



United States Government

Department of Energy

Memorandum

DATE: November 20, 2003

Audit Report Number: OAS-L-04-05

REPLY TO: IG-30 (A03AL036)

SUBJECT: Audit of Controls Over Expenditures Within the Office of Secure Transportation

TO: Michael Kane, Associate Administrator for Management and Administration

INTRODUCTION AND OBJECTIVE

The National Nuclear Security Administration's (NNSA) Office of Secure Transportation (OST) supports the Department of Energy's (Department) national security core programs by safely and securely transporting nuclear weapons, special nuclear materials, and components between Department facilities and Department of Defense destinations. OST's primary field facility locations are the Transportation Safeguards Training Center at Fort Chaffee, Arkansas, and its Federal Agent Facilities in Albuquerque, New Mexico; Amarillo, Texas; and Oak Ridge, Tennessee. OST's budget for Fiscal Year 2002 was about \$160 million.

At NNSA's request, the Office of Inspector General conducted the audit to determine whether OST funds were used for mission essential purchases.

RESULTS OF AUDIT

In order to accomplish its mission, OST routinely purchased goods and services that were appropriate to support intelligence, planning, communications, training, logistics, and personnel functions. However, the audit disclosed that OST also expended funds for items that were not required or did not significantly contribute to the mission of the organization. Some of the expenditures were made, in part, because OST management wanted to increase professionalism and "esprit de corps" within its organization. The Office of Inspector General recognizes the importance of such goals. However, the audit disclosed that the rationale and justification for these purchases was not always well documented.

Expenditures

The audit disclosed that, during 2001 and 2002, OST made purchases of about \$888,000 that appeared unnecessary or excessive.

Uniforms and Special Clothing Items

OST spent \$224,000 on uniforms and clothing even though these items were not necessary to meet its mission and did not significantly contribute to OST's performance.

- Historically, OST successfully accomplished its mission with a non-uniformed force. Past security considerations dictated that OST agents should maintain a "low profile," especially when in travel status. Yet, in Fiscal Year 2002, OST required its agents to wear uniforms when in travel status. According to OST personnel, the uniforms drew too much attention and OST changed its uniform policy. Currently, OST agents wear uniforms only when performing non-mission related duties such as training, equipment maintenance, and administrative tasks.
- OST also purchased "special" clothing – such as underwear, gloves, leather bomber jackets, parkas, and overalls – which were not required to accomplish its mission. In accordance with a Comptroller General decision, government employees are generally required to present themselves for duty properly attired according to the requirements of their positions. Without specific justification for the special clothing purchases, expenditures for these items appeared unnecessary.

Graduation Ceremonies

Beginning in December 2000, OST directed its employees (federal and contractor) to attend graduation ceremonies held to recognize new officers. About 100 OST personnel were required to travel to a training facility near Fort Smith, Arkansas, to attend each ceremony, which generally consisted of approximately half a day of speeches and presentations, the actual graduation, and an evening banquet. Some of those required to attend – including property specialists, finance specialists, and a health care worker – were not directly involved in the transportation of weapon components or special nuclear materials.

During the 2-year period audited, OST incurred about \$460,000 in travel-related costs associated with its biannual graduation ceremonies. We specifically noted that OST incurred at least \$380,000 in aircraft expenses, including fuel and maintenance costs. OST used fleet aircraft, which are maintained by the Department to meet the transportation requirements of the nuclear weapons production facilities, to transport personnel from Albuquerque, Amarillo, and Oak Ridge to Fort Smith. OST incurred about \$80,000 in additional travel costs for hotel rooms, car rentals, meals, and rental fees for the Convention Center in Fort Smith.

Furnishings and Equipment

OST purchased new or upgraded furnishings and equipment when existing items could have been used, such as:

- A tabletop terrain model of Fort Chaffee for about \$56,000 even though a similar model was available for use at no cost;

- Several new safes, even though replacing the locks on existing safes would have been less costly;
- Heavy-duty lockers for storing clothes and training documents rather than standard storage lockers; and,
- Russian KettleBell sets (used for weight lifting), even though the justification for the newer equipment provided no evidence that it was superior to the existing equipment.

Sport Utility Vehicle

OST purchased and modified a sports utility vehicle (Hummer) at a cost of about \$118,000. It was procured to perform certain tasks during over-the-road convoys, but the vehicle failed to perform as required. Currently, the vehicle is functioning as a pick-up truck to transport targets, equipment, and weapons.

Management Controls

In the late 1990s, OST, then known as the Transportation Safeguards Division, commissioned a review of its management operations. One of the review team's findings was that OST lacked the "esprit de corps" that can promote professionalism within a paramilitary-type organization. During our review, OST management confirmed to us that enhancing the organization's professionalism was a factor in some of the purchases highlighted in this report. Specifically, management believed that uniforms would enhance OST's cohesiveness, and that requiring all employees to attend the twice-annual graduation ceremonies would help build morale.

