

INFORMATION: Report on "Follow-up Inspection of the
Double Funding of Security for Special Nuclear
Material at the Richland Operations Office"

The Secretary

BACKGROUND:

On June 3, 1993, the Deputy Assistant Inspector General for Inspections issued a Letter Report to the Department's Acting Chief Financial Officer which stated that during Fiscal Year 1993 the Department had requested and received \$60 million, double the funding needed, for the safeguard and security of special nuclear material at the Richland Operations Office. In response to that Report, the Acting Chief Financial Officer took control of the funds and placed them into a management reserve account. A follow-up inspection was initiated to:

- 1) identify contributing factors to the double funding;
- 2) identify corrective action needed to prevent it from reoccurring; and
- 3) review Departmental managers' response to the double funding issue.

DISCUSSION:

The follow-up inspection identified three factors that contributed to the Department receiving double funding for the safeguard and security of nuclear material at the Richland site. The first contributing factor was that neither Headquarters Defense Programs nor Environmental Management officials had determined who would be responsible for the budgeting of the safeguard and security for nuclear material prior to finalizing the Fiscal Year 1993 budget. As a result, Richland officials requested funding from both Defense Programs and Environmental Management. The second contributing factor was the failure of Departmental officials to notify the Office of the Chief Financial Officer of the double funding issue. In that regard, the inspection revealed that the budget process did not require that Departmental officials notify the Office of the Chief Financial Officer of issues that need to be resolved prior to the submission of the budget to Congress.

The third factor which contributed to the double funding was that Environmental Management and Defense Programs budget documents did not separately identify the funding requirement for security of the special nuclear material at Richland. For this reason, we believe it is unlikely that the double funding would have been identified by Headquarters officials through a review of Environmental Management and Defense Programs budget documents.

The follow-up inspection also found that, as a result of the June 1993 Letter Report, the Acting Chief Financial Officer and the Assistant Secretary for Environmental Management took corrective action by withdrawing \$30 million from Richland and placing the funds in a Headquarters reserve account on July 16, 1993. In September 1993, these officials authorized the use of the extra \$30 million for other environmental projects at the Savannah River and Richland Operations Offices. Although corrective action was taken, Department officials did not notify Congress of the extra \$30

million, as we believe was required by the Department's procedures.

Finally, based on our review of 1992 budget documents, the inspection disclosed that Departmental officials may have received double funding for the safeguard and security of special nuclear material at the Richland Operations Office during Fiscal Year 1992. Headquarters Environmental Management and Budget officials agreed that double funding may have occurred in Fiscal Year 1992.

In response to recommendations in the report, Headquarters Office of the Chief Financial Officer stated that additional guidance had been incorporated in the Fiscal Year 1997 Budget Call requiring Departmental officials to identify directly to the Headquarters Chief Financial Officer any issues which need to be resolved during budget preparation. The Headquarters Office of the Chief Financial Officer also agreed to informally advise staff of the cognizant Congressional committees about the double funding which occurred in Fiscal Year 1993. Finally, the Office of the Chief Financial Officer agreed to confer with the Office of Environmental Management and Richland Operations Office officials to determine if a similar instance of double funding occurred in Fiscal Year 1992.

John C. Layton
Inspector General

Attachment

cc:

Deputy Secretary
Associate Deputy Secretary for Field Management
Mr. J. Solit, Office of the Secretary
Manager, Richland Operations Office
Director, Audit Liaison Division

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REPORT ON
FOLLOW-UP INSPECTION OF THE DOUBLE FUNDING
OF SECURITY FOR SPECIAL NUCLEAR MATERIAL
AT THE RICHLAND OPERATIONS OFFICE

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FOLLOW-UP INSPECTION OF THE DOUBLE FUNDING OF
SECURITY FOR SPECIAL NUCLEAR MATERIAL
AT THE RICHLAND OPERATIONS OFFICE

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- A - Chronology of Selected Actions Related to
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Security for Special Nuclear Material
at the Richland Operations Office

FOLLOW-UP INSPECTION OF THE DOUBLE FUNDING OF
SECURITY FOR SPECIAL NUCLEAR MATERIAL
AT THE RICHLAND OPERATIONS OFFICE

I. INTRODUCTION AND PURPOSE

In a June 3, 1993, Office of Inspections Letter Report, the Office of Inspector General notified the Department's Acting Chief Financial Officer that the Department had requested and received \$60 million, double the funds needed, for the safeguard and security of special nuclear material at the Department's Richland Operations Office in Fiscal Year 1993. In response to the Letter Report, in a June 28, 1993, memorandum, the Acting Chief Financial Officer advised the Office of Inspector General that the extra \$30 million received by the Office of Environmental Management would either be: 1) applied to unanticipated requirements in Fiscal Year 1993; 2) applied to the anticipated Congressional reduction to the Department's Fiscal Year 1994 budget request; or 3) used as an offset to the Fiscal Year 1995 budget request.

The purpose of this follow-up inspection was to review the circumstances surrounding the Fiscal Year 1993 double funding for the security of special nuclear material at Richland. The principal objectives of this inspection were to: 1) identify contributing factors to the double funding and corrective actions needed to prevent the double funding from reoccurring; and 2) review Departmental Managers' response to the double funding issue.

II. SUMMARY RESULTS OF INSPECTION

Consistent with its objectives, the follow-up inspection identified three factors that caused the Department to receive \$60 million in Fiscal Year 1993 -- \$30 million more than needed for special nuclear material security at the Richland Operations Office. The inspection also disclosed that in response to our June 1993 Letter Report, senior Departmental Officials took immediate control of the extra funds and eventually reallocated them within the Department. Despite these steps, Departmental officials did not notify Congress of the extra \$30 million as we believe was required by the Department's procedures. The inspection did not, however, disclose evidence that Departmental Officials had violated Federal laws or regulations in their actions regarding the Fiscal Year 1993 double funding. Finally, the inspection disclosed budget documents that suggest the Department may have also received an extra \$30 million for security of special nuclear material at Richland in Fiscal Year 1992.

The following summarizes the key elements of these findings.

Three Factors Caused The Fiscal Year 1993 Double Funding

The Inspection identified three factors which, we believe caused the

double funding for security of special nuclear material at the Richland Operations Office. One of the three factors caused Richland Officials to request the extra \$30 million. The two other factors contributed to Departmental officials failure to identify the double funding request before the budget was submitted to the Congress and the extra funds were received.

One Factor Contributed To The Double Funding Request

The factor which we believe contributed to the Richland Operations Office officials' request for double funding was that a decision had not been made as to which Headquarters organization, Defense Programs or Environmental Management, would be responsible for the budgeting of security for special nuclear material at Richland until after the Fiscal Year 1993 budget was prepared. According to Richland officials, the uncertainty regarding which organization was responsible for funding the security of special nuclear material and their perception that this was an item that had to be funded, caused them to request \$30 million each from Defense Programs and Environmental Management.

Two Factors Contributed To The Failure To Identify The Double Funding Request

One of the two factors which we believe contributed to the failure to identify Richland's double funding request was that the Department's budget preparation process did not require that the Office of Chief Financial Officer be notified of issues, such as this double funding request, that needed to be resolved. For example, certain officials of the Hanford Site's management and operating contractor, the Richland Operations Office, and the Headquarters Office of Environmental Management were aware of the double funding requested by Richland. However, these officials had not notified the Office of Chief Financial Officer that the double funding request was an issue that needed to be resolved before the Department's Fiscal Year 1993 Congressional Budget Request was submitted to Congress in February 1992.

Because of ongoing changes in the Department's organizations and missions, we believe that it would be a useful internal control for the budget process to include a specific requirement that managers preparing budget requests identify to the Chief Financial Officer budget issues that should be resolved before the Department's budget is finalized.

A second factor that we believe contributed to the failure to identify the double funding request was that, even though security for special nuclear material had a projected cost of \$30 million, various documents used in the budget process did not separately identify the funding requirement for security. Thus, we believe that even if a detailed comparison between the Defense Programs and the Environmental Management budget requests had been made, it is unlikely that the double funding request would have been identified at Headquarters.

Senior Departmental Officials Reallocated the Extra Funds

As a result of our June 1993, Letter Report, the Acting Chief Financial Officer and the Assistant Secretary for Environmental Management controlled the \$30 million by placing it into a reserve account at Headquarters until an alternate use for the \$30 million was approved. In September 1993, the Acting Chief Financial Officer and the Assistant Secretary for Environmental Management authorized the use of the excess \$30 million for other environmental projects at the Department's Richland and Savannah River Operations Offices.

