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# Office of Inspector General Semiannual Report to Congress



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April 1 to September 30, 2002





**Department of Energy**  
Washington, DC 20585

October 30, 2002

The Honorable Spencer Abraham  
Secretary  
U.S. Department of Energy  
Washington, D.C. 20585

Dear Secretary Abraham:

I am pleased to submit the Office of Inspector General's *Semiannual Report to Congress* for the 6-month period ending September 30, 2002. The Report reflects our continuing commitment to focus the Office of Inspector General efforts on the issues and concerns most critical to you, the Administration, and the Congress.

The tragic events of September 11, 2001, have impacted the way this Office views its mission. During this reporting period, we devoted significant resources to critical issues relating to the national security. In particular, we increased our already substantial commitment to helping the Department identify and evaluate potential systemic and situational vulnerabilities in the areas of cyber and physical security, counterintelligence, and nuclear materials and critical infrastructure protection. Although the Department has taken a number of positive actions to correct certain security-related deficiencies, our reviews continue to identify a need for improvement in this critical management challenge area.

The Report also highlights other significant management challenges and includes Office of Inspector General recommendations for positive change in the Department's programs and operations.

We look forward to working with you on matters of mutual interest.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Friedman".

Gregory H. Friedman  
Inspector General

Enclosure



Printed with soy ink on recycled paper

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I am pleased to provide the Office of Inspector General's Semiannual Report to Congress highlighting significant accomplishments for the reporting period April 1 to September 30, 2002. This reporting period marks the Department's and the Office of Inspector General's 25th anniversary celebration. My colleagues and I feel privileged to have been able to serve the taxpayer and the Government at an agency that has helped tackle some of the most important challenges facing the Government in the past 25 years. From winning the cold war, to combating terrorism, to exploring the frontiers of science, including achieving staggering breakthroughs in cancer research at our national laboratories, the Department has played a tremendous role in the well being of our nation. To the extent we have been able to help make these critical missions more efficient and effective, we have been honored to do so.



**Gregory H. Friedman**  
Inspector General

During this reporting period, we continued to assist the Department and the Congress by identifying opportunities to improve program performance and accountability, achieve cost savings, and return hard dollars to the Federal Government.

As part of our continuing efforts to ensure that we are providing timely, relevant, and effective assistance to the Department, including the National Nuclear Security Administration, representatives of this Office have been traveling, over the past several months, to meet with senior leadership at each of the Department's major sites. These meetings have afforded us the opportunity to engage in dialogues on the issues of highest concern, thereby helping us to ensure that we are meeting the needs of our customers. September 11, 2001, is a day we must not, and will not forget. It has impacted the way we view our mission. In that vein, the Department of Energy has a vast array of activities designed to help ensure the safety and security of the American people. Since September 11th, we significantly increased our already substantial commitment to helping the Department identify and evaluate potential systemic and situational vulnerabilities

in the areas of cyber and physical security, counterintelligence, and nuclear materials management and critical infrastructure protection.

Furthermore, the OIG is committed to serving as a facilitator of management reform by continuing to evaluate program performance in critical areas central to the President's Management Reform Agenda, as well as the Secretary's mission priorities.

We have summarized our most recent work on these issues in this report and look forward to being of continued assistance in the future.

For the past several years, at the request of congressional leadership, the Office of Inspector General (OIG) has reviewed the most significant management and performance challenges facing the Department. This effort, now required by the *Reports Consolidation Act* of 2000, is conducted on an annual basis and includes an assessment of the agency's progress in addressing the following management challenge areas, which most recently (2002) have been identified as:

- *Stockpile Stewardship*
- *Security and Safety*
- *Information Technology*
- *Environmental Standards and Stewardship*
- *Contract Administration*
- *Performance Management*
- *Research and Development Investment*
- *Infrastructure and Asset Management*
- *Energy Supply*
- *Human Capital*

The following are highlights of the OIG accomplishments in the management challenge areas:

