



U.S. DEPARTMENT OF ENERGY  
OFFICE OF INSPECTOR GENERAL

*Semiannual Report to Congress*

OCTOBER 1, 2014 – MARCH 31, 2015

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## MESSAGE FROM THE INSPECTOR GENERAL

It is my pleasure to submit the Semiannual Report to Congress for the period ending March 31, 2015. This documents our activities to identify those areas within the Department's programs and operations that are most vulnerable to fraud, waste, abuse, and mismanagement.

During this reporting period, we issued 35 audit and inspection reports examining a variety of Departmental programs and operations. Among our work were two follow-up reviews that identified continuing weaknesses. Specifically, we conducted a follow-up review of the [Los Alamos National Laboratory Hydrodynamic Test Program](#). This program helps to validate and refine computer models that are used in the annual assessment of the Nation's nuclear stockpile and the development of new materials, components and safety features. Our follow-up review identified project management weaknesses and inefficiencies that, as noted in our 2005 review, resulted in delays in testing. As a continuation of our efforts to evaluate the [Department of Energy's Management of Unneeded Real Estate](#), our review of the [Department's Management of High-Risk Excess Facilities](#) found programmatic weaknesses in the effort to address the risks associated with the Department's considerable inventory of contaminated facilities. We found that many contaminated excess facilities continue to deteriorate and pose increasing risks to mission, workers, the public, and the environment due to the lack of a definitive transfer schedule for deactivation and decommissioning activities. Our recommendations in both of these reports are intended to assist the Department in ensuring a safer and more efficient operating environment.

Our efforts to detect and prevent fraud, waste, abuse, and mismanagement also result in criminal convictions, civil or administrative actions, and fines and recoveries. During this reporting period, our work was instrumental in securing the conviction and incarceration of an individual who attempted to extort money from officials at the Y-12 National Security Complex by threatening to release photographs that purportedly depicted animals being subjected to nuclear bombs and chemical testing. In another case, our work led to the recovery of almost \$300,000 after we found that a former principal investigator received duplicate Small Business Innovation Research grants from multiple Federal agencies.

We are committed to working with the Secretary and program officials to enhance the Department's management of its program and operations. The Office of Inspector General staff continually strives to improve the efficiency and effectiveness of the Department and their work has been instrumental in effecting positive change.



## RESULTS AT A GLANCE

<b>35</b>	<b>Total Reports Issued:</b>
25	<i>Audits Reports Issued</i>
10	<i>Inspection Reports Issued</i>
<b>\$ 10.7 million</b>	<b>Funds Put to Better Use</b>
<b>\$ 8.7 million</b>	<b>Dollars Recovered (Fines, Settlements, Recoveries)</b>
9	<b>Criminal Convictions</b>
39	<b>Suspensions and Debarments</b>
43	<b>Civil and Administrative Actions</b>
1,331	<b>Hotline Contacts</b>

## POSITIVE OUTCOMES

During this reporting period, the Department took positive actions as a result of OIG work conducted during the current or previous periods.

- As a result of our report [Review of Controls Over the Department's Classification of National Security Information \(DOE/IG-0904, March 27, 2014\)](#), the Department issued corrective actions for marking e-mail containing National Security Information (NSI), marking working papers, and ensuring employees are aware of their responsibility to make challenges to classification decisions and the procedures for doing so. The Department also sent a reminder to all employees to follow national directives for marking classified e-mails containing NSI. Additionally, the classified matter protection and control marking resource was updated to include examples of the documents with the required markings for e-mails containing classified NSI. These actions will help ensure that critical NSI information is correctly marked and protected, regardless of its physical format.
- Our inspection report [Unclassified Foreign National Visits and Assignments at Oak Ridge National Laboratory \(INS-O-13-05, September 16, 2013\)](#) identified security risks with the Oak Ridge National Laboratory Foreign National Visits and Assignments Program. In response to our work, the Department took action to ensure hosts maintained accountability for foreign nationals when required, document and enter counterintelligence consultations in the Department's Foreign Access Central Tracking System, define the role of foreign national escorts, ensure that building access was provided only when required, and establish and implement a robust host audit program.
- During FY 2014, the Department took corrective actions to remediate several cybersecurity weaknesses identified in [The Department of Energy's Unclassified Cyber Security Program – 2013 \(DOE/IG-0897, October 29, 2013\)](#). As a result, we determined sufficient action had been taken to support the closure of 24 prior year findings in areas such as access control, configuration and vulnerability management, and system integrity of Web applications.
- Following the breach of the Management Information System and the loss of data from its DOEInfo system, as reported in [The Department of Energy's July 2013 Cyber Security Breach \(DOE/IG-0900, December 6, 2013\)](#), the Department's Office of the Chief Financial Officer completed a data cleanup effort that resulted in the removal of 178 data tables containing personally identifiable information from its systems. In addition, it completed an initiative that implemented data encryption on the remaining data tables within the DOEInfo system. Finally, a memorandum of agreement was signed by the Offices of the Chief Information Officer and the Chief Financial Officer that delineated each organization's

roles and responsibilities for the DOEInfo system.

- Based on a Hotline referral, the Department determined an employee was performing duties without a required professional certification. Their review found that over a 5 year period, the employee's certification had lapsed for a total of 27 months. As a result of this finding, the employee was suspended without pay for 23 days. Additionally, a policy requiring annual verification of such certifications was implemented. (14-0125-C)
- The Hotline received an allegation that a senior contractor employee at the Strategic Petroleum Reserve operated outside businesses using government resources and mischarged the contract for hours worked. This allegation was referred to the Department, and the contractor reimbursed the Department in the amount of \$14,250. (14-0568-C)
- After receiving a Hotline referral, the Office of Environmental Management conducted a management review of operations at the Decontamination and Decommissioning Project, Piketon,

Ohio, and found that acetylene compressed gas and oxygen cylinders were stored in violation of an OSHA regulation. Corrective action was taken immediately. The review also found deficiencies in crane operator training, the problem reporting process, and procedures associated with formal Stop Work Directives, which the Office of Environmental Management directed to be addressed. (14-0104-C)

- The Hotline referred an allegation to the Office of Environmental Management that employees at Portsmouth Gaseous Diffusion Plant were improperly storing Hot and Cold Zone Protective Clothing, resulting in cross-contamination within the facility. The Office of Environmental Management conducted a review and issued recommendations to management officials at the Portsmouth Gaseous Diffusion Plant suggesting they provide additional training and update current policies. (14-0482-C)

## REPORTS

### Table of Investigative Outcomes

All of our investigations that result in a reportable outcome are disclosed to the public in our Semiannual Report. Reportable outcomes are defined as public and nonpublic reports, indictments, convictions, disciplinary actions, monetary recoveries, contractor debarments, and other similar results. The following reportable outcomes occurred during the period October 1, 2014, through March 31, 2015.

SUMMARY TITLE	PAGE
Civil Settlement in False Claims Investigation (10-0076-I)	<a href="#">26</a>
Department Funds Recovered in Grant Fraud Investigation (11-0022-I)	<a href="#">26</a>
Guilty Plea and Sentencing in Grant Fraud Investigation (11-0087-I)	<a href="#">26</a>
Former Hanford Site Managers and Supervisors Enter into Global Settlements (08-0086-I)	<a href="#">26</a>
Guilty Plea and Sentencing in Child Pornography Investigation (14-0071-I)	<a href="#">26</a>
Convictions in Small Business Innovation Research Fraud Investigation (13-0112-I)	<a href="#">27</a>
Department Small Business Innovation Research Grant Terminated (14-0028-I)	<a href="#">27</a>
Sentencing in Computers for Learning Program Fraud Investigation (12-0104-I)	<a href="#">27</a>
Indictment and Arrest in Theft and Money Laundering Investigation (13-0077-I)	<a href="#">27</a>
Debarment Action in Kickback Fraud Investigation (08-0056-I)	<a href="#">28</a>
Indictment, Arrest, Guilty Plea, and Sentencing in Time Card Fraud Investigation (14-0122-I)	<a href="#">28</a>
Arrests in Kickback Investigation (14-0010-I)	<a href="#">28</a>
Debarments Issued in Misuse of Funds Investigation (11-0064-I)	<a href="#">28</a>
Debarments in Mismanagement of Recovery Act Funds Investigation (14-0024-I)	<a href="#">28</a>
Community Action Agency Executive Director Terminated and Civil Complaint Filed in Weatherization Investigation (12-0093-I)	<a href="#">29</a>

SUMMARY TITLE	PAGE
Department Contractor Employee Terminated in Property Theft Investigation (15-0007-I)	<a href="#">29</a>
Subcontractor Employee Terminated for Misuse of Government Equipment (15-0008-I)	<a href="#">29</a>
Probation Revocation in False Claims Investigation (10-0094-I)	<a href="#">29</a>
Sentencing in Attempted Extortion Investigation (14-0067-I)	<a href="#">30</a>
Criminal Charges Filed in Theft of Government Property Investigation (14-0115-I)	<a href="#">30</a>
Guilty Plea in Time Card Fraud Investigation (13-0060-I)	<a href="#">30</a>
Guilty Plea by Former Department Employee in Theft of Government Property Investigation (14-0063-I)	<a href="#">30</a>
Guilty Plea by Former Contractor Employee in Theft of Government Property Investigation (13-0056-I)	<a href="#">30</a>
Criminal Complaint Filed in Purchase Card Investigation (14-0068-I)	<a href="#">31</a>
Subcontractor Employees Charged in Gambling Scheme (15-0039-I)	<a href="#">31</a>
Indictments in Recovery Act Fraud Investigation (12-0018-I)	<a href="#">31</a>
Response to Investigative Report to Management Concerning Rhode Island Weatherization Assistance Program (10-0122-I)	<a href="#">31</a>
Response to Investigative Report to Management Concerning Michigan Weatherization Assistance Program (11-0024-I)	<a href="#">31</a>
Response to Investigative Report to Management in Maryland Weatherization Assistance Program (14-0024-I)	<a href="#">32</a>
Nuclear Weapons Protestor Found Guilty of Damaging Federal Property (14-0086-I)	<a href="#">32</a>
Department Employee Resigned Following Misuse of Position Investigation (14-0099-I)	<a href="#">32</a>
Department Employee Suspended Following Misuse of Government Equipment Investigation (14-0091-I)	<a href="#">32</a>
Department Employee Reprimanded and Suspended (13-0088-I)	<a href="#">32</a>



## Table of Audit Reports

The following identifies all audit reports issued between October 1, 2014, and March 31, 2015.

DATE ISSUED	REPORT TITLE	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Oct 7, 2014	<a href="#">Management Challenges at the Department of Energy – Fiscal Year 2015 (DOE/IG-0924)</a>				<a href="#">33</a>
Oct 17, 2014	<a href="#">Issues Pertaining to the Termination of Ms. Donna Busche, a Contractor Employee at the Waste Treatment Plant Project (DOE/IG-0923)</a>				<a href="#">33</a>
Oct 20, 2014	<a href="#">Corrective Action Systems at the Pantex Plant (OAS-L-15-01)</a>				<a href="#">33</a>
Oct 22, 2014	<a href="#">The Department of Energy’s Unclassified Cybersecurity Program – 2014 (DOE/IG-0925)</a>				<a href="#">34</a>
Oct 23, 2014	<a href="#">Management of Long-Term Surveillance and Maintenance of Uranium Mill Tailings Radiation Control Act of 1978 Title II Sites (OAS-L-15-02)</a>				<a href="#">35</a>
Oct 30, 2014	<a href="#">Follow-up on the Department of Energy’s Management of Information Technology Hardware (DOE/IG-0926)</a>	\$1,990,451			<a href="#">35</a>
Nov 3, 2014	<a href="#">The Federal Energy Regulatory Commission’s Unclassified Cybersecurity Program – 2014 (OAS-L-15-03)</a>				<a href="#">36</a>
Nov 12, 2014	<a href="#">Follow-up Audit of Contractor Intergovernmental Personnel Act Assignments (DOE/IG-0928)</a>	\$3,000,000			<a href="#">36</a>
Nov 17, 2014	<a href="#">Department of Energy’s Fiscal Year 2014 Consolidated Financial Statements (OAS-FS-15-01)</a>				<a href="#">37</a>
Nov 19, 2014	<a href="#">Western Federal Power System’s Fiscal Year 2013 Financial Statement Audit (OAS-FS-15-02)</a>				<a href="#">37</a>
Nov 24, 2014	<a href="#">Department of Energy’s Nuclear Waste Fund’s Fiscal Year 2014 Financial Statement Audit (OAS-FS-15-03)</a>				<a href="#">38</a>
Nov 24, 2014	<a href="#">Lawrence Livermore National Laboratory’s Laboratory Directed Research and Development Program (OAS-L-15-04)</a>				<a href="#">38</a>
Nov 25, 2014	<a href="#">Department of Energy’s Implementation of Strategic Sourcing (OAS-L-15-05)</a>				<a href="#">38</a>