Although the Office of Inspector General recognizes the importance of these objectives, we found that OST funds were not always used in support of mission essential expenditures because:

- Justifications for purchases (such as for the Russian Kettle Bell sets) were not always clear;
- Basic cost-benefit comparisons were not performed, as illustrated by the Hummer and the procurement of the tabletop terrain model; and,
- NNSA Headquarters was not involved in decisions regarding the expenditure of funds, such as attendance at the graduation ceremony.

Without the transparent rationale, which would be provided by the justifications and cost-benefit analyses, and the oversight of expenditures by Headquarters, OST could not be held fully accountable for its expenditures.

Management of Funds

Based on the audit, we concluded that about \$888,000 in OST funds could have been better used to meet mission-related requirements. At the time these expenditures cited in the report were incurred, OST did not have sufficient funds available to meet basic mission requirements. Specifically, in FY 2001, OST had more than \$11 million in requirements – such as fleet maintenance and repairs – that were unfunded.

RECOMMENDATIONS

We recommend that the Associate Administrator for Management and Administration take the following steps to improve the control over expenditures at the Office of Secure Transportation:

1. Require that purchase requests contain clear mission-related justifications;
2. Require a documented rationale for procurements, including cost/benefit analyses as appropriate; and,
3. Establish management controls over OST procurements at a level above or outside of OST Headquarters.

MANAGEMENT REACTION

NNSA agreed with the recommendations to justify and document rationale for purchases and believes it has met the intent of the recommendation to establish management controls at a higher level with the restructuring of elements within NNSA. Since the restructuring, the Office of Secure Transportation reports directly to the Deputy Administrator for Defense Programs.

AUDITOR COMMENTS

Management's comments are responsive to our recommendations. The reorganization of NNSA elements, specifically the Office of Secure Transportation, is consistent with the intent of the third audit recommendation.

SCOPE AND METHODOLOGY

The audit was performed from October 2002 through July 2003 at the Office of Secure Transportation, Albuquerque, New Mexico; Transportation Safeguards Training Center, Fort Smith, Arkansas; and the Federal Agent Facility Central Command in Amarillo, Texas. The fiscal years covered were 2001 and 2002.

To accomplish the audit objective, we obtained data files of general information from

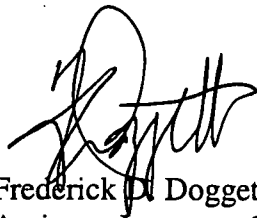
OST Headquarters; selected sample items using Audit Command Language (ACL); evaluated the reasonableness of selected sample items; reviewed Federal, Departmental, and OST policies and procedures; reviewed samples to determine whether expenditures supported mission; interviewed OST officials to get clarifications on certain purchased items; and, observed an "all-hands" meeting held in Fort Smith, Arkansas.

The audit was performed in accordance with generally accepted Government auditing standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective.

Accordingly, the audit included reviews of procurement management activities. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. As part of our review, we also evaluated the Department's implementation of the Government Performance and Results Act of 1993. OST's Operating Plan for Fiscal Year 2002 did not contain specific performance data addressing OST expenditures. However, there were objectives and goals related to transportation mission. We did not rely on computer-processed data to achieve our audit objective.

The Director, Policy and Internal Controls Management, Office of Business Operations waived the exit conference.

We appreciate the cooperation of your staff throughout the audit.



Frederick D. Doggett
Assistant Inspector General
for Audit Services
Office of Inspector General

cc: Director, Policy and Internal Controls Management, NA-66
Team Leader, Audit Liaison Team, ME-1.1

memorandum

DATE: November 20, 2003

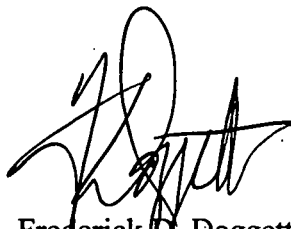
REPLY
TO
ATTN OF: IG-30 (A03AL036)

SUBJECT: Audit Report on "Controls Over Expenditures Within the Office of Secure Transportation"

TO: Team Leader, Audit Liaison Team (ME-1.1)

Attached is the subject report with management's comments. Management concurred with the finding and recommendations, but did not propose corrective actions for recommendations 1 and 2. Therefore, a Management Decision is required for recommendations 1 and 2. Additionally, recommendations 1 and 2 are open and should be tracked in the Department's Audit Report Tracking System.

We appreciate your cooperation.



Frederick D. Doggett
Assistant Inspector General
for Audit Services
Office of Inspector General

Attachment

cc: Director, Policy and Internal Controls Management, NA-66