### ■ Stockpile Stewardship

In 1993, the President and Congress reaffirmed the moratorium on underground nuclear testing and directed that a science-based Stockpile Stewardship Program be developed to maintain the Nation's stockpile of nuclear weapons. The Department's plan describes stockpile stewardship as one of the most complex, scientifically technical programs ever undertaken. The program consists of surveillance, experimentation, computation, and production. Its focus is to maintain "high confidence" in the safety and reliability of the stockpile without nuclear testing. Responsibility for stockpile stewardship rests with the National Nuclear Security Administration (NNSA). The OIG reviews continue to

disclose difficulties the Department is having with meeting its critical stockpile stewardship mission. Recent examples include:

### **Underground Nuclear Test Readiness is at Risk Due to the Lack of a Comprehensive Plan**

Prior to 1992, the Department relied on underground testing at its Nevada Test Site to ensure the safety, reliability, and performance of the Nation's nuclear weapons. When the United States placed a moratorium on underground testing, the Department implemented a science-based Stockpile Stewardship Program, designed to certify that the weapons are safe and, if needed, will work as intended. According to Presidential Decision Directive, the United States can resume underground nuclear testing at the Nevada Test Site under certain circumstances. The Presidential Decision Directive mandates that the Department be prepared, on a contingency basis, to restart underground testing within a 3-year timeframe. An audit was conducted to determine if the Nevada Operations Office (Nevada) has the capability to conduct an underground nuclear test within the required timeframe if called upon to do so.

The audit found that Nevada's ability to conduct an underground nuclear test within the specified timeframe is at risk. Specifically, key aspects of the Department's testing process and infrastructure have experienced significant degradations in the last decade, including: (1) a decline in the number of employees with testing experience; (2) the deterioration of necessary systems and equipment; (3) the inability to keep pace with new technology; and (4) delays in updating required safety studies. The challenges posed by these issues were heightened because Nevada did not have a comprehensive plan to address or overcome them. If the Department becomes unable to certify that testing can resume within the 24- to 36-month window, it could eventually lose its ability to ensure weapons reliability through underground testing, should such testing become necessary.

The OIG recommended that the Deputy Administrator for Defense Programs direct Nevada to: (1) establish a methodology to hire or train personnel with appropriate skills to fill key and critical positions, should the need for these



individuals arise; (2) develop a plan to validate aging assets and, if necessary, identify potential replacement equipment, the cost of the replacement, and the lead-time necessary to obtain it; (3) prepare generic portions of nuclear explosive safety documentation and create a plan to obtain appropriate authorization basis approval within the required timeline for resuming underground nuclear testing; (4) extend the Decision Support System computer simulation model to incorporate all test organizational units and changes in personnel, equipment, and safety requirements; and (5) update the Test Readiness Program requirements overcome by recent events in its policy on Underground Nuclear Testing.

Department management agreed with recommendations 1 and 3 and has initiated corrective action. Management did not agree with recommendations 2 and 4 and did not address recommendation 5. Management did, however, offer alternative approaches to achieving the overall goal. (IG-0566)

### **Delays Likely in Department of Energy's Pit Production Project**

The Department's *Stockpile Stewardship Plan* describes the NNSA's strategy for ensuring high confidence in the safety and reliability of the nuclear weapons stockpile. This plan sets forth a specific schedule to manufacture during Fiscal Year (FY) 2003 a certifiable pit, a key component needed to initiate a nuclear weapon. An audit was conducted to determine if the NNSA and the Los Alamos National Laboratory (Los Alamos), which is managed and operated by the University of California, would be able to produce a certifiable pit according to the schedule set forth in the *Stockpile Stewardship Plan* and the *W88 Pit Manufacturing and Certification Integrated Plan*.

The audit found that the Department's ability to produce a certifiable pit on schedule was at risk. As of December 2001, over half of the approximately 40 nuclear manufacturing processes that will be used to produce pits were behind schedule. While Los Alamos asserted that the delays occurred because the original schedule was too aggressive, the OIG identified deficiencies in key schedule controls,

including the lack of a robust critical path linking required work to project milestones. Without a certified pit, NNSA will be unable to conduct the destructive surveillance tests used to establish weapon reliability for the annual certification to the President.

