on Matters Identified at the Oak Ridge Operations Office During the Audit of the Department's Consolidated Fiscal Year 1996 Financial Statements, April 29, 1997

ER-FS-97-04 Report on Matters Identified at the Savannah River Operations Office During the Audit of the Department's Consolidated Fiscal Year 1996 Financial Statements, May 30, 1997

ER-V-97-04 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to DynMcDermott Petroleum Operations Company Under Department of Energy Contract No. DE-AC96-93PO18000, April 21, 1997

ER-V-97-05 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Lockheed Martin Energy Systems, Inc., and Lockheed Martin Energy Research Corporation Under Department of Energy Contract Nos. DE-AC05-84OR21400 and DE-AC05-96OR22464, May 9, 1997

ER-V-97-06 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Argonne National Laboratory Under Department of Energy Contract No. W-31-109-ENG-38 , June 5, 1997
Questioned Costs: $159,121

WR-FC-97-05 Western Area Power Administration's Boulder Canyon Power System FY1996 Financial Statement Audit, April 18, 1997

REPORTS ISSUED

WR-FC-97-06	Report on U.S. Department of Energy Naval Petroleum Reserve Number 1, Quarterly Financial Statements, December 31, 1996 and 1995, April 25,1997
WR-FC-97-07	Western Area Power Administration's Parker-Davis Power System FY 1996 Financial Statement Audit, April 28, 1997
WR-FC-97-08	Report on U.S. Department of Energy Naval Petroleum Reserve Number 1, Quarterly Financial Statements, March 31, 1997 and 1996, May 7, 1997
WR-FC-97-09	Report on U.S. Department of Energy Naval Petroleum Reserve Number 1, Quarterly Financial Statements, June 30, 1997 and 1996, August 12, 1997
WR-FS-97-02	Report on Matters Identified at the Idaho Operations Office During the Audit of the Department's Consolidated Fiscal Year 1996 Financial Statements, April 18, 1997
WR-FS-97-03	Report on Matters Identified at the Rocky Flats Field Office During the Audit of the Department's Consolidated Fiscal Year 1996 Financial Statements, April 23, 1997
WR-FS-97-04	Report on Matters Identified at the Richland Operations Office During the Audit of the Department's Consolidated Fiscal Year 1996 Financial Statements, April 25, 1997
WR-FS-97-05	Report on Matters Identified at the Albuquerque Operations Office During the Audit of the Department's Consolidated Fiscal Year 1996 Financial Statements, June 20, 1997
WR-V-97-02	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Battelle-Pacific Northwest National Laboratory Under Department of Energy Contract No.DE-AC06-76RL01830, May 2, 1997
WR-V-97-03	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Westinghouse Hanford Company Under Department of Energy Contract No. DE-AC06-87RL10930, May 8, 1997

REPORTS ISSUED

WR-V-97-04 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Mason & Hanger Corporation Under Department of Energy Contract No. DE-AC04-91AL65030, June 24, 1997

WR-V-97-05 Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Los Alamos National Laboratory Under Department of Energy Contract No. W-7405-ENG-36, August 1, 1997

INSPECTION PUBLIC REPORTS

IG-0406 Review of Proposed Subcontract for Outsourcing Information Technology June 2, 1997

INS-L-97-04 Inspection of Department's Math and Science Equipment Gift Program, April 24, 1997

INS-L-97-05 Inspection Report on the Department of Energy's Marshall Islands Medical Program, June 25, 1997

INS-L-97-06 Inspection Report of Funding and Building Code Compliance Relating to the Construction of Building 277a, Hanford Site, July 2, 1997

REPORTS ISSUED

INSPECTOR GENERAL REPORTS AVAILABILITY

On the Internet

Office of Inspector General 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 the reports at *gopher.hr.doe.gov*, selecting "Department of Energy Information" from the first menu, and then selecting "DOE Inspector General Reports." 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.gov*.

SECTION IV

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.

STATISTICS

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.

STATISTICS

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.