Congress Should Have Been Notified of the Double Funding

The inspection found that the Department had procedures that stated that if appropriated funds are to be used in ways that are different than originally intended, there may be requirements for notifying Congress and reprogramming the funds. Criteria which related to whether Congressional notification was needed, included: 1) whether the proposed action is a significant programmatic departure -- that is, a reallocation of funds between activities; 2) use of funds for purposes other than those presented to Congress; or 3) the adjustment of activities involving areas of known Congressional special interests, concerns, or sensitivities.

The then Acting Chief Financial Officer stated that she did not believe that these procedures required that the Congress be notified before the excess \$30 million was approved for other uses in September 1993. She stated that she had approved the use of the funds during Fiscal Year 1993 based on information that the proposed use of the funds was the same as originally intended and represented to Congress. She also stated that she was not aware of any "special interest" that Congress had in the areas where these funds were to be spent. However, another Chief Financial Officer Official responsible for reprogramming actions believed that Congress had a "special interest" in the funding of security at Hanford and should have been notified about the double funding. This official had not been aware of the double funding until our discussion in June 1994 -- after the Acting Chief Financial Officer had approved the use of the extra \$30 million for other purposes.

Possible Double Funding During Fiscal Year 1992

In reviewing the actions associated with the excess \$30 million for Fiscal Year 1993, we found documents which indicated that double funding for the security for special nuclear material at Richland may have also occurred during Fiscal Year 1992. Budget officials at Headquarters agreed that it appeared that double funding may have also occurred in Fiscal Year 1992.

General Management Comments

The Offices of the Assistant Secretary for Environmental Management; the Assistant Secretary for Defense Programs the Chief Financial Officer at Headquarters; and the Chief Financial Officer of the Richland Operations Office generally agreed with the findings and recommendations in this report.

The Headquarters Office of the Chief Financial Officer commented

that the Fiscal Year 1997 Budget Call included guidance for the Field Chief Financial Officers to identify directly to the Headquarters Chief Financial Officer "any" issues which need to be resolved including matters of double funding where funding responsibility may not yet be resolved. Consistent with this comment, the Office of the Assistant Secretary for Defense Programs agreed to establish procedures to ensure that facility transition issues are resolved in sufficient time to be incorporated into the Department's budget requests. Headquarters Office of the Chief Financial Officer officials also agreed to informally notify the cognizant Congressional staff of the double funding for Fiscal Year 1993. Furthermore, Headquarters Office of Chief Financial Officer officials agreed to determine if a similar instance of double funding of security for special nuclear material occurred in Fiscal Year 1992.

III. BACKGROUND

Facility Transition

The Department has a number of facilities, including some at the Hanford Site, that are no longer required for defense production purposes. These surplus facilities are transferred to the Office of Environmental Management for deactivation, decontamination, and possible future use. At the Hanford Site, the Plutonium Uranium Extraction (PUREX) facility was transferred in Fiscal Year 1991; and the N-Reactor and Plutonium Finishing Plant were transferred in Fiscal Year 1992.

Budget Formulation

Fiscal Year 1993 included the period from October 1, 1992, through September 30, 1993. However, preparation of the Department's Fiscal Year 1993 budget began well before October 1, 1992. The Department of Energy's budget preparation instructions for Fiscal Year 1993 were issued to the field on January 18, 1991, in the form of the "FY 1993 'UNIFIED' FIELD BUDGET CALL." Richland submitted their Fiscal Year 1993 budget requests in April and May 1991. The five volume "United States Department of Energy FY 1993 Congressional Budget Request" was dated January 1992 and was transmitted to Congress early in February 1992.

Allegation Regarding The Funding Of Security For Special Nuclear Material

In May 1993, the Office of Inspector General received an allegation that the management and operating contractor and the Richland Operations Office requested, and received, funds in both the "Defense Environmental Restoration and Waste Management" and "Material Production and Other Defense Programs" appropriations. The allegation stated that the amount of the funds in each appropriation was approximately \$25 million.

Based upon inspection activity by our office, we determined that the

funding included in each appropriation was actually \$30 million for a total of \$60 million. We issued a Letter Report on June 3, 1993, in order to provide information concerning this double funding as rapidly as possible to the Department's managers.

During this follow-up inspection, we found that the requested \$60 million was intended to be used for four items related to the safe and secure storage for special nuclear materials projected to cost only \$30 million: \$132,000 for Program and Environmental Management; \$657,000 for security at the Plutonium-Uranium Extraction (PUREX)/Uranium Oxide (UO3) Plant; \$25,501,000 for security at the Plutonium Finishing Plant; and \$3,710,000 for security at the 300 Area Fuel Supply facility. In this report, we use the term "security for special nuclear material at Richland" to encompass all four of these uses. Also, in this report we will refer to the former Office of Environmental Restoration and Waste Management by its current name, Environmental Management, that was approved in January 1994. Furthermore, we are using the term "double funding" as the receipt by the Department of funds in two appropriations to support the same program, activity, or purpose.

IV. SCOPE AND METHODOLOGY

This follow-up inspection was conducted during the period June 1994 through March 1995. The scope of this inspection was generally limited to actions related to the double funding of security for special nuclear material at the Richland Operations Office in Fiscal Year 1993. Although Department of Energy Fiscal Year 1993 operations were funded by a number of appropriations, this inspection was limited to the two Fiscal Year 1993 appropriations in which the double funding occurred -- "Materials Production and Other Defense Programs" and "Defense Environmental Restoration and Waste Management."

As part of the inspection we reviewed applicable Federal laws and regulations, and applicable policy and procedures. We reviewed relevant documents including the Fiscal Year 1993 budget requests from Richland to Headquarters, and from the Department to Congress. We also interviewed program and financial management personnel of DOE Richland Operations Office, DOE Headquarters and the Westinghouse Hanford Company, the management and operating contractor for the Hanford Site at Richland. At DOE Headquarters, the financial management personnel interviewed included officials from the Office of the Chief Financial Officer; the Office of the Assistant Secretary for Defense Programs; and the Office of the Assistant Secretary for Environmental Management.

This inspection was conducted in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency.

V. RESULTS OF INSPECTION

As a result of this follow-up inspection, we identified one factor that we believe contributed to the request for double funding in the

two Richland budget requests -- at the time the Richland budget was being prepared a decision had not been made on which Headquarters organization would be responsible for the budgeting of security for the special nuclear material. There were also two factors that we believe contributed to the failure to identify the double funding contained in the budget requests. One factor was that the budget preparation process did not include a specific mechanism to ensure that issues, such as the failure to decide on the responsibility for the budgeting of security and the subsequent double funding in the Richland budget request, were identified so that they could be resolved before the Department's Congressional Budget Request was finalized. The second factor was that various budget documents used in the budget process did not separately identify the funding requirement for security and this would have hindered the identification of the duplicate request. We also found that in response to our Letter Report, the Acting Chief Financial Officer directed that the extra \$30 million be controlled to ensure that the funds were used for appropriate purposes. In this regard, we found that the Department had procedures which, we believe, suggest Congress should have been notified that the Department received an extra \$30 million in its Fiscal Year 1993 budget. We did not find evidence, however, that Federal laws or regulations had been violated due to the actions of Departmental officials regarding the double funding. Finally, we found documents indicated that the Department may have also received an extra \$30 million for security of special nuclear material at Richland in Fiscal Year 1992.

The detailed results of our inspection are presented in the following sections: (A) Contributing Factors to the Fiscal Year 1993 Double Funding Request; (B) Management's Response to the Fiscal Year 1993 Double Funding; and (C) Possible Double Funding During Fiscal Year 1992.

A. CONTRIBUTING FACTORS TO THE FISCAL YEAR 1993 DOUBLE FUNDING REQUEST

The inspection identified one factor that we believe contributed to the Richland submission of the double funding budget request; and two factors that we believe contributed to the failure of the Department's Office of Chief Financial Officer to identify the double budget request before the Department's Fiscal Year 1993 budget request was finalized.