DATE ISSUED	REPORT TITLE	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Nov 25, 2014	<a href="#">Assessment of Audit Coverage of Cost Allowability for Bechtel Marine Propulsion Corporation During October 1, 2012, Through September 30, 2013, Under Department of Energy Contract No. DE-NR0000031 (OAS-V-15-01)</a>				<a href="#">39</a>
Dec 15, 2014	<a href="#">Management Letter on the Western Federal Power System's Fiscal Year 2013 Financial Statement Audit (OAS-FS-15-04)</a>				<a href="#">40</a>
Dec 16, 2014	<a href="#">Follow-up on the Los Alamos National Laboratory Hydrodynamic Test Program (DOE/IG-0930)</a>				<a href="#">40</a>
Dec 17, 2014	<a href="#">Federal Energy Regulatory Commission's Fiscal Year 2014 Financial Statement Audit (OAS-FS-15-05)</a>				<a href="#">40</a>
Jan 5, 2015	<a href="#">Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2014 (OAS-FS-15-06)</a> <b>Full Report Not Publically Available – Official Use Only</b>				<a href="#">41</a>
Jan 7, 2015	<a href="#">Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2014 (OAS-FS-15-07)</a>				<a href="#">41</a>
Jan 7, 2015	<a href="#">Management Letter on the Federal Energy Regulatory Commission's Fiscal Year 2014 Financial Statement Audit (OAS-FS-15-08)</a>				<a href="#">41</a>
Jan 12, 2015	<a href="#">Materials System Inventory Management Practices at Washington River Protection Solutions (OAS-M-15-01)</a>				<a href="#">42</a>
Jan 23, 2015	<a href="#">The Department of Energy's Management of High-Risk Excess Facilities (DOE/IG-0931)</a>				<a href="#">42</a>
Feb 3, 2015	<a href="#">Incurred Cost Audit Coverage of Non-Management and Operating Contractors (DOE/IG-0934)</a>				<a href="#">43</a>
Feb 24, 2015	<a href="#">Audit of Costs Incurred Under the Department of Energy's International Nuclear Cooperation Program Interagency Agreements With the Department of State (OAS-FS-15-09)</a>		\$246		<a href="#">43</a>
Feb 26, 2015	<a href="#">Argonne National Laboratory Infrastructure Projects (OAS-M-15-02)</a>				<a href="#">44</a>

## Table of Inspection Reports

The following identifies all inspection reports issued between October 1, 2014, and March 31, 2015.

DATE ISSUED	REPORT TITLE	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Oct 7, 2014	<a href="#">Government Vehicle Utilization at Lawrence Livermore National Laboratory (INS-O-15-01)</a>				<a href="#">45</a>
Nov 7, 2014	<a href="#">Alleged Attempts by Sandia National Laboratories to Influence Congress and Federal Officials on a Contract Extension (DOE/IG-0927)</a> <i>Full Report Not Publically Available – Official Use Only</i>				<a href="#">45</a>
Nov 24, 2014	<a href="#">Allegation Regarding Human Reliability Program Unsuitable Reportable Behaviors at the Office of Secure Transportation (INS-O-15-02)</a> <i>Full Report Not Publically Available – Official Use Only</i>				<a href="#">46</a>
Dec 3, 2014	<a href="#">Government-Owned Firearms Inventory at the Nevada National Security Site (INS-L-15-01)</a>				<a href="#">47</a>
Dec 16, 2014	<a href="#">Allegations Regarding the Consolidation of Central Alarm Stations at the Oak Ridge Reservation (DOE/IG-0929)</a>	\$5,778,557			<a href="#">47</a>
Jan 29, 2015	<a href="#">Review of Controls Over the Department's SmartPay2 Purchase Card Program at Selected Department Sites (DOE/IG-0932)</a>				<a href="#">48</a>
Jan 30, 2015	<a href="#">Review of Controls for Protecting Nonpublic Information at the Federal Energy Regulatory Commission (DOE/IG-0933)</a>				<a href="#">48</a>
Feb 11, 2015	<a href="#">Management of Department of Energy–Sponsored Conferences Costing More Than \$20,000 (INS-L-15-02)</a>				<a href="#">48</a>
Feb 11, 2015	<a href="#">Allegations Concerning Information Protection at Los Alamos National Laboratory (DOE/IG-0935)</a>				<a href="#">49</a>
Feb 24, 2015	<a href="#">Submission and Maintenance of Patents at Sandia National Laboratories (INS-O-15-03)</a>				<a href="#">49</a>

# REPORTING RESULTS

## **Congressional Testimony**

During this reporting period, the Inspector General did not testify before Congress.

## **Legislative and Regulatory Reviews**

The Inspector General Act of 1978, as amended, requires the OIG to review and comment upon legislation and regulations relating to Department programs and to make recommendations concerning the impact of such legislation or regulations on Departmental economy and efficiency. During this reporting period, the OIG reviewed (and collaborated with Department program offices, when appropriate) nine pieces of proposed legislation/regulations.

## **Interference With IG Independence**

During the reporting period, the Department neither restricted communications between our office and Congress nor put in place any budgetary constraints designed to limit the capabilities of our office.

## **Resistance to Oversight Activities or Restricted/Significantly Delayed Access**

Access to documents the OIG believed necessary to perform work was restricted in only one instance. Our Special Review on [Issues Pertaining to the Termination of Ms. Donna Busche, a Contractor Employee at the Waste Treatment Plant Project \(DOE/IG-0923, October 2014\)](#) details this scope limitation. We have encountered no other issues during the reporting period where access to records or other information was ultimately restricted.

## Comments Not Provided Within 60 Days

For the reporting period October 1, 2014, through March 31, 2015, the Department failed to provide comments on the following reports within 60 days.<sup>1</sup>

DATE ISSUED	REPORT TITLE	LENGTH OF TIME TO RECEIVE COMMENTS
N/A	Implementation of the Security Improvement Program (SIP) at the Y-12 National Security Complex (A13TG015)	106
N/A	Cybersecurity Controls over an NNSA System (A15TG014)	61
Oct 24, 2014	Suspension/debarment following criminal conviction (14-0121-I)	Pending
Nov 11, 2014	Suspension/debarment after allegations of false claims were substantiated (10-0122-I)	Pending
Dec 10, 2014	Suspension/debarment following a criminal conviction (11-0106-I)	Pending

<sup>1</sup>Of the five reports listed above, three relate to suspension and debarment actions. The suspension and debarment process typically takes longer than 60 days.

## Reports Lacking Management Decision

The Department has a system in place to track audit and inspection reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by audit agencies and agreed to by management are addressed as efficiently and expeditiously as possible. Listed below is one audit report that is over six months old that was issued before the beginning of the reporting period for which no management decision had been made by the end of the reporting period. The reason a management decision had not been made and the estimated date by which a management decision will be made is described in the table below.

DATE ISSUED	REPORT TITLE	STATUS OF MANAGEMENT DECISION
Apr 10, 2012	<a href="#">Use of Noncompetitive Procurements to Obtain Services at the Savannah River Site</a> (DOE/IG-0862)	The OIG has requested the Department temporarily delay submitting a Management Decision on the recommendations in this report, pending the outcome of an ongoing related review.

## Significant Recommendations Not Implemented

The following table identifies 87 reports with a total of 215<sup>1</sup> recommendations which were agreed to by the Department but have not been implemented as of March 31, 2015. The total potential cost savings associated with these reports is \$978,870,961. The OIG is committed to working with management to expeditiously address the management decision and corrective action process, recognizing that certain initiatives will require long-term, sustained, and concerted efforts. [Non-hyperlinked reports are not available on the OIG website.]

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS <sup>2</sup>	POTENTIAL MONETARY BENEFIT <sup>3</sup>
Mar 12, 2002	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Cost Claimed by and Reimbursed to TRW Environmental Safety Systems, Inc. Under Department of Energy Contracts No. DE-AC01-91RW00134 and No. DE-AC08-RW00134 (WR-V-02-03)	2	\$396,040,881
Dec 20, 2005	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation Under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-06-06)	1	\$2,032,805
Jan 16, 2007	Assessment of Changes to the Internal Control Structure and their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-07-05)	1	\$2,836,181
Dec 17, 2007	<a href="#">Beryllium Surface Contamination at the Y-12 National Security Complex</a> (IG-0783)	1	
Apr 11, 2008	<a href="#">The Department's Progress in Meeting Los Alamos National Laboratory Consent Order Milestones</a> (IG-0793)	1	
May 7, 2008	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation, under the Department of Energy Contract, DE-AC04-94AL85000 for Fiscal Year 2006 (OAS-V-08-09)	1	\$3,393,317

<sup>1</sup>Those recommendations that are not agreed to by management are not tracked by the Department as open/unimplemented recommendations. Since 2002, the Department has only failed to agree on 4 recommendations issued by the OIG.

<sup>2</sup>A single recommendation in OIG reports may often be addressed to multiple program elements. In the past, the total number of open recommendations included a count of all program elements that had not taken corrective action. Beginning with this semiannual reporting period, the total number of open recommendations is calculated based on the number of unique recommendation for which a corrective action has not been implemented.

<sup>3</sup>The Potential Monetary Benefits identified are representative of reports with open recommendations rather than individual recommendations. These amounts include funds that could be used more efficiently by implementing the recommended actions as well as other unresolved or questioned costs. Based on our experience, a significant portion of unresolved and questioned costs are ultimately determined to be allowable by contracting officials.

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS <sup>2</sup>	POTENTIAL MONETARY BENEFIT <sup>3</sup>
July 14, 2008	<a href="#">Management Controls over Monitoring and Closeout of Small Business Innovation Research Phase II Grants</a> (OAS-M-08-09)	1	
Nov 13, 2009	<a href="#">Management Controls over Selected Aspects of the Department of Energy's Human Reliability Program</a> (OAS-M-10-01)	2	
Jul 29, 2010	<a href="#">Severance Repayments at the Savannah River Site</a> (INS-O-10-02)	1	
Jul 29, 2010	Audit Coverage of Cost Allowability for Bechtel SAIC Company, LLC during Fiscal Years 2004 through 2009 Under Contract No. DE-AC28-01RW12101 (OAS-V-10-15)	1	\$178,979,948
Sep 22, 2010	<a href="#">The Department of Energy's Audit Resolution and Follow-up Process</a> (IG-0840)	2	
Oct 5, 2010	Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Years 2007 AND 2008 under Department of Energy Contract NO. DE-AC04-94AL85000 (OAS-V-11-01)	1	\$10,324,001
Dec 21, 2010	<a href="#">Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2010</a> (OAS-FS-11-04)	1	
Mar 3, 2011	<a href="#">The Department of Energy's Loan Guarantee Program for Clean Energy Technologies</a> (IG-0849)	1	
Sep 19, 2011	<a href="#">The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Tennessee</a> (OAS-RA-11-17)	1	
Dec 21, 2011	<a href="#">Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2011</a> (OAS-FS-12-04)	4	
Feb 6, 2012	<a href="#">Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2011</a> (OAS-FS-12-05)	1	
Apr 25, 2012	<a href="#">The Department of Energy's \$12.2 Billion Waste Treatment and Immobilization Plant- Quality Assurance of Black Cells Vessels</a> (IG-0863)	2	
May 31, 2012	<a href="#">Integrated Safety Management at Sandia National Laboratories</a> (IG-0866)	5	
Jun 18, 2012	<a href="#">The National Nuclear Security Administration (NNSA) Contractors' Disability Compensation and Return-to-Work Programs</a> (IG-0867)	2	\$4,564,093
Jun 29, 2012	<a href="#">Office of Secure Transportation Capabilities</a> (OAS-M-12-05)	1	
Oct 26, 2012	<a href="#">Review of the Compromise of Security Test Materials at the Y-12 National Security Complex</a> (IG-0875)	2	



DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS <sup>2</sup>	POTENTIAL MONETARY BENEFIT <sup>3</sup>
Nov 5, 2012	<a href="#">Allegations of Organizational Conflicts of Interest at Portsmouth and Oak Ridge</a> (INS-O-13-01)	3	
Nov 8, 2012	<a href="#">The Department's Unclassified Cyber Security Program -2012</a> (IG-0877)	4	
Nov 30, 2012	<a href="#">Tactical Response Force Pursuit Operations at Idaho National Laboratory</a> (INS-O-13-02)	1	
Dec 11, 2012	<a href="#">Follow-up Audit of the Department's Cyber Security Incident Management Program</a> (IG-0878)	4	
Jan 31, 2013	<a href="#">Management Letter on the Department of Energy's Isotope Development and Production for Research and Applications Program's Fiscal Year 2010 Balance Sheet Audit</a> (OAS-FS-13-11)	1	
Feb 20, 2013	Assessment of Audit Coverage of Cost Allowability Sandia Corporation during Fiscal Years 2009 and 2010 under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-13-07)	2	\$12,760,295
Apr 9, 2013	<a href="#">The Department of Energy's Use of the Environmental Management Waste Management Facility at the Oak Ridge Reservation</a> (IG-0883)	2	\$14,400,000
Apr 19, 2013	<a href="#">Alleged Improprieties Regarding the Canine Program at the Department of Energy Y-12 Site</a> (IG-0886)	1	
May 15, 2013	<a href="#">The Use of Staff Augmentation Subcontracts at the National Nuclear Security Administration's Mixed Oxide Fuel Fabrication Facility</a> (IG-0887)	2	
Jun 24, 2013	<a href="#">Mitigation of Natural Disasters at Los Alamos National Laboratory</a> (OAS-M-13-04)	2	
Jul 15, 2013	<a href="#">Examination Report on "Commonwealth of Puerto Rico Energy Affairs Administration - Energy Efficiency and Conservation Block Grant Funds Provided by American Recovery and Reinvestment Act of 2009</a> (OAS-RA-13-27)	1	
Aug 16, 2013	<a href="#">The Department of Energy's Appliance and Equipment Standards Program</a> (OAS-M-13-05)	1	
Aug 26, 2013	<a href="#">The Department of Energy's Administration of Energy Savings Performance Contract Biomass Projects</a> (IG-0892)	2	\$67,400,000
Sep 4, 2013	<a href="#">The Department of Energy's Management of Contractor Responsibility Determinations</a> (OAS-M-13-07)	2	
Sep 25, 2013	<a href="#">Fiscal Year 2011 Work Performed Under the Work for Others Program at Sandia National Laboratories</a> (OAS-L-13-14)	1	
Sep 30, 2013	<a href="#">Department of Energy Quality Assurance: Design Control for the Waste Treatment and Immobilization Plant at the Hanford Site</a> (IG-0894)	3	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS <sup>2</sup>	POTENTIAL MONETARY BENEFIT <sup>3</sup>
Oct 3, 2013	<a href="#">Review of Allegations Regarding Prohibited Personnel Practices at the Bonneville Power Administration</a> (IG-0895)	5	
Oct 24, 2013	<a href="#">The Department's Fleet Vehicles Sustainability Initiatives at Selected Locations</a> (IG-0896)	3	
Oct 29, 2013	<a href="#">The Department of Energy's Unclassified Cyber Security Program -2013</a> (IG-0897)	2	
Nov 26, 2013	Assessment of Audit Coverage of Cost Allowability for National Renewable Energy Laboratory during Fiscal Years 2009 through 2011 under Department of Energy Contract Number DE-AC36-08GO28308 (OAS-V-14-03)	1	17,933,584
Dec 6, 2013	<a href="#">Special Review - The Department of Energy's July 2013 Cyber Security Breach</a> (IG-0900)	4	3,718,652
Jan 2, 2014	<a href="#">NNSA's Management of the \$245 Million Nuclear Materials Safeguards and Security Upgrades Project Phase II</a> (IG-0901)	5	
Jan 9, 2014	<a href="#">Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2013</a> (OAS-FS-14-05)	9	
Feb 14, 2014	<a href="#">The Technology Transfer and Commercialization Efforts at the Department of Energy's National Laboratories</a> (OAS-M-14-02)	3	
Feb 20, 2014	<a href="#">Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2013</a> (OAS-FS-14-06)	1	
Mar 12, 2014	<a href="#">Fiscal Year 2012 Work Performed Under the Work for Others Program at Los Alamos National Laboratory</a> (OAS-M-14-03)	1	
Mar 26, 2014	<a href="#">National Nuclear Security Administration Nuclear Weapons Systems Configuration Management</a> (IG-0902)	5	
Apr 3, 2014	<a href="#">Office of Energy Efficiency and Renewable Energy's Integrated Resource and Information System (IRIS) Project</a> (IG-0905)	1	674,774
Apr 15, 2014	<a href="#">The Department of Energy's Management and Use of Mobile Computing Devices and Services</a> (IG-0908)	2	782,134
Apr 21, 2014	<a href="#">Audit of Incurred Costs for UT-Battelle Under Department of Energy Contract No. DE-AC05-00OR22725 during Fiscal Year 2012</a> (OAS-M-14-05)	1	45,307,450
Apr 23, 2014	Assessment of Audit Coverage of the Cost Allowability for Sandia Corporation under Department of Energy Contract DE-AC04-94-AL-85000, for Fiscal Years 2011 and 2012 (OAS-V-14-10)	2	5,741,818
May 7, 2014	<a href="#">Implementation of Recommendations from the January 2012 Independent Consultant's Review of the Department of Energy Loan and Loan Guarantee Portfolio</a> (IG-0909)	1	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS <sup>2</sup>	POTENTIAL MONETARY BENEFIT <sup>3</sup>
May 22, 2014	<a href="#">Cost and Schedule of the Mixed Oxide Fuel Fabrication Facility at the Savannah River Site</a> (IG-0911)	3	
May 30, 2014	Assessment of Audit Coverage of Cost Allowability for Los Alamos National Laboratory, during Fiscal Years 2011 and 2012 under the Department of Energy Contract, DE-AC52-06NA25396 (OAS-V-14-11)	2	601,927
Jun 3, 2014	<a href="#">Conference Management at Selected Department Sites</a> (IG-0913)	3	
Jun 4, 2014	<a href="#">Follow-Up Audit of the Los Alamos Neutron Science Center</a> (OAS-M-14-06)	1	
Jun 17, 2014	<a href="#">Selected Activities of the Office of Energy Efficiency and Renewable Energy's Advance Manufacturing Office</a> (OAS-RA-14-04)	1	17,016,000
Jun 26, 2014	<a href="#">The Department of Energy's Water Power Program</a> (OAS-M-14-07)	1	
Jun 26, 2014	<a href="#">The Department of Energy's Implementation of Voice over Internet Protocol Telecommunications Networks</a> (IG-0915)	2	\$365,000
Jul 10, 2014	<a href="#">The Strategic Petroleum Reserve's Drawdown Readiness</a> (IG-0916)	1	
Aug 6, 2014	<a href="#">Management of the National Nuclear Security Administration's Biosafety Laboratories</a> (IG-0917)	3	
Aug 18, 2014	<a href="#">Procurement of Support Service Contracts for the Office of Energy Efficiency and Renewable Energy</a> (OAS-M-14-10)	1	
Aug 18, 2014	Assessment of Audit Coverage of Cost Allowability for Pacific Northwest National Laboratory under Department of Energy Contract No. DE-AC05-76RL01830 during Fiscal Year 2012 (OAS-V-14-15)	2	
Sep 18, 2014	<a href="#">Follow-Up on the Management of the Plutonium Finishing Plant Project</a> (OAS-M-14-11)	1	
Sep 19, 2014	<a href="#">The Department of Energy's Management of Cloud Computing Activities</a> (IG-0918)	2	
Sep 24, 2014	Assessment of Audit Coverage of Cost Allowability for Bechtel Jacobs Company, LLC under Department of Energy Contract No. DE-AC05-98OR22700 during Fiscal Year 2011 (OAS-V-14-17)	2	160,007,744
Sep 30, 2014	<a href="#">Follow-up on the Department of Energy's Acquisition and Maintenance of Software</a> (IG-0920)	2	199,906
Sep 30, 2014	<a href="#">MANAGEMENT ALERT: Remediation of Selected Transuranic Waste Drums at Los Alamos National Laboratory – Potential Impact on the Shutdown of the Department's Waste Isolation Pilot Plant</a> (IG-0922)	3	28,800,000

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS <sup>2</sup>	POTENTIAL MONETARY BENEFIT <sup>3</sup>
Oct 7, 2014	<a href="#">Government Vehicle Utilization at Lawrence Livermore National Laboratory</a> (INS-O-15-01)	2	
Oct 22, 2014	<a href="#">The Department of Energy's Unclassified Cybersecurity Program – 2014</a> (IG-0925)	3	
Oct 30, 2014	<a href="#">Follow-up on the Department of Energy's Management of Information Technology Hardware</a> (IG-0926)	4	\$1,990,451
Nov 7, 2014	<a href="#">Alleged Attempts by Sandia National Laboratories to Influence Congress and Federal Officials on a Contract Extension</a> (IG-0927)	5	
Nov 12, 2014	<a href="#">Follow-up Audit of Contractor Intergovernmental Personnel Act Assignments</a> (IG-0928)	2	\$3,000,000
Nov 19, 2014	<a href="#">Western Federal Power System's Fiscal Year 2013 Financial Statement Audit</a> (OAS-FS-15-02)	5	
Nov 24, 2014	<a href="#">Allegation Regarding Human Reliability Program Unsuitable Reportable Behaviors at the Office of Secure Transportation</a> (INS-O-15-02)	2	
Dec 15, 2014	<a href="#">Management Letter on the Western Federal Power System's Fiscal Year 2013 Financial Statement Audit</a> (OAS-FS-15-04)	2	
Dec 16, 2014	<a href="#">Follow-up on the Los Alamos National Laboratory Hydrodynamic Test Program</a> (IG-0930)	4	
Jan 5, 2015	<a href="#">Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2014</a> (OAS-FS-15-06)	12	
Jan 7, 2015	<a href="#">Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2014</a> (OAS-FS-15-07)	17	
Jan 12, 2015	<a href="#">Materials System Inventory Management Practices at Washington River Protection Solutions</a> (OAS-M-15-01)	2	
Jan 23, 2015	<a href="#">The Department of Energy's Management of High-Risk Excess Facilities</a> (DOE/IG-0931)	2	
Feb 3, 2015	<a href="#">Incurred Cost Audit Coverage of Non-Management and Operating Contractors</a> (DOE/IG-0934)	2	
Feb 11, 2015	<a href="#">Allegations Concerning Information Protection at Los Alamos National Laboratory</a> (DOE/IG-0935)	3	
Feb 24, 2015	<a href="#">Submission and Maintenance of Patents at Sandia National Laboratories</a> (INS-O-15-03)	1	
Feb 26, 2015	<a href="#">Argonne National Laboratory Infrastructure Projects</a> (OAS-M-15-02)	4	

**Total Open Recommendations** **215** **\$978,870,961**

**AUDIT AND INSPECTION REPORTS WITH  
RECOMMENDATIONS FOR BETTER USE OF FUNDS  
OCTOBER 1, 2014 – MARCH 31, 2015**

*The following table shows the total number of audit and inspection reports and the total dollar value of the recommendations that funds be put to better use by management.*

	<b>TOTAL NUMBER</b>	<b>BETTER USE OF FUNDS</b>
Reports issued before the reporting period that included recommendations for better use of funds for which decisions on dollars had not been made as of March 31, 2015: <sup>1</sup>	23	\$577,213,731
Reports issued during the reporting period that include recommendations for better use of funds (regardless of whether a decision on dollars has been made):	3	\$10,769,008
Reports that include recommendations for better use of funds for which a decision on dollars was made during the reporting period: <sup>2</sup>	4	\$10,578,557
(i) Agreed to by management:		\$600,000
(ii) Not agreed to by management:		\$9,978,557
Reports that include recommendations for better use of funds for which decisions on dollars have not been made at the end of the reporting period:	22	\$577,404,182

**Better Use of Funds:** *Funds that could be used more efficiently by implementing recommended actions.*

**Management decision:** *Management's evaluation of the finding and recommendations included in the audit report and the issuance of a final decision by management concerning its response.*

<sup>1</sup>Includes reports for which the Department may have made some decisions on dollars but not all issues within the report have been resolved.

<sup>2</sup>Does not include reports for which the Department has made decisions on some aspects of the report but not all.

**AUDIT AND INSPECTION REPORTS WITH  
QUESTIONED AND/OR UNSUPPORTED COSTS  
OCTOBER 1, 2014 – MARCH 31, 2015**

*The following table shows the total number of audit and inspection reports and the total dollar value of questioned and/or unsupported costs.*

	<b>TOTAL NUMBER</b>	<b>QUESTIONED COSTS</b>	<b>UNSUPPORTED COSTS</b>	<b>TOTAL COSTS</b>
Reports issued before the reporting period that included questioned and/or unsupported costs for which decisions on dollars had not been made as of March 31, 2015: <sup>1</sup>	52	\$1,190,602,115	\$36,315,217	\$1,226,917,332
Reports issued during the reporting period that include questioned or unsupported costs (regardless of whether a decision on dollars has been made):	1	\$246	\$0	\$246
Reports that include questioned and/or unsupported costs for which a decision on dollars was made during the reporting period: <sup>2</sup>	21	\$52,482,480	\$19,136,457	\$71,618,937
(i) Value of disallowed costs:		\$9,731,183	\$716,000	\$10,447,183
(ii) Value of costs not disallowed:		\$42,751,297	\$18,420,457	\$61,171,754
Reports that include questioned and/or unsupported costs for which decisions on dollars have not been made at the end of the reporting period:	32	\$1,138,119,881	\$17,178,760	\$1,155,298,641

**Questioned costs:** A cost that is (1) unnecessary; (2) unreasonable; (3) or an alleged violation of law, regulation, contract, etc.

