



U.S. Department of Energy
Office of Inspector General
Office of Audits and Inspections

Inspection Report

**Alleged Procurement and Hiring
Practice Irregularities within the Office
of Policy and International Affairs**

INS-L-12-04

June 2012



Department of Energy
Washington, DC 20585

June 22, 2012

MEMORANDUM FOR THE ASSISTANT SECRETARY FOR POLICY AND
INTERNATIONAL AFFAIRS

Marilyn E. Richardson
for

FROM: Sandra D. Bruce
Assistant Inspector General
for Inspections
Office of Inspector General

SUBJECT: INFORMATION: Inspection Report on "Alleged Procurement and
Hiring Practice Irregularities within the Office of Policy and
International Affairs"

BACKGROUND

The Office of Policy and International Affairs (PI) has primary responsibility for the Department's international energy activities including international emergency management, national security and international cooperation in science and technology. To accomplish its mission, PI has contracts with various subject matter experts such as Rhodium Group, LLC (Rhodium). Rhodium combines policy experience, quantitative economic tools and research to analyze global trends. The Rhodium contract, valued at approximately \$992,000, was executed in September 2010 as a 2-year contract.

The Office of Inspector General received a complaint alleging inappropriate actions taken by senior PI officials concerning the Rhodium contract and inappropriate personnel practices related to hiring and promoting of Federal employees within PI. We initiated an inspection to review the facts and circumstances surrounding the allegations.

CONCLUSIONS AND OBSERVATIONS

We were unable to substantiate the allegations. Specifically, we found no evidence during our review to support the allegations that senior PI officials:

- Improperly awarded a sole-source contract to Rhodium based on a PI official's personal affiliation with a Rhodium official;
- Converted a former Rhodium employee to a Federal employee based on a PI official's prior affiliation with the employee;

- Directed PI rating officials to lower employee performance ratings to facilitate a reduction-in-force (RIF) and the subsequent hiring of additional personnel; and,
- Misused their official position to assist a PI employee, with whom the official had a covered relationship, in obtaining promotions.

Personal Affiliation

Our review did not substantiate the allegation that a senior PI official improperly awarded a sole-source contract to Rhodium based on the PI official's personal affiliation with a Rhodium official. We determined that PI's procurement actions were implemented through the Department's Office of Management (MA). Our review confirmed that the Contracting Officer (CO) within MA followed the requirements in the Federal Acquisition Regulations to award a sole-source contract to Rhodium. According to the CO, the sole-source award was adequately justified.

The justification prepared by PI asserted that Rhodium was the only private sector organization capable of providing unique capabilities critical to achieving PI's objectives. These objectives included assessing the impact of existing and prospective energy-related domestic and international policies on the U.S. economy, national energy security and the global climate. During an interview with the CO who executed the Rhodium contract, we confirmed that the appropriate procurement actions, including justifications and signatures to award the sole-source contract, were taken. Further, a senior PI official told us that the decision to award the contract was based on the reputation and unique services that Rhodium provided and was not at the direction of any senior PI official.

Hiring Irregularities

We were also unable to substantiate the allegation that a senior PI official converted a former Rhodium employee to a Federal employee based on the official's prior affiliation with the employee. Further, we did not find evidence to support the allegation that a senior PI official directed PI rating officials to lower employee ratings to facilitate a RIF and the subsequent hiring of additional personnel.

Conversion to a Federal Employee

We determined that PI's hiring process was implemented by the Department's Office of Human Capital. An official from the Office of Human Capital, Human Resources (HR) informed us that it is difficult to influence the hiring process for program offices, including PI, because the hiring process is implemented externally from the program office.

Our interview with the senior PI official disclosed that the official did not know the employee in question prior to the employee working for the Department. Also, our review of the employee's resume and hiring package revealed that the employee was selected from the "best qualified" certification list. Further, we noted that the employee did not identify Rhodium as one of the entities in which the employee had prior work experience. Finally, we found no indication that

there was a prior affiliation between the senior PI official and the individual hired. Based on testimonial evidence and documentary reviews, we did not find anything improper about the hiring of the individual.

Reduction in Force

During our review we found no evidence to support the allegation that a senior PI official directed rating officials to lower employee performance ratings to potentially facilitate a RIF in order to hire additional employees. During our interviews with five senior PI officials, we were informed that the PI officials' respective units planned to hire additional employees at various levels (GS-14 and below) based on resources identified in PI's Fiscal Year 2012 budget. Also, a senior PI official informed us that based on budget uncertainties, PI had explored opportunities such as hiring freezes and reallocating funds to ensure that a RIF was not necessary. In reviewing the *PI Hiring Actions* (Plan), we determined that PI hired two employees at the GS-15 level and promoted one employee to a GS-15 during the period, March 2011 to January 2012. Our review of the Plan did not reveal any evidence that hiring additional employees would result in a RIF.