Factor Contributing to the Richland Double Funding Request

A factor that we believe contributed to the Richland request for double funding in their budget requests was that at the time the Richland Fiscal Year 1993 budget was being prepared a decision had not been made on which organization, Defense Programs or Environmental Management, would be responsible for budgeting and then funding of security for the special nuclear material. Several Headquarters, Richland, and contractor financial management and program officials stated that they believed that the Office of Defense Programs would ultimately have responsibility to fund security of special nuclear material after the facilities

transitioned to Environmental Management. However, the earliest approved decision document that we found on the subject of this funding responsibility was a joint memorandum from the Offices of Defense Program and Environmental Management dated October 28, 1991. In order for Richland to correctly budget for the security of special nuclear material, we believe that this funding responsibility should have been decided before the Richland budgets were submitted to Headquarters. We noted that the joint memorandum was dated October 1991, some five months after Richland had submitted its Fiscal Year 1993 budget requests to Headquarters in April and May 1991. And the overall joint plan on the transfer of surplus Defense Programs facilities to Environmental Management was not completed until November 1992, a month after Fiscal Year 1993 had already started.

In preparing the Fiscal Year 1993 budget, contractor and Richland officials perceived the security for the special nuclear material as an item that had to be funded. For example, one Richland official commented "... the special nuclear material could not be put in the parking lot" Several other officials made statements that characterized funding of security as a "must fund item." In response to a draft of this report, the Richland Chief Financial Officer stated this more articulately as "Known national security policy dictates the nation's weapons grade nuclear material be safeguarded from possible diversions by terrorists or conspirators." Thus, because of the lack of a decision on funding responsibility at the time the Richland budget requests were to be submitted to Headquarters, Richland requested the required \$30 million from both Defense Programs and Environmental Management. During this follow-up inspection, several management and operating contractor and Richland officials stated they were aware that the \$30 million required for security was included in both the Fiscal Year 1993 budget request submitted to Defense Programs and the budget request submitted to Environmental Management. Most of these officials, however, stated that they did not expect the double funding to be received. The officials stated that they expected the issue of responsibility to fund the security for the special nuclear material to be resolved at Headquarters, before the Department's budget was finalized.

Factors That Contributed To The Failure To Identify The Double Funding Request

We identified two factors that we believe contributed to the failure at Headquarters to identify the double funding in Richland's Fiscal Year 1993 budget requests. One factor was that the budget preparation process did not include a specific mechanism to ensure that issues such as double funding were identified so that they could be resolved before the Department's Congressional Budget Request was finalized. In this regard, we reviewed the Fiscal Year 1993 budget preparation instructions issued by the Office of Chief Financial Officer during the period December 1990 through April 1991. These instructions did not include a specific requirement that field officials identify to Headquarters program officials any sensitive or critical issues that needed to be resolved before the Department's budget request was finalized. For example, we believe

that the budget preparation instructions could have provided that these type issues should be identified in the budget transmittal documents from the field to Headquarters. Likewise, the budget preparation instructions we reviewed did not specifically address how known issues would remain visible until they were satisfactorily resolved. For example, we believe that any issue identified should have been tracked by the Headquarters Office of Chief Financial Officer.

We believe that the need for a specific requirement to identify and maintain visibility of issues that need resolution before the Department's budget is finalized is supported by the fact that we did not find anyone in the Headquarters Office of Chief Financial Officer who was aware of the double funding issue until May 1993. They learned of it, at that time, as a result of our previous inspection. The branch chief who was responsible for the Defense Programs portion of the Department's budget stated that he did not remember a specific issue on the \$30 million for security of special nuclear material at Richland when the Fiscal Year 1993 budget request was being developed. The branch chief responsible for the Environmental Management portion of the Department's budget also stated that he was not aware of the double funding in the Fiscal Year 1993 budget request. Both branch chiefs stated that they became aware of the double funding issue near the time that our Letter Report was issued in June 1993. And the then Acting Chief Financial Officer stated that she did not remember hearing of this issue prior to our June 1993 Letter Report.

We did find that certain officials of the Hanford Site's management and operating contractor, the Richland Operations Office, and the Headquarters Office of Environmental Management were aware that funds had been requested by Richland in both of their budget submissions. Following is a discussion of the pertinent information that these officials provided us.

Management and Operating Contractor

At the management and operating contractor, the official responsible for planning the facility transition and preparing both budget requests stated that he knew that the \$30 million was requested in both budget requests. This official stated that the funds were requested in both budget requests because the contractor had received written direction from Richland to do so in a March 1991 letter signed by the then Department's Operations Division Director at Richland. The management and operating contractor official also stated that he had expected the issue to be resolved at higher levels.

Richland

At Richland, several officials in the Budget Division and the Operations Division, which was responsible for the facility transition program, stated that they were aware that the two budget submissions from the contractor to Richland and from Richland to Headquarters contained the double funding request. The then Richland Operations Division Director acknowledged that he was aware

that the funds were requested twice -- once from Defense Programs and once from Environmental Management. Richland officials also stated that they had expected resolution of the funding issue at Headquarters. In commenting on a draft of this report, the Richland Chief Financial Officer stated that since the Department's Fiscal Year 1993 Congressional Budget Request was finalized at Headquarters, Richland officials did not realize that a double funding issue existed until after DOE published its Fiscal Year 1993 financial plan.

Headquarters Office of Environmental Management

At the Headquarters Office of Environmental Management, a program management official stated that in May or June 1991 he had been informed that the budget request for Environmental Management contained \$30 million for security for special nuclear material at Richland. He stated that this information was provided to him during a meeting held at Richland to review Richland's Fiscal Year 1993-1997 Activity Data Sheets. The official stated that at the time he agreed that the funding requirement should be included in the Environmental Management budget request, since Defense Programs had not committed to Fiscal Year 1993 funding of security for special nuclear material at Richland. The official stated that a key factor was that the security had to be funded. The official stated that upon his return to Headquarters, he did not take further action to make others aware of the potential issue because he was preoccupied with much bigger problems at Richland. As an example, he cited funding for the Vitrification Plant that he characterized as a problem of over \$200 million.

We did not find any evidence that either the Richland or Headquarters officials had identified the issue to the Acting Chief Financial Officer. We also did not find evidence of any official in the Headquarters Office of Defense Programs who were aware of the double funding request in the Fiscal Year 1993 Congressional Budget Request. As demonstrated by the double funding request in the Department's Fiscal Year 1993 Congressional Budget Request, no officials had taken effective action to ensure that the issue was resolved before the Department's Fiscal Year 1993 Congressional Budget Request was finalized and submitted to Congress in February 1992. In order to ensure that future issues, such as double funding, are resolved before the Department's budget is finalized, we believe that it would be a useful internal control in the budget process to provide a specific requirement that managers preparing budget requests identify to the Chief Financial Officer issues that should be resolved before the Department's budget is finalized. We believe that this type of requirement would facilitate resolution of budget issues in a timely manner. The need for this type of internal control may be especially applicable at this time given the ongoing changes in the Department's organizations and missions. We believe that in an environment of changing organizations and missions it is not unlikely that officials submitting budget requests will have issues affecting their budget that require resolution at a level above their own organization. A second factor that we believe contributed to the failure to identify the double funding in the budget request was that various budget documents used

in the Department's budget process did not separately identify the funding requirement for security and thus hindered the identification of the double funding. Specifically, even though the security for special nuclear material at Richland had a projected cost during Fiscal Year 1993 of \$30 million, it was not separately discussed or identified in the Department's budget or in the Activity Data Sheets supporting the budget request. We reviewed the Activity Data Sheets prepared by Richland to support their Fiscal Year 1993 budget request for Environmental Restoration and Waste Management. And we also reviewed the applicable portion of the Department's Fiscal Year 1993 Congressional Budget Request. The results of our review are discussed below.

Activity Data Sheets

The \$30 million total funding requested for security for the special nuclear material was not separately described, and the funding request was not separately identified in any of the four Activity Data Sheets that supported Environmental Management's Fiscal Year 1993 budget request. As previously noted in the "Background" section of this report, the term "security for special nuclear material at Richland" encompassed four uses. Each of the four uses was included on a different Activity Data Sheet. We noted that none of the four Activity Data Sheets used by Richland to request funding for the security for special nuclear material in the Defense Environmental Restoration and Waste Management portion of their Fiscal Year 1993 budget request separately stated the funding being requested for security. A contractor official stated that the funding requirement for security was included in the total funding requirement on the Activity Data Sheets. For example, Activity Data Sheet 435-KE, that pertained to the Plutonium Finishing Plant, requested \$88.7 million for operating expenses during Fiscal Year 1993. The portion of the \$30 million security funding requirement that was for the Plutonium Finishing Plant, \$22.4 million, was included in the \$88.7 million. The contractor official provided the information on the \$22.4 million from supplementary backup information he maintained.