**Unsupported costs:** A cost that is not supported by adequate documentation.

**Management decision:** Management's evaluation of the finding and recommendations included in the audit and inspection report and the issuance of a final decision by management concerning its response.

<sup>1</sup>Includes reports for which the Department may have made some decisions on dollars but not all issues within the report have been resolved.

<sup>2</sup>Does not include reports for which the Department has made decisions on some aspects of the report but not all.

<b>INVESTIGATIVE ACTIVITY OCTOBER 1, 2014 – MARCH 31, 2015</b>	
<b>CASE ACTIVITY</b>	
Cases Open as of October 1, 2014	238
<i>Cases opened during period</i>	68
<i>Cases closed during period</i>	66
Cases Open as of March 31, 2015	240
Multi-Agency Task Force Cases Opened During Period	20
Qui Tam <sup>1</sup> Investigations Opened During Period	1
Total Open Qui Tam Investigations as of March 31, 2015	13
Administrative discipline and other management actions	21
Recommendations to management for positive change and other actions	35
Suspensions/Debarments	39
Accepted for prosecution <sup>2</sup>	5
Indictments	6
Criminal convictions	9
Pre-trial diversions	0
Civil actions	22
<b>TOTAL DOLLAR IMPACT<sup>3</sup> (FINES, SETTLEMENTS, RECOVERIES)</b>	<b>\$8,672,887</b>

<sup>1</sup>For more information on Qui Tams, go to: [http://www.justice.gov/usao/eousa/foia\\_reading\\_room/usam/title9/crm00932.htm](http://www.justice.gov/usao/eousa/foia_reading_room/usam/title9/crm00932.htm)

<sup>2</sup>Some investigations accepted during the 6-month period were referred for prosecution during a previous reporting period.

<sup>3</sup>Some of the money collected was the result of investigations involving multiple agencies.

**HOTLINE ACTIVITY**  
**OCTOBER 1, 2014 - MARCH 31, 2015**

<b>TOTAL HOTLINE CALLS, EMAILS, LETTERS, AND OTHER COMPLAINTS (CONTACTS)</b>	<b>1,331</b>
Hotline contacts resolved immediately/redirected/no further action	1,119
Hotline contacts predicated for evaluation	212
<b>TOTAL HOTLINE PREDICATIONS PROCESSED THIS REPORTING PERIOD</b>	<b>219</b>
Hotline predications transferred to OIG Program Office	30
Hotline predications referred to Department management or other entity for information/action	70
Hotline predications closed based upon preliminary OIG activity and review	112
Hotline predications open at the end of the reporting period	7



**RECOVERY ACT WHISTLEBLOWER RETALIATION COMPLAINTS**  
**OCTOBER 1, 2014 - MARCH 31, 2015**

**DISPOSITION OF WHISTLEBLOWER RETALIATION COMPLAINTS**

Complaints carried over from prior period(s)	2
Complaints received	2
Reports issued	0
<b>COMPLAINTS DISMISSED:</b>	
Complainants elected another forum	0
Complaints withdrawn	0
Complaints determined not related to covered funds at the outset	1
Complaints determined not related to covered funds after initial investigation	0
Complaints dismissed for failing to state a claim cognizable under the Recovery Act	2
Complaints that received extensions pursuant to Sec. 1553(b)(2)(B)	0
Complaints carried into next period	1

**PEER REVIEWS CONDUCTED BY OIG  
OCTOBER 1, 2014 - MARCH 31, 2015**

TYPE OF REVIEW	DATE OF PEER REVIEW	OIG REVIEWED	OUTSTANDING RECOMMENDATIONS
<b>Audits</b>	None this reporting period		
<b>Inspections</b>	None this reporting period		
<b>Investigations</b>	August 2014	National Aeronautics and Space Administration OIG	None

**PEER REVIEWS CONDUCTED OF OIG  
OCTOBER 1, 2014 - MARCH 31, 2015**

TYPE OF REVIEW	DATE OF PEER REVIEW	REVIEWING OIG	FREQUENCY REQUIREMENT	OUTSTANDING RECOMMENDATIONS
<b>Audits</b>	October 2012	U.S. Treasury Inspector General for Tax Administration	At least once every 3 years	None - Pass
<b>Inspections</b>	None this reporting period			
<b>Investigations</b>	October 2014	Department of Veterans Affairs OIG	3 years	None

# SUMMARIES

## Investigative Outcomes

### **Civil Settlement in False Claims Investigation**

The U.S. Attorney's Office for the Eastern District of California entered into two settlement agreements with the University of California, Davis. The University agreed to implement a compliance program and pay \$499,700 to resolve allegations arising under the False Claims Act. The investigation determined a principal investigator at the University concealed from the Department's Office of Science material information concerning neutron reflectivity experiments simultaneously supported by the National Science Foundation (NSF). The principal investigator also described certain research tasks funded by the NSF and the Oak Ridge National Laboratory in progress reports submitted to the Department and made misleading statements to an NSF program manager. This is a joint investigation with the NSF OIG. (10-0076-I)

### **Department Funds Recovered in Grant Fraud Investigation**

In response to an Investigative Report to Management, Cass County, Missouri, reimbursed the Department \$288,395. The investigation determined that Cass County officials violated grant administration requirements and State procurement regulations under the Department's Energy Efficiency and Conservation Block Grant Program. (11-0022-I)

### **Guilty Plea and Sentencing in Grant Fraud Investigation**

A principal investigator (PI) for a Department-funded Small Business Innovation Research (SBIR) grant pleaded guilty to making false statements and was sentenced in the U.S. District Court for the Central District of California. The former PI was ordered to pay \$99,999 in restitution to the Department, \$199,999 in fines to the Government, serve 2 years' probation, and perform 250 hours of community service. The investigation determined the PI received several duplicate SBIR grants from multiple federal agencies. This is a joint investigation with National Aeronautics and Space Administration OIG, Internal Revenue Service Criminal Investigations Division, and the Defense Criminal Investigative Service. (11-0087-I)

### **Former Hanford Site Managers and Supervisors Enter into Global Settlements**

The U.S. Attorney's Office for the Eastern District of Washington entered into global settlements with two former Hanford site managers and two former Hanford site supervisors to resolve their civil and criminal liability. The two former managers agreed to pay \$44,000 each, one former supervisor agreed to pay \$22,000, and the other former supervisor agreed to pay \$5,500. The investigation determined that many individuals at the Hanford Site routinely submitted inaccurate time cards, falsely claiming and receiving pay for hours not worked. The investigation has resulted in multiple guilty pleas and an \$18.2 million global settlement with a former Hanford prime contractor. (08-0086-I)

### **Guilty Plea and Sentencing in Child Pornography Investigation**

A former Department contractor employee pleaded guilty and was sentenced in the U.S. District Court for the District of South Carolina, to one count of possession of child

pornography. The former contractor employee was sentenced to 10 years' incarceration followed by lifetime probation, and ordered to pay restitution to the victim totaling \$66,000. The investigation determined the former contractor employee videotaped and photographed a minor, and possessed thousands of images on multiple storage devices. (14-0071-I)

### **Convictions in Small Business Innovation Research Fraud Investigation**

A jury in the U.S. District Court for the Middle District of Florida found two scientists guilty of 15 counts of conspiracy to commit wire fraud, wire fraud, aggravated identity theft, and falsification of records. The investigation determined the scientists obtained \$10.5 million in grants, \$200,000 of which from the Department, through the Small Business Innovation Research program by submitting proposals with stolen identities in order to create false endorsements of and for their proposed contracts. This is a joint investigation with numerous federal agencies. (13-0112-I)

### **Department Small Business Innovation Research Grant Terminated**

The Department's Office of Acquisition and Assistance terminated a \$1.15 million Small Business Innovation Research grant after it was determined the grantee did not meet small business eligibility requirements for the award. Additionally, the Department de-obligated the remaining balance of the grant in the amount of \$294,050. The investigation determined that from 2004 through 2013 the grantee made false certifications and representations regarding eligibility to receive more than \$12 million in small business grants from multiple federal agencies. This is an ongoing, joint investigation with the Defense Criminal Investigative Service, U.S. Small Business Administration OIG, National Aeronautics and Space Administration OIG, Army Criminal Investigation Division, and the Air Force Office of Special Investigations. (14-0028-I)

### **Sentencing in Computers for Learning Program Fraud Investigation**

An individual was sentenced in the U.S. District Court for the Western District of Washington to 10 years in federal prison and ordered to pay restitution in the amount of \$7.2 million. The investigation determined the individual created 14 fictitious not-for-profit entities and then submitted fraudulent applications for computers and computer-related equipment to the General Services Administration's (GSA) Computers for Learning program, which transfers excess Government computers and related peripheral equipment directly to such nonprofit organizations. After receiving the computer-related equipment, the individual converted it to personal use by reselling it. From June 2007 to June 2013, the fictitious entities received computers and computer-related equipment with an acquisition value of more than \$30 million. More than \$7.5 million of this equipment came from 19 Department facilities participating in the program. This is a joint investigation with GSA OIG, Internal Revenue Service Criminal Investigation Division, U.S. Department of Transportation OIG, U. S. Department of Justice OIG, and Federal Bureau of Investigation. (12-0104-I)

### **Indictment and Arrest in Theft and Money Laundering Investigation**

A former Department security contractor assigned to the Department's East Tennessee Technology Park was indicted by a Federal Grand Jury in the Eastern District of Tennessee for

theft of public money and money laundering. The investigation determined the former security contractor stole five checks totaling \$214,023 and converted the funds to personal use. The checks were originally intended to fund a defined benefits program administered by a Department contractor. (13-0077-I)

#### **Debarment Action in Kickback Fraud Investigation**

In response to an Investigative Report to Management, the Department debarred a former Bechtel SAIC, LLC (Bechtel) employee and several other individuals and businesses. The former Bechtel employee and another individual previously pleaded guilty and were sentenced in Federal Court and ordered to jointly pay \$42,127.08 in restitution. The investigation determined both individuals engaged in a kickback fraud scheme for personal gain. In addition, the U.S. Attorney's Office for the Northern District of Indiana previously entered into a settlement agreement with Bechtel, who agreed to pay the Federal Government \$209,308 to settle civil proceedings. (08-0056-I)

#### **Indictment, Arrest, Guilty Plea, and Sentencing in Time Card Fraud Investigation**

A former Department contractor employee, who was previously indicted and arrested for theft of property, pleaded guilty and was sentenced in Roane County, Tennessee, Criminal Court. The former employee was sentenced to 2 years' supervised probation and ordered to pay full restitution. The investigation determined that between June and September 2014, the former contractor employee submitted false time cards that resulted in the Department paying for work not performed. (14-0122-I)

#### **Arrests in Kickback Investigation**

Three individuals were arrested by Department OIG and Federal Bureau of Investigation agents. The investigation determined the individuals solicited and received kickbacks, extorted payments, and laundered money from U.S.-based subcontractors participating in Department programs. This is an ongoing investigation and has been coordinated with the U.S. Attorney's Office for the District of Maryland. (14-0010-I)

#### **Debarments Issued in Misuse of Funds Investigation**

Following an investigation involving the submission of false claims, five former contractor employees were debarred from doing business with the Federal Government. As previously reported, the former contractor employees were convicted in the U.S. District Court for the District of South Dakota, received sentences ranging from 15 months' incarceration to 1-year probation, and were ordered to pay restitution totaling \$220,910. The investigation found the former contractor employees submitted false claims for work not performed and were paid with federal block grant funds. The former contractor employees admitted using the money for drugs and hotel stays. This is a joint investigation with U.S. Department of Health and Human Services OIG. (11-0064-I)

#### **Debarments in Mismanagement of Recovery Act Funds Investigation**

In response to an Investigative Report to Management, five former Weatherization sub-grantees, three companies, and two individuals were debarred from doing business with the

Federal Government. As previously reported, the investigation conducted jointly with the OIG Office of Audits and Inspections determined that the sub-grantees mismanaged Weatherization grant funds, possessed an inadequate accounting system to process and track Government funds, and made unallowable and unsupported grant expenditures. (14-0024-I)

### **Community Action Agency Executive Director Terminated and Civil Complaint Filed in Weatherization Investigation**

An executive director of Michigan Community Action Agency (CAA) was terminated following an investigation that determined the CAA improperly awarded a sole-source Weatherization Assistance Program contract and paid unauthorized employee bonuses. In addition, the Michigan State Attorney General's Office filed a civil complaint naming a former Department Weatherization Assistance Program sub-grantee, the sub-grantee's former Executive Director, and three principals in the company, alleging breach of contract and duty. As previously reported, the State of Michigan's Department of Human Services removed the CAA from the State's Weatherization Assistance Program and demanded the return of \$186,934.99. This is an ongoing investigation with the U.S. Department of Health and Human Services OIG and the Michigan Department of Human Services OIG. (12-0093-I)