In addition, we interviewed six PI rating and reviewing officials who stated that they were never directed to lower employee ratings to facilitate a RIF. However, three of the officials stated that the Department had previously expressed concerns over "inflated ratings." Specifically, one senior PI official provided us with a copy of the Department's *Fiscal Year Performance Guidance* for 2009 that provided guidance for accurately assessing individual employee performance. Another senior PI official provided us with a copy of a message, *Fiscal Year 2011 Performance Evaluation Message to PI Staff*, which included the following language: "It is PI's goal to ensure ratings are meaningful, fair and reflective of pay for performance." Based on interviews and document reviews, we were unable to substantiate the allegation that a senior official directed the lowering of employee ratings.

Misuse of Position

During our review, we found no evidence to support the allegation that a senior PI official misused their position to assist another PI employee, with whom the official had a covered relationship, in obtaining promotions. According to Title 5 Code of Federal Regulations, Part 2635, Subpart 101, the *Standards of Ethical Conduct for Employees of the Executive Branch*, an employee has a covered relationship with a person who is a member of the employee's household, or who is a relative with whom the employee has a close personal relationship. We interviewed the official's supervisor who told us that the official was not assigned any work that was related to the covered employee and that the official voluntarily removed themselves from any activities related to the covered employee. Further, a Departmental HR official informed us that HR was aware of the covered relationship and that PI officials had taken actions to ensure that the senior PI official is not involved in matters related to the covered employee. Our review of the covered employee's hiring package did not disclose evidence of the PI official reviewing or approving the packages. Further, our review determined that the covered employee was on the "best qualified list" and, in some instances, was the only individual who applied for the various positions representing promotions.

Because we found no evidence to support the allegations regarding inappropriate actions taken by senior PI officials, no recommendations are being made in this report; therefore, a response is not required. We appreciate the cooperation received from your staff during our inspection.

Attachment

cc: Deputy Secretary
Associate Deputy Secretary
Chief of Staff

OBJECTIVE, SCOPE AND METHODOLOGY

OBJECTIVE

The objective of this inspection was to determine the facts and circumstances surrounding allegations of inappropriate actions taken by senior Office of Policy and International Affairs (PI) officials with regards to awarding a sole-source contract to the Rhodium Group, LLC, and hiring and personnel practice irregularities within PI.

SCOPE

This allegation-based inspection was performed between September 2011 through April 2012 at the Department of Energy Headquarters in Washington, D.C. To accomplish the inspection objective, we:

- Interviewed Federal employees from PI, Office of Management and Office of Human Capital; and,
- Reviewed and analyzed the contract documents including the justification to award Rhodium Group, LLC a sole-source contract; Federal regulations related to conflicts of interest and sole-source contract awards; hiring and promotion documents; and *PI's Hiring Plan* (March 2011 to January 2012).

METHODOLOGY

We conducted this inspection in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*, January 2011. Those standards require that we plan and perform the inspection to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions and observations based on our inspection objective. We believe the evidence obtained provides a reasonable basis for our conclusions and observations based on our inspection objective. The inspection included tests of controls and compliance with laws and regulations to the extent necessary to satisfy the inspection objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our inspection. Finally, we relied on computer processed data, to some extent, to satisfy our objective related to personal affiliation and hiring irregularities. We confirmed the validity of such data, as appropriate, by conducting interviews and reviewing source documents.

An exit conference was waived on June 6, 2012.

CUSTOMER RESPONSE FORM

The Office of Inspector General has a continuing interest in improving the usefulness of its products. We wish to make our reports as responsive as possible to our customers' requirements, and, therefore, ask that you consider sharing your thoughts with us. On the back of this form, you may suggest improvements to enhance the effectiveness of future reports. Please include answers to the following questions if they are applicable to you:

1. What additional background information about the selection, scheduling, scope, or procedures of the audit or inspection would have been helpful to the reader in understanding this report?
2. What additional information related to findings and recommendations could have been included in the report to assist management in implementing corrective actions?
3. What format, stylistic, or organizational changes might have made this report's overall message clearer to the reader?
4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report which would have been helpful?
5. Please include your name and telephone number so that we may contact you should we have any questions about your comments.

Name _____ Date _____

Telephone _____ Organization _____

When you have completed this form, you may telefax it to the Office of Inspector General at (202) 586-0948, or you may mail it to:

Office of Inspector General (IG-1)
Department of Energy
Washington, DC 20585

ATTN: Customer Relations

If you wish to discuss this report or your comments with a staff member of the Office of Inspector General, please contact our office at (202) 253-2162.

This page intentionally left blank.

The Office of Inspector General wants to make the distribution of its reports as customer friendly and cost effective as possible. Therefore, this report will be available electronically through the Internet at the following address:

U.S. Department of Energy Office of Inspector General Home Page
<http://energy.gov/ig>

Your comments would be appreciated and can be provided on the Customer Response Form attached to the report.