The OIG recommended that the NNSA Pit Project Manager direct Los Alamos to: (1) logically link related work activities for manufacturing and certification within the critical path; (2) periodically review for accuracy all changes entered into the project management software using approved baseline change procedures; (3) ensure that all work packages have deliverables, milestones, and assumptions identified for the work scope described in the work packages; and (4) “lock in” target dates for work completion that have been entered into the project management software. The NNSA’s Deputy Administrator for Defense Programs agreed with the OIG recommendations. (IG-0551)

### **Reliability of Depleted Uranium Operations at the Y-12 National Security Complex**



**Building 9201-5 Alpha 5 at Y-12 Plant  
Oak Ridge, Tennessee**

Currently, the Y-12 National Security Complex in Oak Ridge, Tennessee, (Y-12) is the only site capable of manufacturing and remanufacturing certain unique components necessary for assembling nuclear weapons. Many of these components are produced at Y-12’s Depleted Uranium and Binary Metal Cycle Operations facility. Because the Depleted Uranium facility is the sole producer of these key components, an audit was conducted to determine if NNSA can ensure its reliability. Y-12 is currently managed and operated by Department contractor, BWXT Y-12, LLC.

The audit determined that, although the Depleted Uranium facility is currently able to manufacture components, NNSA cannot ensure the continued reliability of its process. Much of the production equipment presently in use is outdated, damaged, or beyond repair. Further, while some new equipment had been purchased, it had not been installed and had begun to degrade. This occurred because Y-12 had not completed a previous consolidation effort, had placed key projects on hold, and had not established useful performance-based incentives. Furthermore, increased maintenance costs were being

incurred and prior investments in new equipment were at risk. The audit concluded that if the Depleted Uranium process fails, NNSA may not be able to meet its weapons stockpile requirements.

The OIG recommended that NNSA and Y-12 undertake a series of immediate actions to enhance maintenance procedures and ensure continued depleted uranium operations. Management agreed with the recommendations. (IG-0570)

### ■ **Security and Safety**

The focus on security and safety efforts within the Department have substantially increased in light of September 11. Although the Department continues to make progress to strengthen its security and safety posture, OIG reviews continue to demonstrate that additional controls are needed. Specifically, OIG reports identified the following weaknesses in this area:

#### **Vulnerabilities Found in the Department's Unclassified Cyber Security Program 2002**

As required by the Government Information Security Reform Act, the OIG performed its second annual evaluation of the Department's unclassified cyber security program. This evaluation was conducted to determine whether the program sufficiently protected Department data and information systems. The evaluation determined that, while the Department had taken a number of positive steps to improve its unclassified cyber security program, many of its critical information systems remained at risk. Cyber protection efforts continued to suffer from program management, planning, and execution weaknesses. As with the OIG's initial review in FY 2001, it was noted that the Department had not: (1) consistently implemented a risk-based cyber security approach; (2) assured continuity of operations through adequate contingency and disaster recovery planning; (3) strengthened its incident response capability by reporting all computer incidents; (4) ensured that employees with significant security responsibilities had received adequate training; and (5) adequately addressed configuration management and access control problems.

These vulnerabilities existed because the Department had not strengthened its cyber security policy and guidance, implemented a cyber security performance measurement system, or established an effective self-assessment program. Persistent problems placed the Department's critical systems at risk of unauthorized use and increased the potential for compromise of sensitive operational and personnel-related data.