### **Department Contractor Employee Terminated in Property Theft Investigation**

A National Nuclear Security Administration Kansas City Plant contractor employee was terminated for violating the contractor's code of conduct. The investigation determined the contractor employee was involved in the theft of Government property from the Kansas City Plant and subsequently sold the property on eBay for personal gain. The Government property was valued at approximately \$10,000. This is an ongoing investigation. (15-0007-I)

### **Subcontractor Employee Terminated for Misuse of Government Equipment**

A Savannah River Nuclear Solutions subcontractor employee was terminated for using Department e-mail and telephone to operate an investment business at the Savannah River Site. The OIG has identified multiple subcontractor employees who invested in the former subcontractor employee's silver and gold business with the promise of a tax-free, annual return of at least 8 percent. Much of the invested money was used to pay the interest owed to original investors instead of buying silver and gold as promised. This is an ongoing investigation with the South Carolina Attorney General's Office. (15-0008-I)

### **Probation Revocation in False Claims Investigation**

A Fulton County, Georgia, Superior Court Judge revoked probation sentences for two individuals who claimed to be employees of the Department and other federal agencies in an attempt to receive payment for work that was not completed. Each individual was sentenced to 10 years' incarceration and ordered not to communicate with any Federal Government agency regarding funding of any sort. The individuals were previously sentenced to 30 years' probation for Theft by Deception. The investigation determined the individuals failed to adhere to conditions of their probation by repeatedly submitting false contract documentation and fraudulent credentials to the Department and other federal agencies in attempts to receive

payment. This was a joint investigation with the U.S. Treasury OIG and the Atlanta Police Department. (10-0094-I)

### **Sentencing in Attempted Extortion Investigation**

An individual was sentenced in U.S. District Court for the Eastern District of Tennessee, to 3 months' incarceration and 1 year's supervised release for attempting to extort \$2.5 million from the Y-12 National Security Complex (Y-12). As previously reported, the individual attempted to extort money from Y-12 by threatening to release approximately 1,200 photos and slides that depicted local farms and farm animals being subjected to nuclear bomb and chemical testing. The individual was arrested and subsequently pleaded guilty to a violation of attempting to extort money. (14-0067-I)

### **Criminal Charges Filed in Theft of Government Property Investigation**

Criminal information was filed in the U.S. District Court for the District of Northern California, charging a Sandia National Laboratories contractor employee with one count of Theft of Government Property. The investigation determined the contractor employee knowingly stole an Apple Mac Pro computer valued at \$4,137.77. This is an ongoing investigation. (14-0115-I)

### **Guilty Plea in Time Card Fraud Investigation**

A former Lawrence Livermore National Laboratory contractor employee pleaded guilty in Alameda County Court to a misdemeanor count of theft. The investigation determined the former contractor employee submitted inaccurate time cards claiming work time while on vacation or sick leave. The court ordered the former contractor employee to pay restitution within 2 years. (13-0060-I)

### **Guilty Plea by Former Department Employee in Theft of Government Property Investigation**

A former Department employee in the Office of River Protection pleaded guilty in Benton County Superior Court to one felony count of Forgery and one misdemeanor count of third degree theft. The investigation determined the former Department employee, a property management specialist, forged Government property transfer documents in order to obtain Government-owned computers and computer-related equipment valued at approximately \$31,700. The property was recovered in the course of the investigation. As part of the plea agreement, the Department employee was sentenced to 35 days' incarceration and 1- year probation with the condition of continued enrollment in mental health counseling. This is a joint investigation with the police department in Richland, Washington. (14-0063-I)

### **Guilty Plea by Former Contractor Employee in Theft of Government Property Investigation**

A former contractor employee of the Lawrence Livermore National Laboratory (LLNL) pleaded guilty to one felony count of Grand Theft in an Alameda County Courthouse. The investigation determined the former contractor employee stole approximately \$58,000 worth of optical devices, toner cartridges, and computer accessories from LLNL and subsequently sold them on eBay. The OIG previously recovered some of the stolen LLNL property from the former contractor employee's residence. (13-0056-I)

### **Criminal Complaint Filed in Purchase Card Investigation**

A criminal complaint was filed in Belen, New Mexico, Magistrate Court against a former Sandia National Laboratory contractor employee for one count of fraud. The investigation determined the former contractor employee made repeated personal purchases using a Government-issued purchase card. This investigation is being prosecuted by the 13th New Mexico District Attorney's Office. (14-0068-I)

### **Subcontractor Employees Charged in Gambling Scheme**

Two subcontractor employees working at the National Nuclear Security Administration's Mixed Oxide Fuel Fabrication Facility were charged in Aiken County Magistrate Court with one count each of Adventuring in Lotteries. The investigation determined the subcontractor employees were part of a scheme to distribute parlay betting cards at the Department's Savannah River Site for the purpose of collecting wagers on college and professional sporting events in violation of both state and federal law. This is an ongoing, joint investigation with the South Carolina Special State Constables Law Enforcement Division. (15-0039-I)

### **Indictments in Recovery Act Fraud Investigation**

The President and Chief Executive Officer for a green technology start-up company that received Department American Recovery and Reinvestment Act monies were each indicted on five counts of Wire Fraud by a Federal Grand Jury in the Northern District of Illinois. Pursuant to the indictment, they were also ordered to forfeit to the United States all money and property derived from the proceeds related to the violations, which was approximately \$1.9 million. The investigation determined that the company officers provided falsified vendor and subcontractor payment documents to the City of Chicago, Pennsylvania Department of Environmental Protection, and Bay Area Air Quality Management for installing electric vehicle charging stations in Illinois, Pennsylvania, and California. This is an ongoing joint investigation with the FBI and the City of Chicago OIG. (12-0018-I)

### **Response to Investigative Report to Management Concerning Rhode Island Weatherization Assistance Program**

In response to an Investigative Report to Management, the Office of Energy Efficiency and Renewable Energy informed the OIG it is coordinating with the Rhode Island Office of Energy Resources to identify and recover unallowable and unsupported costs paid to a Weatherization Assistance Program sub-grantee. The investigation determined the sub-grantee submitted false invoices for weatherization work not completed, improperly comingled American Recovery and Reinvestment Act of 2009 funds with other agency funds, failed to comply with the terms of the Department grant for timely filing of financial documents, and submitted questionable Weatherization Assistance Program claims. (10-0122-I)

### **Response to Investigative Report to Management Concerning Michigan Weatherization Assistance Program**

In response to an Investigative Report to Management, the Office of Energy Efficiency and Renewable Energy informed the OIG it is coordinating with the Michigan Weatherization Assistance Program to strengthen conflict of interest policies and providing additional training



in the areas of conflict of interest and ethics. The investigation determined the former Director of Energy Services for a Michigan Weatherization Assistance Program sub-grantee violated internal conflict of interest and nepotism policies by directly and indirectly influencing inspection assignments and payments to benefit the business of the former Director's spouse. (11-0024-I)

**Response to Investigative Report to Management in Maryland Weatherization Assistance Program**

In response to an Investigative Report to Management, the Department's Office of Acquisition and Project Management proposed suspension of a Department sub-grantee. The investigation determined the sub-grantee mismanaged Weatherization grant funds, possessed an inadequate accounting system to process and track Government funds, and made unallowable and unsupported grant expenditures. (14-0024-I)

**Nuclear Weapons Protestor Found Guilty of Damaging Federal Property**

A nuclear weapons protestor was found guilty in U.S. District Court for the Western District of Missouri, of damaging federal property. The OIG investigation determined the protestor physically damaged a sign at the entrance of the National Nuclear Security Administration Kansas City Plant on July 4, 2014, causing more than \$5,000 in property damage. The protestor was arrested by local authorities at the time of the incident. The sentencing date is pending. (14-0086-I)

**Department Employee Resigned Following Misuse of Position Investigation**

In response to an Investigative Report to Management, the Department's Bioenergy Technologies Office informed the OIG that a Department GS-15 employee resigned in lieu of termination. The investigation determined the Department employee made inappropriate personal requests of a laboratory contractor employee in exchange for the Department employee supporting Department funding of the contractor employee's research project. (14-0099-I)

**Department Employee Suspended Following Misuse of Government Equipment Investigation**

In response to an Investigative Report to Management, the Office of the Chief Financial Officer informed the OIG that a Department employee had been suspended for 25 days. The investigation determined the employee misused Government resources to view pornographic materials. (14-0091-I)

**Department Employee Reprimanded and Suspended**

In response to an Investigative Report to Management, a letter of reprimand was issued to a Department employee for sending official documents from a Departmental e-mail address to a personal e-mail address in violation of internal policies. The Department employee was also suspended without pay for 5 workdays and directed to correct past time cards for hours previously claimed as work hours that should have been claimed as leave. These actions were taken in response to a finding that the employee submitted erroneous time cards on multiple occasions throughout calendar year 2012. (13-0088-I)

## Audit Reports

### [Management Challenges at the Department of Energy – Fiscal Year 2015](#)

The Department is responsible for executing some of the Nation's most complex and technologically advanced missions. These include vital work in energy innovation, scientific research, environmental cleanup, nuclear weapons stewardship, and nuclear nonproliferation. To execute this diverse portfolio, the Department receives an annual appropriation approaching \$25 billion, employs more than 115,000 Federal and contractor personnel, and manages assets valued at \$180 billion, including an extraordinary complex of 17 national research and development laboratories.

Considering this set of agency objectives, our office annually identifies what it considers to be the most significant Management Challenges facing the Department. The overall goal is to focus attention on significant issues with the objective of working with Department managers to enhance the effectiveness of agency programs and operations.

While the FY 2015 challenge areas remain largely consistent with those in previous years, based on the results of our work over the last year, a few notable changes in emphasis have been made. As a result, the FY 2015 Management Challenges include: Contract and Financial Assistance Award Management, Cybersecurity, Environmental Cleanup, Nuclear Waste Disposal, Safeguards and Security, and Stockpile Stewardship. (DOE/IG-0924)

### [Issues Pertaining to the Termination of Ms. Donna Busche, a Contractor Employee at the Waste Treatment Plant Project](#)

On March 6, 2014, the Office of the Secretary of Energy requested that we review the circumstances surrounding the February 18, 2014, termination of the employment of Ms. Donna Busche by URS Energy and Construction, Inc. (URS). URS is a major subcontractor under the Department's contract with Bechtel National, Inc. (Bechtel) to design and construct the multi-billion dollar Waste Treatment and Immobilization Plant (WTP) at the Department's Hanford Washington Site. Ms. Busche asserted whistleblower status based on the disclosure of what she believed to be technical and safety concerns regarding the WTP. She also asserted that her termination was in retaliation for these disclosures. Because of a material scope limitation, we were unable to reach a conclusion in this matter. Specifically, Bechtel and URS told us that they could not provide access to several thousand contractor-documents based on the advice of outside counsel because they were subject to either attorney-client or attorney work product privilege. Thus, we were unable to complete our inquiry and accordingly disclaim any opinion regarding the circumstances of Ms. Busche's termination. (DOE/IG-0923)

### [Corrective Action Systems at the Pantex Plant](#)

The National Nuclear Security Administration's (NNSA) Pantex Plant (Pantex), formerly managed and operated by Babcock & Wilcox Technical Services Pantex, LLC (B&W Pantex), serves as the primary site for assembly and disassembly of nuclear weapons. In January 2013, NNSA awarded a consolidated management and operating contract for Pantex and NNSA's

Y-12 National Security Complex to Consolidated Nuclear Security, LLC (CNS). The 10-year contract took effect on July 1, 2014, and is valued at approximately \$23 billion.

Given the importance of ensuring safe and effective operations at Pantex, we initiated this audit to determine whether corrective action systems were operating effectively to meet established requirements. Due to the recent contractor transition and the fact that the new contractor had not decided whether to replace the existing corrective action systems, our review was limited to the systems in place under the prior management of Pantex. We found that B&W Pantex had generally implemented corrective action systems that provided for the reporting, documenting, and tracking to resolution of findings, weaknesses, and significant quality issues. However, we identified certain aspects of the program that needed improvement; issues that should be considered by CNS as corrective action systems under the new contract are implemented.

Because of the recent transition of the contract to CNS, we are not making formal recommendations. However, we made suggestions to the Manager, National Nuclear Security Administration Production Office to direct CNS to ensure employees fully understand requirements for corrective action systems and staffing is adequate for the Employee Concerns Program. (OAS-L-15-01)

#### **[The Department of Energy's Unclassified Cybersecurity Program – 2014](#)**

The use of information technology by Federal entities is evolving rapidly, leading to advancements in areas such as virtualization technologies, cloud computing, and mobile devices that offer opportunities to increase the value and accessibility of Government resources and information. However, this progression also exposes Federal information and systems to new and constantly changing threats.

The Federal Information Security Management Act of 2002 (FISMA) established the requirement for Federal agencies to develop, implement, and manage agency-wide information security programs. FISMA mandated that agency Offices of Inspector General conduct annual independent evaluations to determine whether agencies' unclassified cybersecurity programs adequately protected unclassified data and information systems. This report documents the results of our evaluation for the Department for FY 2014.