There were also two other less significant reasons for difficulty in identifying the security related funding in the Activity Data Sheets: 1) the large number of Richland Activity Data Sheets, and 2) the administrative process used to submit and review the Richland budget requests. First, we were provided information that the Richland Fiscal Year 1993 environmental program eventually consisted of some 164 Activity Data Sheets, including the four for security, with a net total funding of \$844.7 million. In our view, this large number of Activity Data Sheets further decreased the likelihood that the double funding request would have been identified. Secondly, although the same contractor and Richland officials prepared or reviewed both Richland budget requests, the Richland budget requests were submitted to two separate Headquarters offices -- the Office of the Assistant Secretary for Defense Programs and the Office of the Assistant Secretary for Environmental Management. Within the Office of the Chief Financial Officer, the two Richland budget requests were reviewed by separate branches that were widely separated geographically -- one was in Germantown, Maryland while the other was in the Forrestal building.

In commenting on a draft of this report, the Richland Chief Financial Officer stated that if a detailed comparison between the field and Headquarters budget requests had been performed, in their opinion it was likely that the double funding request could have been identified.

Fiscal Year 1993 Congressional Budget Request

We also noted that neither of the two applicable portions of the Department's Fiscal Year 1993 Congressional Budget Request, used to support the President's Budget, separately stated the funding being requested for security of special nuclear material at Richland. Officials from the Offices of Defense Programs and Environmental Management stated that the figure "\$30 million" could not be found in either the portion of the Fiscal Year 1993 Congressional Budget Request for "Materials Production and Other Defense Programs" or the portion for "Defense Environmental Restoration and Waste Management." An official from the Office of Defense Programs stated that the Fiscal Year 1993 funding request of \$30 million for "Materials Production and Other Defense Programs" was included as a part of two activities, \$5 million for Richland and \$25 million as part of a Headquarters activity totalling \$30.35 million. And another official from the Office of Environmental Management stated that the Fiscal Year 1993 funding requirement of \$30 million for "Defense Environmental Restoration and Waste Management" was included in the total operating expense funding of \$2.19 billion for the activity entitled "Waste Management."

There were also two other less significant reasons for difficulty in identifying the security related funding in the Fiscal Year 1993 Congressional Budget Request: 1) the information in the Congressional Budget Request was widely separated, and 2) the narrative description in the Environmental Management portion of the Fiscal Year 1993 Congressional Budget Request stated that the program activities concerned "waste," which we believe did not accurately characterize the special nuclear material at Richland. First, we noted that what limited information there was in the Fiscal Year 1993 Congressional Budget Request on the two funding requests was submitted in two widely separated portions of the Department's Fiscal Year 1993 Congressional Budget Request. The "Materials Production and Other Defense Programs" request was on page 254 of Volume 1, a 423 page document while that for "Defense Environmental Restoration and Waste Management" was on page 268 of Volume 5, itself a 497 page document. And, secondly, the two narrative descriptions of "Waste Management" activity, found on pages 170 and 241 of the Fiscal Year 1993 Congressional Budget Request, did not state that the requested funding was for security of special nuclear material at Richland, or any other site. Rather, both narratives stated that the program activities included the storage of radioactive "waste."

Because the funding for security was not separately identified in the Fiscal Year 1993 Congressional Budget Request documents, even if a detailed comparison between the Defense Programs and the Environmental Management budget requests had been made, in our opinion it was unlikely that the double funding request would have

been identified at Headquarters.

B. MANAGEMENT'S RESPONSE TO THE FISCAL YEAR 1993 DOUBLE FUNDING

We found that Richland and, at Headquarters, the Offices of Environmental Management and Chief Financial Officer became aware of the double funding at different times and took certain actions in response to the double funding. These actions are described below.

Richland

At the beginning of Fiscal Year 1993, which began October 1, 1992, the Department's Office of the Chief Financial Officer provided funding to the Manager, Richland Operations Office. The funds for both the "Materials Production and Other Defense Programs" and "Defense Environmental Restoration and Waste Management" appropriations each included \$30 million in funding for the security of special nuclear material at Richland. A Richland budget analyst stated that in reviewing the Fiscal Year 1993 funding and work authorization, in late October 1992, he recognized that the \$30 million had been received in both appropriations. Thus a total of \$60 million had been received, even though only \$30 million was required. Recognizing the double funding, the budget analyst stated that only the \$30 million from Defense Programs was provided to the contractor to fund the security for the special nuclear material. He stated that the \$30 million in the environmental program that was requested for security, but was not needed for security, was retained at Richland and was not provided to the contractor.

We found no evidence that Richland officials notified Headquarters officials of the double funding at that time. A Richland program and budget official told us that they did not notify Headquarters officials of the extra \$30 million because Richland was aware that Headquarters Environmental Management planned to direct that a management reserve of approximately five percent of the environmental funding be established at each Field Office, including Richland. The official stated that the extra \$30 million was planned to be used to meet the management reserve requirement. The memorandum from the Headquarters Office of Environmental Management requesting that a management reserve be established was dated November 4, 1992.

Headquarters Office of Environmental Management

At the Headquarters Office of Environmental Management, officials stated that they learned of the double funding in December 1992. Environmental Management's recognition of the double funding was a result of their actions to establish a management reserve of five percent of their environmental funding at each Field Office, including Richland. This directive was provided to the Field Offices through a memorandum dated November 4, 1992. Richland was requested to establish a reserve no later than January 1993.

In response to this directive, Richland identified the \$30 million to Headquarters Environmental Management officials for the management reserve in a memorandum dated December 10, 1992. On

December 16, 1992, Office of Environmental Management officials agreed to place the \$30 million in a management reserve at Richland. A program analyst in the Headquarters Office of Environmental Management stated that he queried Richland budget officials about the workscope that was associated with the \$30 million. The program analyst stated that Richland budget officials then advised him that no workscope would be given up since the funds for the security had also been received from Defense Programs. We found no evidence that the Headquarters Office of Chief Financial Officer was notified of the double funding at this time.

Headquarters Office of Chief Financial Officer

At the Headquarters Office of Chief Financial Officer, officials first learned of the double funding in May 1993, during our inspection that resulted in our Letter Report of June 3, 1993. In a memorandum dated June 28, 1993, the Headquarters Office of Chief Financial Officer's Office of Budget advised the Office of Environmental Management's Financial Management Officer that the \$30 million targeted for security of special nuclear material should be pulled back to Headquarters from Richland. And the memorandum stated that "We would like to ensure that these extra resources were not expended without prior approval from [the Assistant Secretary for Environmental Management] and [the Acting Chief Financial Officer]." In a memorandum dated July 15, 1993, Headquarters Environmental Management officials requested that the Office of the Chief Financial Officer withdraw the \$30 million from Richland. On an Advice of Allotment dated July 16, 1993, the Headquarters Office of the Chief Financial Officer withdrew the \$30 million from Richland and the \$30 million was subsequently placed into a Headquarters reserve account until an alternate use for the \$30 million was approved.

In a separate memorandum dated June 28, 1993, the Office of the Chief Financial Officer advised the Office of Inspector General that the \$30 million would either be applied to unanticipated requirements in Fiscal Year 1993; applied to the anticipated Congressional reduction to the Department's Fiscal Year 1994 budget request; or used as an offset to the Fiscal Year 1995 OMB request. In September 1993 the Acting Chief Financial Officer and the Assistant Secretary for Environmental Management authorized the use of the excess \$30 million for other environmental projects -- \$27.4 million at Richland and \$2.6 million at Savannah River. The approval was processed as two separate actions.

First, in a memorandum dated September 29, 1993, the Assistant Secretary notified the Richland Manager that they had approved the use of \$8.4 million for work related to the Plutonium Finishing Plant. Second, in a memorandum dated September 30, 1993, they approved the use of the additional \$21.6 million, \$19.0 million for Richland and \$2.6 million for Savannah River. At Richland, \$17 million was to be used to fund tasks related to tank safety issues while another \$2 million was to be used for infrastructure upgrades related to safety. At Savannah River the \$2.6 million was to be used to accelerate work in support of Defense Waste Processing Facilities Radioactive Start-Up. As an action separate from the

approval memorandum discussed above, the funds were provided to Richland and Savannah River by the Office of Chief Financial Officer as a part of an Advice of Allotment to each Operations Office dated September 28, 1993.

Requirements To Notify Congress

If appropriated funds are to be used in ways that are different than originally intended, there may be requirements for notifying Congress and reprogramming the funds. There were a number of criteria that relate to the decision whether Congress should be notified. DOE Order 5160.1B, "REPROGRAMMING, RESTRUCTURING, AND APPROPRIATION TRANSFER PROCEDURES," established the applicable major policies, criteria, and procedures applicable to making a determination as to whether Congressional notification, either formal or less formal, was appropriate before alternative uses of the \$30 million was approved. For the purposes of reviewing the use of the excess \$30 million, restructuring and appropriation transfer did not apply; only "reprogramming" was applicable.