The OIG recommended a series of corrective actions designed to improve cyber security within the Department. Department management generally agreed with the OIG's findings and recommendations, but did not agree that the recommendation to develop and finalize detailed cyber security policy and guidance was supported by the OIG report's finding. In addition, management cited a number of actions underway, including progress towards developing a new performance metrics program and a program to improve awareness. (IG-0567)

### **Privatization Effort Results in Increased Costs**

In January 1997, Westinghouse Savannah River Company (Westinghouse), the management contractor at the Department's Savannah River Site, submitted to the Department a privatization proposal requesting approval to form a "spin-off" company for the performance of safety management services. It was proposed that the "spin-off" new company, Westinghouse Safety Management Solutions, Incorporated (WSMS), would be a wholly owned subsidiary of Westinghouse and would be comprised of Westinghouse personnel already performing safety management services at the Site. To justify the spin-off, Westinghouse prepared a make-or-buy analysis indicating that by using WSMS the Department would save at least \$11.5 million over 5 years. The Department approved the proposal and allowed Westinghouse to enter into a sole-source, cost-reimbursable agreement with WSMS beginning in FY 1998.

The OIG conducted an audit to determine whether the privatization of safety management services at the Savannah River Site has reduced the Department's cost.

The audit found that Westinghouse's privatization effort has actually increased the Department's operating costs by about \$2 million per year. It was determined that the Westinghouse privatization proposal contained an inaccurate make-or-buy analysis and the Department did not thoroughly evaluate the merit of the proposal. In addition, the Department did not require competitive bids. In fact, Department officials reported that cost was not a deciding factor in approving the establishment of WSMS. Rather, the decision was based primarily on a desire to avoid layoffs of safety management engineers. As a result, from 1998 through 2001, the Department has incurred approximately \$8 million in unnecessary costs and an additional \$6.3 million in unnecessary costs could accrue during the remainder of the contract.

The OIG recommended that the Manager, Savannah River Operations Office: (1) competitively acquire safety management services at the Savannah River Site as soon as practical; (2) require that Westinghouse prepare thorough and accurate make-or-buy analyses for privatization initiatives; (3) ensure that Westinghouse seeks competitive bids when qualified bidders are available for future procurements unless there is a compelling reason for using another contracting method; (4) direct the contracting officer to thoroughly evaluate make-or-buy analyses prepared by Westinghouse prior to selecting least-cost alternatives; and (5) direct operations office personnel to perform follow-up reviews of privatization initiatives to determine whether the initiatives actually reduce overall costs.

Department management agreed with recommendations 2, 3, and 4 and has initiated corrective action. Management partially concurred with the first recommendation, indicating that under the Westinghouse contract and WSMS agreement, the Department has the option to seek competition for safety management services or to reduce fees if costs for these services are deemed unreasonable. With regard to recommendation 5, management again partially concurred, noting that while the Department was, in fact, monitoring WSMS cost and performance, not all privatization activities are implemented solely to generate cost savings. (IG-0559)

## **Risk Management Weaknesses in the Department's Remote Access Program for Unclassified Information Systems**

Like most private sector and Government organizations, the Department has an aggressive program to provide its Federal and contractor personnel with the ability to remotely access a number of unclassified information systems. Based on several recent investigative cases relating to attempted intrusions into the Department's information systems, an audit was initiated to assess the Department's performance in managing the risk associated with remote access to unclassified information systems.

The audit found that most of the offices reviewed had not adequately protected information systems from unauthorized remote access. Of the 13 organizations included in the OIG review, 10 had not considered the risk associated with remote access when developing cyber security protection plans; 9 had not developed specific guidance addressing remote access security requirements; and 9 had not required the use of protective measures such as personal firewalls and up-to-date virus protection and systems software. Inadequate protective measures over remote access placed the Department's critical unclassified information systems at risk of data tampering, fraud, disruptions in critical operations, and inappropriate disclosure of sensitive or Privacy Act information.

The OIG recommended that Department management: (1) develop and implement protective measures to better enforce requirements for risk assessments; (2) provide additional guidance for security implementation and evaluation; and (3) establish performance measures related to remote access risk mitigation.