Although the Department, including the National Nuclear Security Administration, had taken positive actions to improve the security and awareness of the unclassified cybersecurity program in FY 2014, additional effort is needed to ensure that the risks of operating systems are identified and that systems and information are adequately secured. The issues identified occurred, at least in part, because the Department's programs and sites reviewed had not ensured that cybersecurity policies and procedures were developed and properly implemented.

Management concurred with the report's recommendations and indicated that corrective actions had been initiated or were planned to address the issues identified in the report. (DOE/IG-0925)

### **Management of Long-Term Surveillance and Maintenance of Uranium Mill Tailings Radiation Control Act of 1978 Title II Sites**

The Uranium Mill Tailings Radiation Control Act of 1978 was enacted to minimize radiation health hazards to the public. Title II of the act covers uranium mill sites that held a license by the Nuclear Regulatory Commission (Commission) or host states on or after January 1, 1978. Title II sites, which are uranium mill sites that were commercially owned and operated, are to be cleaned up at the expense of the mill operators, closed and then transferred to the Department's Office of Legacy Management (Legacy Management). Prior to site closure, the Commission assesses a surveillance charge to each mill operator to cover the costs of long-term surveillance and maintenance of the site. Legacy Management currently manages 6 Title II sites and anticipates eventually managing the remaining 21 sites that are scheduled to be closed by the mill operators. Given the Department's future obligation to manage Title II sites and the potentially significant cost of doing so, we performed this audit to determine whether the Department had effectively managed its long-term surveillance and maintenance of Title II sites.

We identified opportunities for the Department to improve its administration of the long-term surveillance and maintenance costs of its Title II sites. Specifically, we found that the Department's costs for long-term surveillance and maintenance of its Title II sites exceeded revenue available from mill operator assessments. Legacy Management's costs during FYs 2010 through 2012 for long-term surveillance and control activities at the six sites it managed exceeded revenue by \$4.1 million. Additionally, Legacy Management spent \$1.1 million for pre-transfer activities at other Title II sites that are not yet under its control and for which no provision exists for mill operators to cover the costs. Recognizing these challenges, Legacy Management has taken certain steps to address the issues associated with site transfers; however, further work is needed. Therefore, we suggested the Director for Legacy Management continue working with the Commission regarding the cost of activities to be included in the surveillance charge. (OAS-L-15-02)

### **Follow-up on the Department of Energy's Management of Information Technology Hardware**

The Department and its facility contractors rely on various types of information technology (IT) resources to accomplish objectives related to its national security, energy, science and environmental missions. Based on cost data obtained from eight sites, we estimated that the Department likely spent more than \$125 million in FY 2012 on IT hardware such as servers, desktops, laptops and printers.

Our prior reports revealed that the Department had not adequately managed the acquisition and control of IT hardware. Although the Department made efforts to address prior recommendations, we found that weaknesses in the Department's governance of IT hardware continued to exist. In particular, the Department had not effectively managed its IT hardware acquisition process or fully developed and implemented an IT supply chain risk management program. As such, we determined that the Department spent nearly \$2 million more than necessary in FY 2012 at the eight sites included in our review.

The problems we identified occurred, in part, because the Department had not developed and implemented a comprehensive approach to managing IT hardware. For instance, the Department and its facility contractors had not always developed and enforced hardware standards; implemented procedures to ensure organizations and sites effectively coordinated acquisition efforts; and fully leveraged enterprise-wide purchasing agreements.

Although positive actions had been taken, additional effort is necessary to ensure the Department effectively manages IT hardware acquisition and maintenance. As such, we made recommendations that could help the Department realize potential savings of up to approximately \$6 million over the next 3 years at just the eight reviewed locations. (DOE/IG-0926)

### **The Federal Energy Regulatory Commission's Unclassified Cybersecurity Program – 2014**

The Federal Energy Regulatory Commission (FERC) is an independent agency within the Department responsible for regulating the interstate transmission of the Nation's electricity, natural gas and oil. To accomplish its mission, FERC utilizes significant amounts of energy market data using a wide range of information technology resources. As directed by the Federal Information Security Management Act of 2002, we conducted an independent evaluation of FERC's unclassified cybersecurity program to determine whether it adequately protected data and information systems.

During our FY 2014 evaluation, we found that the FERC had taken positive action to improve its cybersecurity program and mitigate risks associated with past weaknesses. In particular, FERC made improvements to its security patch management and vulnerability management program to address weaknesses identified during our prior evaluations. (OAS-L-15-03)

### **Follow-Up Audit of Contractor Intergovernmental Personnel Act Assignments**

The Department maintains 16 contractor-operated laboratories designated as Federally Funded Research and Development Centers. Many of these contractors use Intergovernmental Personnel Act (IPA) assignments to facilitate the temporary movement of employees to other Federal agencies. During Calendar Year 2012, there were more than 165 active assignments from the National Laboratories to Federal agencies. The estimated cost of these assignments was over \$23 million, of which almost \$9 million was reimbursed by the Department.

Our March 2007 report on ["The Department's Management of Contractor Intergovernmental Personnel and Change of Station Assignments" \(DOE/IG-0761\)](#) revealed that the Department's contractors had inappropriately paid all assignment costs; paid excessive allowances; inappropriately assigned employees to other organizations for extended periods; and failed to collect all funds owed to the Department under cost-sharing agreements. The Department agreed to develop new guidance to address these issues.

We found that although the Department had improved its management of contractor IPA assignments, particularly with respect to the collection of shared costs, opportunities for improvement remain. Notably, the Department did not follow through on several previous

audit recommendations and, as a consequence, incurred approximately \$6 million in excess allowances or inequitably shared costs during 2012. The Department had not updated policies to add guidance specific to laboratory contractor employees on IPA assignments to other Federal agencies. Similar to our previous audit, we also found that contractor employees on assignment received allowances and relocation payments that exceeded those provided to Federal employees in similar situations. In addition, we observed continuing cost-sharing issues, assignments that appeared to be excessive in length and assignee hiring issues.

The issues identified occurred, in part, because the Department had not established adequate policy, guidance, or oversight of contractor IPA assignments. Despite the Department's previous commitment to do so, it had not completed the corrective actions necessary to resolve the recommendations in our previous report on this subject. (DOE/IG-0928)

### **Department of Energy's Fiscal Year 2014 Consolidated Financial Statements**

We engaged the independent public accounting firm of KPMG, LLP (KPMG) to perform the audit of the Department's FY 2014 Consolidated Financial Statements. KPMG concluded that these consolidated financial statements are presented fairly, in all material respects, in conformity with United States generally accepted accounting principles and has issued an unmodified opinion based on its audits and the reports of other auditors for the years ended September 30, 2014 and 2013.

The audit revealed certain deficiencies in internal control related to unclassified network and information systems security that were considered to be a significant deficiency. Although a significant deficiency in the Department's system of internal controls was found, it is not considered a material weakness. The audit disclosed no instances of noncompliance or other matters that are required to be reported under applicable audit standards and requirements. (OAS-FS-15-01)

### **Western Federal Power System's Fiscal Year 2013 Financial Statement Audit**

We contracted with the independent public accounting firm of KPMG, LLP (KPMG) to conduct the audit of the Western Federal Power System's (Western) combined balance sheets and report on Western's financial statements and reporting on applicable internal controls and compliance with laws and regulations. KPMG concluded that the combined financial statements present fairly, in all material respects, the respective financial position of Western as of September 30, 2013 and 2012, and the results of its operations and its cash flow for the years then ended, in conformity with United States generally accepted accounting principles.

The audit identified two deficiencies in internal control over financial reporting: a material weakness over Accounting for the Allocation of Accumulated Depreciation and a significant deficiency over information technology. Western management concurred with the findings and recommendations and agreed to take the necessary corrective actions. (OAS-FS-15-02)

### **Department of Energy's Nuclear Waste Fund's Fiscal Year 2014 Financial Statement Audit**

We contracted with the independent public accounting firm of KPMG, LLP (KPMG) to conduct the audit of the Department's Nuclear Waste Fund's balance sheets and related statements of net cost, changes in net position, and budgetary resources. KPMG concluded that the financial statements present fairly, in all material respects, the respective financial position of the Fund as of September 30, 2014 and 2013, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with United States generally accepted accounting principles.

The auditors' review of the Fund's internal control structure and compliance with certain laws and regulations disclosed no deficiencies or instances of noncompliance required to be reported under generally accepted Government auditing standards or applicable Office of Management and Budget guidance. (OAS-FS-15-03)

### **Lawrence Livermore National Laboratory's Laboratory Directed Research and Development Program**

The Laboratory Directed Research and Development (LDRD) Program was established by Congress in 1984 and is a funding source used to support long-term investment in science and technology at Lawrence Livermore National Laboratory (LLNL). LLNL's LDRD portfolio is intended to support Department of Energy (Department), National Nuclear Security Administration (NNSA) and LLNL mission areas, and projects must adhere to the requirements in Department Order 413.2B, *Laboratory Directed Research and Development*.

Nothing came to our attention to indicate that controls were not in place over initial LDRD project approval and subsequent project management as required by Department Order 413.2B and LLNL's internal procedures. The LDRD projects we tested were approved as required by Department Order 413.2B and LLNL's internal procedures. LLNL's process for determining which proposals were selected for LDRD funding was defined in its LDRD Policies and Procedures Manual. We also determined that project data sheets were prepared as required for the LDRD projects we tested. Further, LLNL prepared annual LDRD Program Plans that were approved by NNSA as required. (OAS-L-15-04)

### **Department of Energy's Implementation of Strategic Sourcing**

In response to the Office of Management and Budget directives issued to maximize the value of each dollar spent through the use of strategic sourcing, the Department developed performance goals to expand the use of strategic sourcing, increase cost savings, and improve the effectiveness and efficiency of its acquisitions. The Department's Strategic Programs Division (Strategic Programs) within the Office of Management, Office of Acquisition and Project Management, is responsible for establishing strategic sourcing processes, policies, and procedures on a Department-wide basis, as well as collecting strategic sourcing savings data.

We found that the Department had taken a number of positive steps to implement strategic sourcing, including the establishment of cost savings reporting guidance, issuance of management commitment memos by senior Department officials, and the development of



performance goals and objectives; however, we also noted discrepancies in the savings reported by the sites to Strategic Programs. The Department had overstated strategic sourcing savings by approximately \$8.7 million, or about 22 percent, of the approximate \$39.8 million claimed in FY 2013 for six sites we evaluated. Based on our review, we noted discrepancies such as calculation errors and incorrect categorization of savings.

The identified errors occurred because some sites misinterpreted the guidance when classifying savings as "strategic sourcing." Additionally, while sites had various controls in place to prevent or detect errors, these controls did not always work as intended. Finally, Strategic Programs did not have a process in place to ensure the accuracy of site-reported savings but instead relied on Department program offices to verify and validate their sites' submissions and ensure that the savings were accurate.

Although the Department reported that it had exceeded its FY 2013 strategic sourcing goal of saving \$195 million by 21 percent, these inaccuracies posed a risk that the Department's savings calculations may be misstated. These inaccuracies could also lead Department management to rely on less than reliable information to monitor the success of strategic sourcing efforts. (OAS-L-15-05)

**[Assessment of Audit Coverage of Cost Allowability for Bechtel Marine Propulsion Corporation During October 1, 2012, Through September 30, 2013, Under Department of Energy Contract No. DE-NR0000031](#)**

Bechtel Marine Propulsion Corporation (BMPC) was established solely to operate the Naval Nuclear Propulsion Program, which is a joint Navy–Department of Energy program responsible for the research, design, construction, operation, and maintenance of U.S. nuclear-powered warships. During the period of October 1, 2012, through September 30, 2013, BMPC expended and claimed over \$924 million in costs incurred.

BMPC was required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. A Cooperative Audit Strategy makes efficient use of available resources to provide audit coverage of the allowability of incurred costs claimed by contractors. Consistent with this strategy, BMPC's audit group and Federal auditors employed by the Naval Reactors Laboratory Field Office (NRLFO) provided audit coverage BMPC's incurred costs.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by the NRLFO auditors and the BMPC Audit Group did not meet generally accepted Government auditing standards and Institute of Internal Auditors standards, respectively, and could not be relied upon. In addition, we found BMPC had adequately addressed the subcontract audit concerns identified in our previous report. (OAS-V-15-01)



### **Management Letter on the Western Federal Power System's Fiscal Year 2013 Financial Statement Audit**

KPMG, LLP noted certain matters involving internal control and other operational matters during their audit of the Department's combined financial statements of the Western Federal Power System for FY 2013. These matters are intended to improve the Department's internal controls or result in other operational efficiencies.