The Order defined "reprogramming" as "The utilization of funds in an appropriation account for purposes other than those contemplated by the Congress during appropriation action." The Order also provides a description of when a reprogramming action which would require notification of Congress occurred. This is summarized in Figure 1.

FIGURE 1
Reprogramming Actions

```
(((((
(
( "Reprogramming actions result where there is: (
(
((1) Any departure from a program baseline as (
( described in the Departmental base table and(
( amplified in Congressional reports (House, (
( Senate, or Conference) accompanying (
( authorization and appropriation acts; (
(
( or (
(
((2) To the extent not covered by [(1)] above, (
( any significant programmatic departure (
( from that described in Congressional (
( budget narrative justifications (as (
( approved by OMB and Congress) and (
( Congressional testimony .... (
(
( These departures may be identified as: (
(
( (a) The reallocation of funds from one (
( activity, program, function, etc., to (
( another within an appropriation. Most (
( of these actions normally result in (
( base table changes; however, there may (
( be changes that qualify as reprogramming (
```

(actions but do not result in base table (

(changes. (

((b) The use of funds for purposes other than (

(those presented to and approved by (

(Congress, such as a new start within a (

(generic line or a significant change in (

(scope. (

((c) The adjustment of activities involving (

(areas of known Congressional special (

(interests, concerns, or sensitivities." (

((

Source: DOE Order 5160.1B

The Order also provides information regarding the adjustment of activities involving areas of known Congressional special interest, concerns, or sensitivities, which was referred to as item (2)(c) in Figure 1. This information is summarized in Figure 2.

FIGURE 2

Representative Examples of Factors and Events
 To Be Considered In Determining Whether
 A Particular Event or Occurrence Warrants
 Congressional Notification As An Area Of
 Known Congressional Interest Or Concern

((

(

((1) Politically sensitive issues. (

((2) Changes in operations that affect (

(employment levels, program goals, or (

(funding requirements. (

((3) Slippages in production schedules. (

((4) Potential impacts on national security. (

((5) Emergencies. (

((6) Congressionally directed actions. (

((7) Changes in obligational control levels as (

(reflected in annual funding programs. (

((8) Changes from program, project, or contract (

(scopes contemplated by Congress during (

(appropriation action. (

((9) Large dollar divergences within the (

(baseline. (

((

Source: DOE Order 5160.1B

The Order identified two methods of notifying Congress of a reprogramming action: (1) Congressional notification through the submission of formal reprogramming proposals; and (2) Congressional notification of the Department's intentions using less formal procedures.

1. Congressional notification through the submission of formal reprogramming proposals. The Order stated "... Congress requires the Department to ensure that the appropriate committees are

promptly and fully notified whenever a necessary change to the approved program baseline is required." [The concept of "program baseline" contained in the Order is included in Figure 1.] The Order stated that "Accordingly, notifications of such changes [to the approved program baseline] are provided to Congress through submission of formal reprogramming ... proposals."

In this case, the Order stated that the execution of a reprogramming proposal shall be initiated only after appropriate Congressional responses had been received by the Chief Financial Officer.

2. Congressional notification using less formal procedures. The Order also authorized Congressional notification using less formal procedures. The order stated that "As a potential reprogramming proposal is reviewed, it may be determined that such action does not constitute a reprogramming as defined ... [in the Order], and therefore does not require formal reprogramming procedures. However, in keeping with the full disclosure policy described [earlier in the order] ..., it may be necessary to notify Congress of the Department's intention through less formal procedures. In these cases, the CFO's [Chief Financial Officer's] informal discussions with the appropriate committee or a Secretarial Officer's correspondence with the appropriate committee will serve as sufficient notification of the impending action."

In this case, the Order did not require the Department to wait for Congressional approval before the action to use the funds could be implemented.

The Department approved the alternate uses of the \$30 million without notifying Congress, either through the submission of a formal reprogramming proposal or through less formal procedures. We interviewed financial management personnel in the Offices of Environmental Management and the Chief Financial Officer to ask their views as to why Congressional notification, either formal or less formal, had not been made.

Office of Environmental Management

An official of the Office of Environmental Management stated that in his opinion, a reprogramming or notification was not required. He stated that Defense Environmental Restoration and Waste Management was a lump-sum appropriation. The official also noted that the budget did not specifically identify the use of the funds as security for special nuclear material; the alternate use did not result in a change to the base table; and the funds had been justified as operating funds and they were used for operating expense purposes. Furthermore, he stated that because of the lead time for budget submission a good deal of flexibility was required for budget execution since environmental work is very dynamic.

Office of Chief Financial Officer

The then Acting Chief Financial Officer stated that she did not believe a reprogramming was required before the excess \$30 million was approved for other uses in September 1993 because she had

approved the use of the funds based on information provided to her that: (1) the proposed use was the same, the alternative uses were also operating expense type items; (2) the Department received a broad generic description in the appropriation which did not restrict the use of the funds; and (3) she believed that the use of the funds was within the parameters presented to Congress. The then Acting Chief Financial Officer also stated that she had not been aware of any particular Congressional interest in this matter. And she stated that notification of Congress of the extra \$30 million was a matter of judgement and that in her opinion a reprogramming or notification was not required.

We also discussed the issue of the need for Congressional notification of the double funding with the Headquarters Office of Chief Financial Officer official responsible for reprogramming actions. She stated that she was not aware of the double funding issue or that the \$30 million had been approved for alternative uses until she was interviewed by us in June 1994. She stated that she believed the Congress should have been notified of the double funding and the alternative uses of the \$30 million because she was aware that Congress had expressed interest in the Hanford facilities at Richland. She cited Senate Report 102-344, dated July 27, 1992, in which the Committee on Appropriations had addressed the topic of the cost of maintaining Hanford reservation facilities.

The applicable portion of Senate Report 102-344 contained an introduction describing the transfer of Hanford facilities from defense programs to environmental management. The report stated "The Committee is concerned, however, with the high cost of continuing maintenance of these former defense programs facilities. Inasmuch as the Department has indicated that these facilities are no longer required, the Department should proceed expeditiously with decommissioning and decontamination activities. The Committee also directs the Department to submit, prior to the hearings on the fiscal year 1994 budget, a plan and schedule for the decommissioning and decontamination of PUREX, N-reactor, and PFP [Plutonium Finishing Plant]."

We believe that the Department's Chief Financial Officer should reconsider notifying Congress that the Department received an extra \$30 million for the security of special nuclear material at Hanford. We believe that Congressional notification would have been appropriate for three reasons. First, we believe that the statement in the Committee on Appropriations Report indicated "Congressional interest" in the transfer of the Hanford facilities, especially the costs associated with maintaining the facilities. Second, we believe that the fact that the \$30 million had been included in two appropriations introduced an additional element of sensitivity to the issue. We noted that adjustment of activities involving areas of known Congressional special interest concern or sensitivities were specifically identified in the DOE Order as situations where Congress should be notified. And third, the DOE Order stated "That compliance with the requirements associated with reprogramming is largely a matter of maintaining 'full faith and credit' with Congressional committees." In our view, Congressional notification in this case would help to maintain "full faith and credit" with Congressional committees.

In response to a draft of this report, an official from the Office of the Chief Financial Officer stated that:

"This Office has reviewed the information pertaining to the FY 1993 double funding and does not agree that the action taken allowing the Environmental Management program to use the \$30 million from the double funding issue constituted a reprogramming. However we do agree that we have an obligation to maintain 'full faith and credit' with our Congressional committees, and on that basis, should err on the side of at least informal notification when any matter of potential committee interest arises. The Director of the Office of Budget will informally advise staff of the cognizant Congressional Committees of this instance of double budgeting [funding]"

Other Considerations

We considered whether the double funding request to Congress or the subsequent approval of the alternative uses may have been a violation of Federal laws and regulations. We reviewed the statutes and regulations relating to the management and control of appropriated funds, such as the requirements of the Anti-Deficiency Act. In our review of Departmental officials' actions which resulted in the receipt, subsequent control and reallocation of the extra \$30 million for security at Richland, we did not find evidence that Federal statutes or regulations had been violated. Despite the fact that we did not find evidence that Federal statutes or regulations had been violated, this report does identify areas where we believe the Department of Energy can strengthen procedures to provide assurance that double funding does not occur in the future.