STATISTICS

AUDIT REPORT STATISTICS

April 1 through September 30, 1997

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:	6	$339,616,962	$45,804,800	$385,421,762
Those issued during the reporting period:	42	$98,198,874	$113,510,000	$211,708,874
Those for which a management decision was made during the reporting period:	26	$395,849,049	$122,914,800	$518,763,849
Agreed to by management:		*$49,766,880*	*$7,351,040*	*$57,117,920*
Not Agreed to by management:		*$323,086,479*	*$25,600,000*	*$348,686,479*
Those for which a management decision is not required:	13	$0	$0	$0
Those for which no management decision had been made at the end of the reporting period*:	9	$64,962,477	$126,363,760	$191,326,237

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

STATISTICS

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:	11	$9,339,750	$84,241
Those issued during the reporting period:	0	$0	$0
Those for which a management decision was made during the reporting period:	7	$2,621,670	$0
Value of disallowed costs:		*$418,722.60*	*$0*
Value of costs not disallowed:		*$2,202,947.40*	*$0*
Those for which a management decision is not required:	0	$0	$0
Those for which no management decision had been made at the end of the reporting period*:	4	$6,717,811*	$84,241

**This bottom line figure has been adjusted downward by $269 to the correct figure of $6,717,811 due to rounding on one monetary impact statement submitted to the Office of Inspector General.*

STATISTICS

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 completion of review of work papers, heavy work loads delaying the closing process, pending verification of overhead allocation methodology, and reviewing revised Cost Accounting Standards disclosure statements. 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.

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 *(Estimated date of closure: January 20, 1998)*
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 *(Estimated date of closure: March 31, 1998)*
WR-C-96-01	Review of Mason & Hangar-Silas Mason Company, Inc., Cost Accounting Standards Compliance, October 30, 1995 *(Estimated date of closure: March 31, 1998)*
ER-C-97-01	Report on the Interim Audit of Costs Incurred Under Contract No. DE-AC24-92OR21972 From October 1, 1994, to September 30, 1995, Fernald Environmental Restoration Management Corporation, Fernald, Ohio, December 20, 1996 *(Estimated date of closure: January 31, 1998)*

STATISTICS

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 *(Management's final decision on this report is awaiting resolution of one outstanding issue. It is estimated that this will occur by January 31, 1998.)*
WR-B-96-07	Subcontracting Practices at the Nevada Operations Office and its Management and Operating Contractor, May 10, 1996 *(Management's final decision on this report is pending the resolution of several complex issues. This should occur by February 15, 1998.)*
IG-0399	Audit of the U.S. Department of Energy's Identification and Disposal of Nonessential Land, January 8, 1997 *(The management decision is going before the Departmental Internal Control and Audit Review Council for resolution. This should occur by December 30, 1997.)*

STATISTICS

INVESTIGATIVE STATISTICS

The investigative statistics below cover the period from April 1 through September 30, 1997

Investigations open at the start of this reporting period:	294
Investigations opened during this reporting period	68
Investigations closed during this reporting period	44
Investigations open at the end of this reporting period	318
Debarments/Suspensions	32
Investigations Referred to Management for Recommended Positive Action	9
Complaints Referred to Management for Review and Followup	1
Administrative Disciplinary Actions Taken	9
Investigations Referred for Prosecution	16
Accepted◆	14
Declined◆	16
Indictments	6
Convictions	7
Pretrial Diversions	2
Fines, Settlements, and Recoveries◆◆	$1,953,963.59

◆*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	246
Complaints Received via the General Accounting Office	2
Total Complaints Received	248
Investigations Opened on Hotline Complaints	7
Complaints Resolved or Pending Resolution	143
Complaints That Required No Investigation by OIG	98
Total Complaints Disposition	248

STATISTICS

INSPECTION STATISTICS

The inspection statistics below cover the period from April 1 through September 30, 1997

Allegation-Based, Reprisal, and Management System Inspections

Inspections open at the start of this reporting period	190
Inspections opened during this reporting period	37
Inspections closed during this reporting period	56
Inspections open at the end of this reporting period	171
Reports issued◆	17
Allegation-based inspections closed after preliminary review	12
Reprisal complaint actions during this reporting period	23
Reprisal complaints dismissed	*12*
Reports of reprisal inquiry issued	*8*
Reprisal complaints settled	*2*
Reprisal complaints withdrawn	*1*
Inspection recommendations	
Accepted this reporting period	4
Implemented this reporting period	26
Complaints referred to Department management/others	152
Number of these referrals requesting a response for OIG evaluation	69
Personnel management actions taken as a result of inspections or complaints referred to management	15

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

FEEDBACK SHEET

The contents of the October 1997 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*.