The management letter contains two new findings that were issued during the course of the Western Federal Power System's FY 2013 Financial Statement Audit. Management generally concurred with and provided planned corrective actions for most of the recommendations listed in the management letter; management's comments are included in each finding. (OAS-FS-15-04)

### **Follow-up on the Los Alamos National Laboratory Hydrodynamic Test Program**

A primary mission of the National Nuclear Security Administration (NNSA) is to ensure the safety, reliability, and performance of the Nation's nuclear weapons stockpile. NNSA relies on computer models and simulations to achieve this mission. Data from nonnuclear hydrodynamic tests (hydrotests) is used to validate and refine these computer models for the annual assessment of the stockpile. Hydrotest data also supports the development of new materials, components, and safety features, evaluations of replacement parts, and materials for vital Life Extension Programs. Los Alamos National Laboratory (LANL) performs hydrotests for weapons in the stockpile. In September 2005, we reported that LANL did not complete hydrotests as scheduled because LANL had not fully implemented key project management tools or adopted programmatic changes that could increase its efficiency in conducting such tests.

Our current audit showed that LANL continued to experience delays in executing hydrotests. According to NNSA's National Plans, LANL scheduled a total of 19 tests during FYs 2010 through 2013. Of the scheduled tests, 12 (63 percent) experienced delays ranging from 1 to 3 years. Five of the tests had not been performed as of the end of FY 2013. Of the five tests, three were delayed 1 year and ultimately were executed in FY 2014. The remaining two tests will be delayed an additional year and are now scheduled for FY 2015. Additionally, the testing delays created a backlog in LANL's test schedules for subsequent years. LANL officials told us that the delays were due to numerous factors, such as complexity of tests, the importance of technical performance, changing program priorities, and budget constraints. While we recognize these issues, we identified various inefficiencies and project management weaknesses related to delayed hydrotest completion. (DOE/IG-0930)

### **Federal Energy Regulatory Commission's Fiscal Year 2014 Financial Statement Audit**

We contracted with the independent public accounting firm of KPMG, LLP (KPMG) to conduct the audit of the Federal Energy Regulatory Commission's (FERC) balance sheets and related statements of net cost, changes in net position, budgetary resources, and custodial activity. KPMG concluded that the financial statements present fairly, in all material respects, the financial position of FERC as of September 30, 2014 and 2013, and its net costs, changes in net

position, budgetary resources, and custodial activities for the years then ended, in accordance with United States generally accepted accounting principles.

The auditors' review also considered FERC's internal controls over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grant agreements. The audit identified one deficiency in internal control over financial reporting that is considered a material weakness and resulted in instances of noncompliance with United States generally accepted accounting principles, and consequently, noncompliance with the Federal Financial Management Improvement Act of 1996. (OAS-FS-15-05)

**[Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2014](#)**

During the audit, KPMG, LLP (KPMG), our contract auditors, noted certain matters involving internal control and other operational matters. These comments and recommendations are intended to improve internal control or result in other operating efficiencies. Additionally, KPMG identified a deficiency in internal control that it considered to be significant. Management concurred with and provided corrective action for the recommendations listed in the report. (OAS-FS-15-06)

**[Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2014](#)**

During the audit, KPMG, LLP (KPMG), our contract auditors, noted certain matters involving internal control and other operational matters. These comments and recommendations are intended to improve internal control or result in other operating efficiencies. Additionally, KPMG identified certain deficiencies in internal control that it considered significant.

KPMG noted 17 new findings and 2 repeat findings that were issued during the course of the FY 2014 Audit of the Department of Energy's Consolidated Financial Statements. Management concurred with and provided planned corrective actions for the recommendations listed in the management letter, and management's comments are included in each finding. (OAS-FS-15-07)

**[Management Letter on the Federal Energy Regulatory Commission's Fiscal Year 2014 Financial Statement Audit](#)**

During the audit, KPMG, LLP (KPMG), our contract auditors, noted certain matters involving internal control and other operational matters. These comments and recommendations are intended to improve internal control or result in other operating efficiencies. Additionally, KPMG identified certain deficiencies in internal control that it considered to be a material weakness.

KPMG noted 2 new findings that were issued during the course of the Federal Energy Regulatory Commission's FY 2014 Financial Statement Audit. Management concurred with and provided planned corrective actions for the recommendations listed in the management letter, and management's comments are included in each finding. (OAS-FS-15-08)

### **Materials System Inventory Management Practices at Washington River Protection Solutions**

Washington River Protection Solutions (WRPS) is the Department's Office of River Protection's contractor responsible for operation of the Hanford Site tank farms. As part of its overall property management system, WRPS manages inventory needed to support tank farm operations through the Tank Farm Material Services System (Materials System), which tracks inventory from receipt to issuance of the parts to the field. As of August 11, 2014, the Materials System listed more than 258,000 items with an estimated acquisition cost of \$4.6 million.

Our review determined that the Office of River Protection had not effectively managed inventory needed to support tank farm operations at WRPS. We found that WRPS could not accurately determine the number and value of items held in inventory from the Materials System due to internal control weaknesses at both the contractor and the Office of River Protection.

Although specifically required under the terms of its contract, WRPS did not comply with Federal Acquisition Regulation (FAR) requirements to maintain accurate records and perform periodic physical inventories on Materials System items. We recommend that management take the necessary actions to ensure their inventory management system complies with FAR requirements. (OAS-M-15-01)

### **The Department of Energy's Management of High-Risk Excess Facilities**

In our prior report, [\*Department of Energy's Management of Unneeded Real Estate \(OAS-L-14-07, April 2014\)\*](#), we noted a number of National Nuclear Security Administration facilities in poor condition that were categorized as excess or in shutdown mode without definitive plans for deactivation and decommissioning activities. The degradation within these facilities ranged from failures in critical structural components to high levels of contamination. Additionally, several of these facilities posed significant health and safety risks to Department employees and the public. Given the issues identified in that report, and the risks associated with contaminated facilities, we initiated this audit to determine whether the Department has minimized the risk associated with excess contaminated non-Environmental Management facilities.

Our review found weaknesses in the Department's effort to address the risks associated with its inventory of contaminated facilities. Specifically, our review found that a definitive transfer schedule for the 234 contaminated excess facilities awaiting deactivation and decommissioning activities had not been established; many contaminated excess facilities continue to deteriorate and pose increasing risks to mission, workers, the public, and the environment; and at least 140 additional excess contaminated facilities had been identified.

According to Department officials, budget realities, including resource constraints and the unstable nature of the budget process, were key to the delays in advancing the deactivation and decommissioning program. Given budget and transfer time line uncertainties identified during this review, as well as the risks posed to health, safety, and the environment, we made

recommendations designed to assist the Department in addressing its universe of excess contaminated facilities. (DOE-IG-0931)

### **Incurring Cost Audit Coverage of Non-Management and Operating Contractors**

As it has for many years, we identified contract management as a challenge area in its report on [\*Management Challenges at the Department of Energy – FY 2015 \(DOE/IG-0924, October 2014\)\*](#). A key control for improving overall contract management and reducing the risk that unallowable costs will be incurred by contractors is a risk-based incurred cost audit approach. Although the Department has generally committed to improving contract management, over the past several years we have identified a significant gap in audit coverage of non-Management and Operating (non-M&O) contracts and subcontracts. This report highlights audit coverage issues related to the non-M&O contracts and it identifies the associated risks to the Department.

Historically, the Department has met its non-M&O contract cost audit requirements through an agreement with the Defense Contract Audit Agency (DCAA). DCAA provides audit and financial advisory services to the Department of Defense and also services Federal civilian agencies responsible for acquisition and contract administration. However, over the past several years, as responsible Department officials confirmed, DCAA has been unable to perform many of its audits on a timely basis. In fact, DCAA itself reported delays from 1 year to more than 8 years for audits of the Department's non-M&O contracts and related Department-funded subcontracts. These delays resulted in a backlog of audits of contracts and subcontracts with incurred costs valued at billions of dollars per year.

DCAA has been unable to meet the non-M&O contract audit needs of the Department and has asserted that it simply does not have the resources to meet all Department of Defense and civilian agency audit requests. As it pertains to the Department, this situation was exacerbated by the fact that the Department lacked a comprehensive strategy to ensure that non-M&O contractor costs were subjected to necessary audits.

To help resolve the issues identified in this report, we recommended that the Department coordinate with DCAA to develop a risk-based approach for audit coverage of non-M&O contractor incurred costs. We also recommended it develop a comprehensive strategy to supplement DCAA's audit coverage to ensure necessary and required audit of incurred costs until the backlog of DCAA audits can be eliminated. (DOE/IG-0934)

### **Audit of Costs Incurred Under the Department of Energy's International Nuclear Cooperation Program Interagency Agreements With the Department of State**

We contracted with an independent certified public accounting firm, KPMG, LLP (KPMG), to determine the allowability, allocability and reasonableness of direct project costs incurred related to the International Nuclear Cooperation Program in accordance with Federal Acquisition Regulation, and to determine whether the auditees complied with the applicable requirements in the Department of State Interagency Agreement related to the International Nuclear Cooperation Program FYs 2010 through 2013. KPMG concluded that except for certain

issues outlined in its report, total project costs incurred during FYs 2010 through 2013 related to the International Nuclear Cooperation Program were allowable, allocable, and reasonable, in accordance with the applicable Federal Acquisition Regulation, interagency agreement terms and conditions, and other applicable requirements. (OAS-FS-15-09)

### **Argonne National Laboratory Infrastructure Projects**

Our special report, [\*Management Challenges at the Department of Energy – FY 2014 \(DOE/IG-0899, November 2013\)\*](#), included infrastructure modernization as a watch list item warranting special attention. Argonne National Laboratory (Argonne) maintains 99 buildings with 4.7 million total square feet of floor space. The age of buildings, about 40 years on average, along with historically low maintenance budgets, has created a large backlog of buildings and systems in need of revitalization or modernization. From October 2009 through January 2014, Argonne spent about \$127.2 million on 243 major repairs and minor construction projects that cost less than \$10 million. Some of these activities were accomplished through the use of direct funded General Plant Projects and indirect funded (funded through assessments of all programs) Institutional General Plant Projects (IGPPs).

Argonne, for the most part, implemented appropriate controls over infrastructure projects. We found, for example, Argonne prioritized infrastructure projects; capitalized cost, if required; and ensured subcontracts complied with requirements of the Davis-Bacon and Buy American Acts. However, we found that Argonne may have inappropriately used, or planned to use, indirect funding to complete 4 of 10 minor construction projects funded as IGPPs contrary to Department Order 430.1B Change 2, *Real Property Asset Management*.

The use of indirect funds for these program-specific construction projects occurred because Science did not clearly communicate to its laboratories the availability of direct program funding for program-specific infrastructure projects. We also found that there were differing interpretations of the Department's IGPP requirements. (OAS-M-15-02)

## Inspection Reports

### [Government Vehicle Utilization at Lawrence Livermore National Laboratory](#)

The Lawrence Livermore National Laboratory (LLNL) is a Department national security laboratory managed by Lawrence Livermore National Security LLC, for the National Nuclear Security Administration (NNSA). LLNL's mission is to ensure the safety and security of the Nation through applied science and technology.

To assist in achieving its mission, LLNL maintains a transportation system, which cost approximately \$3.7 million in FY 2013. This transportation system included approximately 770 vehicles, 554 bicycles, and 4 taxis on LLNL's one-square mile campus. In January 2011, the Secretary issued a Department Memorandum, Management of Fleet Inventory, challenging the Department to reduce its fleet inventory by 35 percent without sacrificing critical mission elements but ensuring cost-effectiveness across all Department sites and field offices. To comply with the memorandum, NNSA embarked on a complex-wide effort to right-size its fleet to include a review of site requirements, budget, and inventory. Given the focus on ensuring that transportation systems were cost effective and efficient, we initiated this inspection to determine if LLNL's on-site transportation system was being effectively managed.

We found that LLNL had not adequately considered all available options to reduce the cost of its on-site transportation system. Specifically, we found that LLNL's fleet leveling process did not consider maximizing the use of other transportation modes when determining the minimum number of vehicles needed to satisfy programmatic requirements. As such, LLNL may have missed an opportunity to reduce its fleet of approximately 770 vehicles. Therefore, we made recommendations designed to assist management in developing appropriate courses of action to improve the annual fleet leveling processes. (INS-O-15-01)

### [Alleged Attempts by Sandia National Laboratories to Influence Congress and Federal Officials on a Contract Extension](#)

The Department's Sandia National Laboratories (SNL) is a Government-owned, contractor-operated laboratory that is part of the National Nuclear Security Administration's (NNSA) nuclear weapons complex. In 1993, the Management and Operating (M&O) contract was competitively awarded and was set to expire on September 30, 2012, but it was extended for 12 months with two 3 month option periods, which extended the contract for an additional 6 months beyond the September 30, 2013 expiration date. On March 17, 2014, the Department announced that it was moving forward with a noncompetitive extension for a period of 2 years with an option for a third year while NNSA prepared for a full and open competition.

Prompted by an Office of Inspector General inspection report, NNSA's Sandia Field Office conducted a preliminary review of documentation from 2009 through 2011 regarding consultant SNL activities. On March 27, 2013, the Sandia Field Office alleged that SNL impermissibly attempted to influence an extension to the Sandia Corporation contract and engaged Ms. Wilson in these activities.