C. POSSIBLE DOUBLE FUNDING DURING FISCAL YEAR 1992

In reviewing the actions associated with the excess \$30 million for Fiscal Year 1993, we found documents which indicated that double funding for the security of special nuclear material at Richland may have also occurred during Fiscal Year 1992. Due to the loss of budget background records by the Headquarters Office of Environmental Management, officials from Headquarters Office of Environmental Management and Office of Chief Financial Officer stated they were unable to confirm whether double funding occurred in Fiscal Year 1992. Environmental Management budget officials at Headquarters agreed that it appeared that double funding had also occurred in Fiscal Year 1992.

Indication of Fiscal Year 1992 Double Funding

The primary document that suggested that double funding may have also occurred in Fiscal Year 1992 was Activity Data Sheet 428-KE-O, which was approved in March 1991 after the Fiscal Year 1992 Congressional Budget Request dated February 1991 was prepared. The Activity Data Sheet recorded a negative \$30 million for Defense Environmental Restoration and Waste Management activities Fiscal Year 1992 operating funds for Richland. The reason stated on the

Activity Data Sheet was to "Document funding guidance from Defense Programs in FY92 to support residual material management activities." A contractor official stated that the management of residual materials essentially meant the same as the security for special nuclear material.

The activity scope on Activity Data Sheet 428-KE-0 stated:

"DOE-HQ Defense Programs (DP) and Environmental Management (EM) are currently in the process of negotiating the transfer of the Hanford Nuclear Material Production (NMP) facilities to EM. The transfer of the facilities we assumed to occur beginning with PUREX in the fourth quarter of FY 1991; the remaining facilities at the beginning of FY 1992. Based on funding guidance from DOE-HQ, DP will provide funding in FY 1992 to help support the costs associated with the 'management of residual materials'. Current guidance is that DP's allocation for this activity in FY 1992 is \$30M [million]. The allocation beyond FY 1992 has not been determined. Once decided this ADS will be modified accordingly. This activity data sheet (ADS) was prepared to document this assumption. In effect, this ADS reduces the total funding requirements from Environmental Management in FY 1992 and beyond, as appropriate."

The portion of the Activity Data Sheet labeled "FIVE-YEAR PROJECT PLAN" stated "Funding from Defense Programs is assumed to be in FY 1992 only. Guidance relating to FY 1993 and beyond has not been provided."

Because the Activity Data Sheet reduced the Fiscal Year 1992 funding for security at Richland in March 1991, after the Fiscal Year 1992 Congressional Budget Request had been submitted in February 1991, we believe that the Department's Fiscal Year 1992 Congressional Budget Request for environmental purposes may have been prepared to include \$30 million to fund the security of special nuclear material at Richland.

Review at the Headquarters Office of Environmental Management

We requested that officials from the Headquarters Office of Environmental Management determine whether they requested and received \$30 million for security for special nuclear material at Richland in the Fiscal Year 1992 Congressional Budget Request and the Fiscal Year 1992 appropriation, respectively. Office of Environmental Management officials at Headquarters agreed that it appeared the funding was included in the budget, but they were unable to definitively confirm whether or not the \$30 million for security at Richland was included in the Fiscal Year 1992 budget.

- o One official stated that Activity Data Sheet 428-KE having been prepared on March 18, 1991, after the Fiscal Year 1992 budget was submitted to Congress does indicate that the same problem of double funding existed in Fiscal Year 1992.

- o Another official responsible for financial management also stated that Activity Data Sheet 428-KE would suggest that the funds were

included in the Fiscal Year 1992 Congressional Budget Request. This official also stated that the only reason a negative Activity Data Sheet would have been required was if the \$30 million had been included in the Fiscal Year 1992 budget request.

The Office of Environmental Management was unable to definitely confirm the "Waste Management" activity in the Fiscal Year 1992 Congressional Budget Request because all of the Activity Data Sheets were not available in their files. One summary report for the Waste Management activity identified that approximately 300 Activity Data Sheets supported the Fiscal Year 1992 Congressional Budget Request for Waste Management. However, the responsible official could only provide 183 Activity Data Sheets from their records. And the 183 Activity Data Sheets that were provided were not complete since they did not contain the narrative portion of the Activity Data Sheets.

Another official from the Office of Environmental Management stated that the detailed backup for the Fiscal Year 1992 Congressional Budget Request that was maintained by Environmental Management's Budget Office was lost during the office's move. Due to the loss of the budget files for the preparation of the Fiscal Year 1992 Congressional Budget Request, we did not review the possibility of double funding during Fiscal Year 1992 further.

Regardless, we believe that Departmental Managers should determine if double funding of security also occurred in Fiscal Year 1992, and if so consider whether to notify Congress. Other Headquarters officials from the Offices of Environmental Management, Defense Programs, and Chief Financial Officer stated that during Fiscal Year 1992 the security was funded by Defense Programs.

Regarding the loss of the budget background records, we noted that according to Environmental Management's Records Inventory and Disposition Schedule "Budget Background Records" were not to be destroyed until six years after the close of the fiscal year covered by the budget. The Records Inventory and Disposition Schedule stated that "Budget Background Records" files included working papers, cost statements, and rough data accumulated in the preparation of annual budget estimates. Under this schedule, the Fiscal Year 1992 records should still be available.

We also noted that the Department's records management function was established pursuant to law, specifically 44 U.S.C. Chapter 31, required the head of each Federal agency to make and preserve records containing adequate and proper documentation of the decisions and essential transactions of the agency. The same Chapter required the head of the agency to establish safeguards against the removal or loss of records determined to be necessary. These records management provisions are enforced by various available sanctions. For example, 18 U.S.C. § 2071 provides criminal sanctions for willful and unlawful removal or destruction of documents. A Departmental records management official also stated that administrative actions, such as counselling or consideration in performance evaluations, may also apply where the loss does not meet the requirements of the criminal statute.

We believe that it would be appropriate for Departmental managers to

further review the circumstances surrounding the loss of the "Budget Background Records," specifically the Activity Data Sheets used for planning for the Department's Fiscal Year 1992 Congressional Budget Request, and consider if disciplinary action is appropriate.

VI. RECOMMENDATIONS AND MANAGEMENT COMMENTS

We recommend that the Chief Financial Officer:

1. Consider whether the Department's budget formulation instructions should be revised to incorporate procedures requiring Departmental officials to identify to the Headquarters Chief Financial Officer significant budget issues that should be tracked to ensure they are resolved before the Department's budget is finalized.
2. Review the information pertaining to double funding in Fiscal Year 1993, and reconsider notifying the appropriate Congressional committees that the Department received an extra \$30 million in Fiscal Year 1993 for the security of special nuclear material at Richland.

Regarding recommendation 1, the Office of the Chief Financial Officer stated that "In response to your recommendation, the Office of the Chief Financial Officer has included guidance in the Fiscal Year 1997 Budget Call for the Field Chief Financial Officers to identify directly to the Headquarters Chief Financial Officer any issues which need to be resolved, including matters of double funding where funding responsibility may not yet be resolved." The Office of the Assistant Secretary for Environmental Management agreed with the recommendation to identify significant budget issues for tracking during the budget process.

Inspections Comments

This action is partially responsive to the recommendation. However, controls are needed to ensure that all future budget calls include guidance to identify, to the Headquarters Chief Financial Officer, issues that need to be resolved during the budget process.

Regarding recommendation 2, the Office of the Chief Financial Officer stated:

"This Office has reviewed the information pertaining to the FY 1993 double funding and does not agree that the action taken allowing the Environmental Management program to use the \$30 million from the double funding issue constituted a reprogramming. However, we do agree that we have an obligation to maintain 'full faith and credit' with our Congressional committees, and on that basis, should err on the side of at least informal notification when any matter of potential committee interest arises. The Director of the Office of Budget will informally advise the staff of the cognizant Congressional Committees of this instance of double budgeting and provide the Inspector General's report as background for their information."

We recommend that the Assistant Secretary for Environmental Management and the Chief Financial Officer:

3. Determine whether double funding for security of special nuclear material at Richland occurred in Fiscal Year 1992. If double funding did occur in Fiscal Year 1992, consider notifying the appropriate Congressional committees that the Department received an extra \$30 million in Fiscal Year 1992 for the security of special nuclear material at Richland.

The Office of the Chief Financial Officer stated that "This office will also confer with the Office of Environmental Management and the Richland Chief Financial Officer in an attempt to determine whether or not a similar instance of double funding for this activity occurred in FY 1992." The Office of the Assistant Secretary for Environmental Management concurred with the recommendation stating that they would confer with the Chief Financial Officer.