Our inspection substantiated the allegation that SNL used Federal contract funds to engage in activities that were intended to influence the extension of the M&O contract with the Department—a contract then valued at about \$2.4 billion per year. In particular, SNL developed and executed a plan that involved meeting with and attempting to influence Federal and Congressional officials to provide assistance in obtaining a noncompetitive extension of its contract with the Department. We determined that these activities appeared to have violated United States Code and Federal Acquisition Regulation provisions prohibiting the use of Federal funds to influence members of Congress or Federal officials with regard to an extension of a contract. We also concluded that such activities were impermissible under a provision of the Sandia Corporation M&O contract, which prohibits the contractor from making interface with any Federal, state, municipal or local legislators, or legislative personnel for the purpose of obtaining or retaining business for Sandia Corporation.

We made several recommendations designed to assist management in preventing any future use of Federal funds to influence members of Congress and Federal officials with regard to Federal contracting actions. Management concurred with the report's findings and identified planned actions to address our recommendations. We consider management's comments responsive to the report's recommendations. (DOE/IG-0927)

#### **Allegation Regarding Human Reliability Program Unsuitable Reportable Behaviors at the Office of Secure Transportation**

The Department's National Nuclear Security Administration, Office of Secure Transportation (OST), utilizes a professional force of Federal agents to transport nuclear weapons, weapon components and special nuclear material. These agents participate in the Human Reliability Program (HRP), a security and safety reliability program designed to ensure that they meet the highest standards of reliability and physical and mental suitability.

We received an allegation that an Operations Squad Commander: (1) was engaged in unsuitable, reportable behavior and even though management was aware of the problems, no disciplinary action was taken; (2) forced a medically restricted agent to participate in physical training; (3) falsified Federal documentation related to a work injury; (4) threatened to pull agents' HRP access rendering them unable to train or perform their duties; and (5) manipulated the promotion selection process to select a personal friend over another applicant.

We found that the Squad Commander, along with other agents, engaged in unsuitable, reportable behaviors, such as uncontrolled anger, hostility, and aggression toward fellow workers and authority figures. These incidents were not reported as required. While the specific allegation that the Squad Commander forced an agent to participate in strenuous training while under medical restriction was not substantiated, we did find that the Deputy Director allowed the agent to engage in this strenuous training exercise without proper medical clearance.



We confirmed seven separate incidents that took place over a span of 10 years, with the most recent occurring in early 2013. Senior OST officials told us that none of the incidents were reported to them, so they were unable to take disciplinary or other action.

The remaining allegations against the Squad Commander were not substantiated. Even though OST had a number of internal controls in place designed to prevent the type of problematic behavior we substantiated, we found them not to be completely effective. We made recommendations designed to strengthen controls in this important area. (INS-O-15-02)

#### **Government-Owned Firearms Inventory at the Nevada National Security Site**

The Department's Nevada National Security Site (NNSS) has a protective force provided by WSI Nevada to ensure the physical protection of national safeguards and security interests. WSI Nevada is responsible for ensuring proper accountability and control of all its assigned property used in the performance of the protective force contract with the Department, including the protective force's firearms. Therefore, the inspection was initiated to determine whether NNSS properly managed and maintained its government-owned firearms inventory.

Our inspection revealed that NNSS had 100 percent accuracy in their firearms inventory and no firearms losses within the past 3 years; developed and implemented an adequate inventory process to track and account for its firearms to include storage and security; performed required routine maintenance on its firearms; implemented an effective process to address the loss of firearms; and adequately monitored, controlled, and disposed of its excess firearms. (INS-L-15-01)

#### **Allegations Regarding the Consolidation of Central Alarm Stations at the Oak Ridge Reservation**

The Department's Oak Ridge Reservation is home to multiple unique sites, including the Oak Ridge National Laboratory (ORNL), the East Tennessee Technology Park, and the Oak Ridge Office. Each site is equipped with an alarm station that monitors security alarms and video feeds 24 hours a day. The Office of Science (Science) manages the portion of the Oak Ridge Reservation that contains these three sites, and in 2011, Science recommended the consolidation of the sites' alarm stations to cut security costs. In March 2013, Science selected ORNL as the site to host a consolidated alarm station.

We found that the approval for the Alarm Station Consolidation Project was based on incomplete information regarding the viability and economic feasibility of the project. Although Science took some project management actions, it did not fully develop economic analyses to provide reasonable assurance that the consolidation project would be advantageous to the Department, total project cost estimates to assist project managers in controlling the effort, and assessments of security impacts to ensure appropriate protection throughout the project. Our review determined that the consolidation project would not save the Government money, but instead, it could result in more than \$1 million in additional annual costs to the Department and leave no possibility for recovery of the \$6.2 million requested for initial setup costs. (DOE/IG-0929)



### **Review of Controls Over the Department's SmartPay2 Purchase Card Program at Selected Department Sites**

The General Services Administration's SmartPay2 Program provides purchase cards to Government agencies, including the Department. The Office of Acquisition and Project Management is responsible for managing the Department's Purchase Card Program. The Department's Agency Program Coordinator oversees 18 Federal program offices and 16 contractor sites within the Department's Purchase Card Program, with expenditures of approximately \$143 million during FYs 2011 and 2012. The Government Charge Card Abuse Prevention Act of 2012 mandates that agency Inspectors General conduct periodic assessments of their agency's purchase card program to identify and analyze risks of illegal, improper, or erroneous purchases and payments.

Our inspection determined that the Department's development and implementation of policies and procedures related to the SmartPay2 Program were generally consistent with established guidance; however, our testing did reveal several opportunities for improvement. Our examination of a combined statistical and judgmental sample of 356 transactions at 2 selected Department sites revealed a few issues at 1 or both sites in the areas of unauthorized use and prohibited transactions and statement reconciliation. These issues occurred, in part, because of inadequate training, relaxed oversight of purchasing, and inadequate reconciliation activities at the particular organizations involved. (DOE/IG-0932)

### **Review of Controls for Protecting Nonpublic Information at the Federal Energy Regulatory Commission**

The Federal Energy Regulatory Commission (FERC), an independent agency within the Department, regulates, in part, the reliability of the Nation's bulk electric grid. In February 2014, sensitive internal information regarding the electric grid analysis was mentioned by national media and attributed in the press to a former FERC Chairman. FERC staff described the information as highly sensitive, nonpublic, unclassified information, noting that improper disclosure could have significant national energy implications. Because of the potential for harm associated with the publication of such information, the current and former Chair of the Senate Committee on Energy and Natural Resources and FERC's Designated Agency Ethics Official requested that we review the facts and circumstances surrounding the disclosure of the nonpublic information.

Our review revealed that the FERC's controls, processes, and procedures for protecting nonpublic information were severely lacking. Specifically, we found that staff inconsistently handled and shared FERC-created analyses that identified vulnerability of the Nation's electric grid without ensuring that the data was adequately evaluated for sensitivity and classification. (DOE/IG-0933)

### **Management of Department of Energy–Sponsored Conferences Costing More Than \$20,000**

Although the Department had made progress in the management of conference expenditures, more can be done to control cost and ensure that funds are spent appropriately. Specifically, our review identified accounting, documentation and justification issues that affected

approximately one-third of the 151 conferences, held at a cost of about \$4 million, in the greater than \$20,000 cost category. Problems were also observed in all 16 of the FY 2013 conferences we reviewed, totaling about \$3.3 million, in the greater than \$100,000 category.

Our previous report on this matter, [Conference Management at Selected Department Sites \(DOE/IG-0913, June 2014\)](#), revealed that Department Program Offices inconsistently applied conference criteria, the Conference Management Tool was inaccurate, and Program officials failed to properly report and break down food costs. These issues occurred, at least in part, because management did not ensure conference decisions were based on established requirements. As of November 2014, three of six recommendations from this report were considered open, and the Department was in the process of implementing corrective actions. Based on our review, we believe that addressing the remaining open recommendations in this report should also help resolve the concerns we identified in our current review. (INS-L-15-02)

### **Allegations Concerning Information Protection at Los Alamos National Laboratory**

Los Alamos National Laboratory (LANL), a part of the National Nuclear Security Administration, executes missions affecting national priorities involving nuclear security, intelligence, defense, nonproliferation, and counterterrorism. LANL is managed and operated by Los Alamos National Security, LLC (LANS), and Federal oversight is provided by the Los Alamos Site Office. We received a complaint alleging multiple problems with the LANL classification program.

We substantiated certain allegations related to LANL's classification program. In particular, we determined that LANL's Classification Officer had not always adequately protected and controlled classified information resulting in the misclassification and improper disclosure of sensitive, national security information. Our examination of incident reports and other available evidence revealed six incidents in which LANL documents were misclassified. Further, as alleged and despite acknowledging that they had received complaints from employees, we found that LANS management officials had not taken action to investigate or resolve alleged violations by the LANL Classification Officer.

The issues we identified in this report occurred, in part, due to lack of oversight by LANS management and the cognizant Federal manager. Specifically, LANS management officials failed to take action once they became aware of issues related to the Classification Officer. We made recommendations that, if implemented, will strengthen the management and oversight of Los Alamos Site Office information and security program reporting. (DOE/IG-0935)

### **Submission and Maintenance of Patents at Sandia National Laboratories**

The National Nuclear Security Administration is responsible for the management of the nation's weapons complex, which includes Sandia National Laboratories, operated by Sandia Corporation. Sandia Corporation's Technology Transfer Program involves the submission of patent applications resulting from Sandia National Laboratories' research and development efforts. Once a patent is assigned, Sandia Corporation must maintain the patent to protect the underlying intellectual property and associated rights. Commercial enterprises, especially small

businesses, negotiate licensing agreements for patented technologies, and Sandia Corporation collects related fees.

Our inspection determined that, for the most part, the processes for submitting and maintaining patents appeared to have been implemented in a manner that protected the interests of the Department and Sandia Corporation. However, we found that Sandia Corporation failed to pay the periodic maintenance fees for 14 of the approximate 1,540 patents it maintained. This resulted in the lapse of patents and the loss of associated intellectual property rights, requiring Sandia Corporation to reimburse four companies approximately \$112,000 for licensing fees and royalty payments made for patents, funds to which Sandia Corporation would have otherwise been entitled. In addition, one inventor was paid \$7,000 for lost royalty income.

Our review found that the failure by Sandia Corporation to pay the periodic maintenance fees occurred because of a change in software packages used by Sandia Corporation to track and maintain the status of patents. The change in software necessitated a data transfer of patent-related information. During the data transfer, data affecting 14 patents was corrupted, and the corrupted data was not detected. Because Sandia Corporation relied on this data to alert it to when maintenance fees were due, the absence of the alert in these instances caused Sandia Corporation to miss the payment of periodic maintenance fees. (INS-O-15-03)

## SEMIANNUAL REPORTING REQUIREMENTS INDEX

The following identifies the sections of this report that address each of the reporting requirements prescribed by the Inspector General Act of 1978, as amended.

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# REPORTING REQUIREMENTS INDEX AS PRESCRIBED BY THE COMMITTEES ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS AND THE JUDICIARY

The following identifies the information that addresses the requests by the Committees on Homeland Security and Governmental Affairs and the Judiciary.

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## ABOUT THE DEPARTMENT AND OIG

**The U.S. Department of Energy** is headquartered in Washington, DC and currently operates the Energy Information Administration, the National Nuclear Security Administration, 21 preeminent research laboratories and facilities, four power marketing administrations, nine field offices, and 10 Program Offices which help manage the Department's mission with more than 15,000 employees. The Department is the Nation's top sponsor of research and development and has won more Nobel Prizes and research and development awards than any other private sector organization and twice as many as all other Federal agencies combined. The mission of the Department is to ensure America's security and prosperity by addressing its energy, environmental and nuclear challenges through transformative science and technology solutions.

**The OIG's** mission is to strengthen the integrity, economy and efficiency of the Department's programs and operations. The OIG has the authority to inquire into all Department programs and activities as well as the related activities of persons or parties associated with Department grants, contracts, or other agreements. As part of its independent status, the OIG provides the Secretary with an impartial set of "eyes and ears" to evaluate management practices. With approximately 290 employees, the organization strives to be a highly effective organization that promotes positive change.

## OIG HOTLINE CONTACTS

Contact the OIG Hotline if you suspect fraud, waste or abuse involving Department programs or by a Department employee, contractor or grant recipient.

### Contact Information:

- Toll Free Telephone Number: 1-800-541-1625
- Washington DC Metro Telephone Number: 202-586-4073
- Email Address: [ighotline@hq.doe.gov](mailto:ighotline@hq.doe.gov)
- Physical Address: U.S. Department of Energy  
1000 Independence Ave, SW  
Washington, DC 20585

## FEEDBACK

The contents of this Semiannual Report to Congress comply with the requirements of the Inspector General Act of 1978, as amended. If you have any suggestions for making the report more responsive, please provide the following information by clicking the “Submit Email” button below:

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