Although the recommendation was not addressed to Richland, the Richland Chief Financial Officer provided comments stating that: "Previously provided copies of our FY 1992 field budget submission indicate no special nuclear material double funding was contemplated among DOE Defense Program (DP) and Environmental Management (EM)."

Inspections Comments

Although Richland officials provided information which they believe shows that double funding did not occur in Fiscal Year 1992, the Office of Inspector General will defer to the Office of the Chief Financial Officer to provide an overall response to the recommendation. In this regard, Richland officials advised us that they provided copies of these comments to the Headquarters Office of the Chief Financial Officer.

We recommend that the Assistant Secretary for Environmental Management work with the Assistant Secretary for Defense Programs; the Chief Financial Officer; and other Program Officers as appropriate, to:

4. Establish procedures to ensure that facility transition issues, in particular those impacting on funding requirements, are resolved in sufficient time to be incorporated into the Department's budget requests.

The Office of the Assistant Secretary for Environmental Management stated that while they concurred in principle with the recommendation, they cannot establish procedures to ensure that facility transition issues are resolved in sufficient time to be incorporated into the Department's budget request.

The Office of the Assistant Secretary for Defense Programs stated that they concurred in principle with the recommendation. They stated that as strategic realignment of the Department is again underway, there is increasing likelihood that important Departmental policy and organizational issues, including facility transition, will not be resolved in advance of the budgetary process. Thus,

they agreed with the recommendation to identify significant budget issues for tracking during the lengthy budget formulation process. The Office of the Chief Financial Officer stated that they are working with the Office of Environmental Management to establish procedures for the orderly transition of surplus facilities not only from Defense Programs, but from any program office within the Department.

We recommend that the Assistant Secretary for Environmental Management:

5. Review the circumstances surrounding the loss of the Budget Background Records, specifically the Activity Data Sheets used for planning for the Department's Fiscal Year 1992 Congressional Budget Request, and consider if disciplinary action is appropriate.
6. Ensure that appropriate internal controls are established to properly safeguard against the loss of records such as these Budget Background Records.

Regarding recommendation number 5, the Office of the Assistant Secretary for Environmental Management concurred in principle with the recommendation, stating that files were lost during the Environmental Management's Budget Office move and efforts had been made to locate the lost files. Regarding recommendation number 6, Environmental Management officials stated that while sensitive to records management, the inadvertent loss of records occurred during Environmental Management's Budget Office move. The officials further stated that the events which took place during the move will be analyzed in an effort to assure that records are not lost in the future.

ATTACHMENT A

CHRONOLOGY OF SELECTED ACTIONS RELATED TO THE FISCAL YEAR 1993 DOUBLE FUNDING OF SECURITY FOR SPECIAL NUCLEAR MATERIAL AT THE RICHLAND OPERATIONS OFFICE

- o In a memorandum dated January 18, 1991, Subject: FY 1993 "UNIFIED" FIELD BUDGET CALL, the Headquarters Controller provided guidance for the preparation of the field budget data.
- o In a memorandum dated April 12, 1991, Richland submitted its FY 1993 budget submission for Nuclear Material Production to the Assistant Secretary for Defense Programs.
- o In May 1991, the Richland Fiscal Year 1993 budget for Defense Environmental Restoration and Waste Management was submitted to the Office of the Assistant Secretary for Environmental Management.
- o In a joint memorandum dated October 28, 1991, the Assistant Secretary for Defense Programs and the Director, Office of Environmental Management, advised the Acting Manager of the Richland Operations Office (then referred to as the DOE Field Office, Richland) that the Office of Defense Programs continues to budget for materials disposition activities of the stored inventories of

special nuclear materials.

- o In early February 1992, the Department submitted its "United States Department of Energy FY 1993 Congressional Budget Request," dated January 1992.

- o On October 1, 1992, Fiscal Year 1993 began.

- o In a memorandum dated October 1, 1992, the Office of Defense Programs provided Fiscal Year 1993 Defense Program Work Authorizations, including \$30 million for storage and disposition activities for Defense Programs special nuclear material.

- o On an Advice of Allotment dated October 1, 1992, the Headquarters Office of the Chief Financial Officer provided funds to the Manager, Richland Operations Office for the "Material Production and Other Defense Programs" appropriation. On a separate Advice of Allotment, also dated October 1, 1992, funds were provided to Richland for the "Defense Environmental Restoration and Waste Management" appropriation. Both included funding for the security for special nuclear material at Richland.

- o In late October 1992, a budget analyst at Richland stated that in reviewing the funding and the work authorization they had received, the analyst recognized that the required \$30 million had been received in the two appropriations.

- o In a memorandum for the Secretary dated November 2, 1992, the Assistant Secretary for Defense Programs and the Assistant Secretary for Environmental Management stated that they had agreed on the roles and responsibilities for transition. The general responsibilities section of the memorandum stated that for special nuclear materials, Defense Programs would be responsible for concentrated special nuclear materials and Environmental Management would be responsible for lean residues and liquids.

The Joint Plan for Transferring Surplus Defense Facilities from DP to EM, an attachment to the memorandum, stated that "The Hanford site was surplus by DP and management responsibilities were transferred to EM with the exception of ... storage and disposition of the nuclear materials at the Plutonium Finishing Plant (PFP) and the 300 area" The plan also stated that "Defense Programs will continue to retain current and outyear budget responsibility for the nuclear materials storage and safeguards and security."

- o In a memorandum dated November 4, 1992, the Headquarters Office of Environmental Management requested that a management reserve be established at each Field Office, including Richland. The memorandum also stated that the funds should be held as a reserve at the Field Office, and that the reserve should be submitted in the December Annual Funding Program but no later than the January 1993 Annual Funding Program submission date.

- o In a memorandum dated December 10, 1992, the Richland Operations Office identified the \$30 million in question as a part of the five percent Environmental Management reserve requirement. The \$30 million consisted of \$132,000 from Program Management and

Environmental Management funds; \$657,000 from PUREX/U03 funds; \$25,501,000 from Plutonium Finishing Plant funds; and \$3,710,00 from 300 Area Fuel Supply funds.

o In December 1992, a program analyst from the Headquarters Office of Environmental Management queried Richland budget officials about the workscope that was associated with the \$30 million. The Analyst stated that Richland budget officials advised him that no workscope would be given up and identified the double funding.

o In a memorandum dated December 16, 1992, the Headquarters Office of Environmental Management sent a memorandum to the Office of Chief Financial Officer requesting changes to the January 1993 Financial Plan for the Office of Environmental Management. Included in the transactions were the transactions placing the \$30 million in Fiscal Year 1993 Defense Environmental Restoration and Waste Management funds into a Richland management reserve.

o In an informal note dated May 24, 1993, a copy of which was provided to Richland on May 26, 1993, the Headquarters Office of Environmental Management provided initial guidance on the process to be used for allocating the Fiscal Year 1993 five percent management reserve. The information required included (1) a list of prioritized activities or needs planned to be accomplished with the five percent reserve and (2) a list of additional prioritized waste management activities/needs essential to the Field Office's mission which fell beyond the five percent management reserve.

o In a memorandum dated May 28, 1993, Richland submitted five activities for use of the five percent management reserve: (1) \$6.4 million for the Plutonium Finishing Plant for additional work associated with the Plutonium Refining Facility restart effort; (2) \$3.7 million for the Plutonium and Uranium Extraction facility for destruction of organic materials necessary for facility deactivation; (3) \$3.5 million for K-basin for completion of roof repairs thereby removing safety issues impacting fuel encapsulation efforts; (4) \$13.4 million for Fiscal Year 1993/4 requirements resulting from current Tri-Party Agreement negotiations, and from regulator and stakeholder input; and (5) \$3.0 million for Fiscal Year 1993/4 risk analysis requirements resulting from EM-1, RL, and Regulator (EPA and Washington Department of Ecology) comments that RL was very deficient in this area of planning.

o On June 3, 1993, the Office of Inspector General issued Letter Report INS-L-93-03 to the Acting Chief Financial Officer on our inspection of double funding. In the Letter Report, we stated that we understood that the Offices of Defense Programs and Environmental Management each provided \$30 million for the safeguard and security of special nuclear material, Plutonium 239, at the Plutonium Finishing Plant in Fiscal Year 1993. The Letter Report stated that we were continuing to review this matter and might issue a separate report at a later date that addresses this matter in more detail. And we requested that the Acting Chief Financial Officer let us know what action, if any, the Acting Chief Financial Officer would take regarding this matter.

o In a letter dated June 25, 1993, the Westinghouse Hanford Company

requested Richland approve a change request to use \$8.4 million to continue the Plutonium Reclamation Facility restart and Operational Readiness Review efforts in Fiscal Year 1993. The recommended funding source was the \$30 million management reserve.

- o In a memorandum dated June 25, 1993, from the Richland Operations Office to the Office of Environmental Management, Richland requested release of \$15.6 million of the \$30 million in the Fiscal Year 1993 management reserve. The purposes cited were for the Plutonium Finishing Plant (\$8.4 million for issues uncovered by the Defense Nuclear Safety Board and the Operational Readiness Review Board in preparation for restart of the Plutonium Finishing Plant); PUREX (\$3.7 million for disposing of low-level radioactive organic material from storage tanks); and at K basins (\$3.5 million for unfunded roof repairs).

- o In a memorandum dated June 28, 1993, in response to the OIG Letter Report, the Headquarters Office of the Chief Financial Officer informed the Office of Environmental Management that the \$30 million targeted for safeguards and security of special nuclear material should be pulled back to Headquarters from Richland. The memorandum also stated that we would like to ensure that these extra funds are not expended without prior approval from the Assistant Secretary for Environmental Management and the Acting Chief Financial Officer.

- o In a memorandum dated July 13, 1993, Richland certified that the funds were available for withdrawal.

- o In a memorandum dated July 15, 1993, the Headquarters Office of Environmental Management requested the Headquarters Office of Chief Financial Officer to withdraw the \$30 million from Richland. The funds were to be held at Headquarters and would not be expended without prior approval from EM-1 and CR-1.

- o On an Advice of Allotment, change number 13, dated July 16, 1993, the Headquarters Office of Chief Financial Officer withdrew the \$30 million from Richland.

- o In a memorandum dated September 29, 1993, the Director, Headquarters Office of Environmental Management advised the Richland Manager that he and the Acting Chief Financial Officer had approved the use of \$8.4 million for work at the Plutonium Finishing Plant.

- o In a memorandum dated September 24, 1993, the Headquarters Office of Environmental Management requested the Headquarters Office of Chief Financial Officer to issue emergency allotments of \$30 million -- Richland was to receive \$27.4 million and Savannah River was to receive \$2.6 million.

- o On change number 17, dated September 28, 1993, to the Advice of Allotment for the "Defense Environmental Restoration and Waste Management" appropriation, the Headquarters Office of Chief Financial Officer provided Richland with the approved \$27.4 million. And on change number 13, dated September 28, 1993, to the Advice of Allotment for the "Defense Environmental Restoration and Waste Management" appropriation, the Headquarters Office of Chief

Financial Officer provided Savannah River with the approved \$2.6 million.

o In a memorandum dated September 30, 1993, the Director, Office of Environmental Management, provided written approval for the use of the remaining \$21.6 million, \$19.0 million for Richland and \$2.6 million for Savannah River. Richland received a total of \$27.4 million (i.e., the previously approved \$8.4 million and the \$19.0 million); and Savannah River received the \$2.6 million.

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hold the following but do not use

The Richland Chief Financial Officer later stated that if Activity Data Sheet 428-KE had been recognized by Environmental Management an immediate \$30 million reduction in the Hanford budget "would have avoided the entire FY 1993 double funding issue." [RL#12] We agree that one outcome of Richland's submission of Activity Data Sheet 428-KE could have been to again bring to the attention of Environmental Management officials at Headquarters the continuing issue regarding who was responsible for funding the security of special nuclear material. Another point that may have raised interest in this matter were the apparently conflicting statements contained in the Activity Data Sheet regarding what fiscal years were affected: "The allocation beyond FY 1992 has not been determined." and "In effect, this ADS reduces the total funding requirements from Environmental Management in FY 1992 and beyond, as appropriate." However, we believe that it was clear from the numeric portion of the Activity Data Sheet that the change of \$-30 million only applied to Fiscal Year 1992 and so we do not believe that there would have been an immediate impact on Fiscal Year 1993.

Review of the Richland Fiscal Year 1992 Budget Submission

The Richland Chief Financial Officer provided us with an excerpt, from the files of the management and operating contractor, of Richland's Fiscal Year 1992 budget submission of 1990. This excerpt lent support for the Richland Chief Financial Officer's view that Richland did not double budget for the security requirement in their 1990 submission of their Fiscal Year 1992 budget request. However, since the excerpt represented only the Richland submission, we believe that the excerpt was not totally conclusive that double budgeting for the Fiscal Year 1992 security requirement had not occurred somewhere in the Department. And the excerpt did not directly address whether the Department's Fiscal Year 1992 Congressional Budget Request double budgeted for the security of the special nuclear material.

The excerpt, which included six Richland Activity Data Sheets that were last updated on April 26, 1990, lent some support for the Richland Chief Financial Officer's view that Richland had not double budgeted because the total funding requested on the Activity Data Sheets for Environmental Management purposes was less than the stated \$30 million requirement for security. In reviewing the six Activity Data Sheets, we noted that the operating expense funds for Fiscal Year 1992 contained in the six Activity Data Sheets totalled only \$4,840,000. Since the estimated cost of security was \$30,000,000, the six Activity Data Sheets appear to support the statement of the Richland Chief Financial Officer that "These FY 1992 plans indicate only environmental activities were budgeted for EM, and [the] Plutonium Finishing Plant's special nuclear material vaults still remained under Defense Program budget jurisdiction."

However, we also noted that the excerpt represented only the Richland submission, and, as a result, we believe that it was not totally conclusive that double budgeting for the Fiscal Year 1992 security requirement had not occurred somewhere in the Department. In particular, if the \$30 million was not included in the Department's Activity Data Sheets used to support the preparation of the Department's Fiscal Year 1992 budget request, it is not clear why Activity Data Sheet 428-KE, a downward adjustment of \$30,000,000, would have been approved on March 29, 1991. By themselves the total operating expense funding of these seven Activity Data Sheets, the original six for \$4,840,000 and 428-KE for \$-30,000,000, would have left a net Richland Fiscal Year 1992 funding "requirement" of \$-25,160,000.

And as another consideration, the Richland records did not directly address whether double budgeting had occurred in the Department's Fiscal Year 1992 Congressional Budget Request.

We found that Richland and, at Headquarters, the Offices of Environmental Management and Chief Financial Officer became aware of the double funding at different times and took certain actions in response to the double funding which are described below.

Richland

In late October 1992, a Richland budget analyst discovered that a total of \$60 million had been received from Defense Programs and Environmental Management, even though only \$30 million was needed for security of special nuclear material. Recognizing the double funding, the budget analyst provided only the \$30 million from Defense Programs to the contractor. The \$30 million in the environmental program that had been requested for security was retained at Richland and was not provided to the contractor. We found no evidence that Richland notified Headquarters officials of the double funding at that time. A Richland budget official told us that they did not notify Headquarters officials because they were aware of a pending requirement from the Headquarters Office of Environmental Management to establish a management reserve. The official stated that the extra \$30 million was planned to be used to

meet the management reserve requirement. The memorandum from the Headquarters Office of Environmental Management requesting that a management reserve be established was dated November 4, 1992.

Headquarters Office of Environmental Management

Headquarters Office of Environmental Management officials learned of the double funding in December 1992 after they directed in early November that each Field Office, including Richland, establish a management reserve. In response to this directive, Richland identified the \$30 million to Headquarters Environmental Management officials for the management reserve. In response to an Environmental Management official's question regarding the programmatic impact of setting aside the \$30 million, Richland told the official that there was no impact due to the double funding. Office of Environmental Management officials agreed to place the \$30 million in a management reserve at Richland. We found no evidence that the Headquarters Office of Chief Financial Officer was notified of the double funding at this time.

This factor was that at the time the Richland budget was being prepared a decision had not been made on which Headquarters organization would be responsible for the budgeting of security for the special nuclear material.

One of these factors was that the budget preparation process did not include a specific mechanism to ensure that issues, such as the double funding request, were identified so that they could be resolved before the Department's Congressional Budget Request was finalized. The second of these factors was that various documents used in the budget process did not separately identify the funding requirement for security and thus, we believe, hindered the identification of the double funding request.

The Acting Chief Financial Officer and the Assistant Secretary for Environmental Management had the extra \$30 million placed in a management reserve account until deciding on an appropriate use for the funds.

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