Department management pledged to develop new security policy and to improve security planning. Also, management stated that direction had been given to specifically address remote access security during the self-assessment process. (IG-0568)

## **Weaknesses in the Federal Energy Regulatory Commission's Unclassified Cyber Security Program 2002**

As required by the Government Information Security Reform Act, the OIG performed an evaluation to determine whether the Federal Energy Regulatory Commission's (Commission) cyber security program sufficiently protected Commission data and information systems.

The audit found that, while the Commission had implemented a number of protective measures, certain critical information systems remained at risk. Specifically, the Commission had not: (1) developed system specific security plans; (2) assured continuity of operations through adequate contingency and disaster recovery planning; (3) implemented an effective cyber security training program; and (4) adequately addressed configuration management and access control problems. In addition, persistent vulnerabilities existed because the Commission had not provided adequate management attention to implementing an effective cyber security program.

The OIG recommended that the Commission Chairman: (1) clarify roles and authorities for the Chief Information Officer related to the development and implementation of a Commission-wide cyber security protection program; (2) ensure that cyber security plans are finalized and that mission critical systems are identified; (3) ensure that cyber security objectives are given appropriate priority within the agency and cyber security costs are included in the system development life cycle; and (4) direct the establishment of performance goals, and an associated metrics system, for measuring progress in improving cyber security and correcting known weaknesses. Management concurred with the OIG's findings and recommendations. (IG-0569)

### **Security Improvements Needed at West Valley Demonstration Project**

This inspection reviewed issues related to the security posture at the West Valley Site, which is managed and operated by West Valley Nuclear Services. West Valley is a former commercial reprocessing facility for spent nuclear fuel. Pursuant to the *West Valley Demonstration Act of 1980*, the Department is vitrifying high-level waste, disposing of low-level and transuranic waste, transporting solidified material, and decontaminating and decommissioning materials used during the Project. The classified report identified several management challenges and opportunities for improvement in the overall security posture at West Valley. Management concurred with the OIG recommendations. (IG-0563 Classified)

### **Sentencing of Two Individuals for Theft and Illegal Manufacture of False NNSA Federal Agent Credentials**

As previously reported, a joint investigation with the OIG and the Federal Bureau of Investigation (FBI) determined that a printing company employee tasked to make NNSA credentials stole the print company prototypes necessary to create such credentials. A second individual, a private citizen, later removed the prototypes from the employee's residence and attempted to create valid NNSA Federal Agent credentials. The private citizen was convicted in connection with the illegal production and possession of the false credentials.

During the current reporting period, the private citizen was sentenced to 2 years' probation. The court ordered this individual to pay \$4,700 in restitution to the Department and \$100 in court costs. Additionally, the printing company employee pleaded guilty to one misdemeanor count of embezzlement. This individual was sentenced to 1-year probation and was ordered to pay one-half of the \$4,700 in restitution and \$25 in court costs. In response to an OIG Administrative Report to Management regarding this issue, the Department outlined a new process for overseeing the control and inventory of credential stock. (I00DN006)

efficiency



### **Inspection Leads to Nationwide Review of the Department's Fresh Pursuit Policies and Practices**

The OIG conducted an inspection of the fresh pursuit policies and practices of four Department sites. Fresh pursuit is the immediate pursuit for the purpose of preventing the escape or effecting the arrest of fleeing suspected criminals who are in unauthorized control/possession of nuclear weapons, weapons components, and/or special nuclear material. The objective of this classified inspection was to determine if Department policies regarding fresh pursuit were consistently followed at the four sites.

Even though this inspection was focused on activities occurring at four specific sites, the inspection caused Department management to perform a nationwide review of the fresh pursuit policies and practices at all Department National Laboratories. The far-reaching impact of this report has assisted the Department in improving preparedness of Department protective forces against outside attacks. (IG-0577 Classified)

### **Followup Security Reviews Indicate Positive Departmental Action**

The Department has long played a critical role in the national security mission, and the OIG has always taken an active role in reviewing the Department's security activities. Since the events of September 11, 2001, however, the OIG has focused additional resources on the Department's security-related activities. During this period, the OIG completed several followup inspections that addressed whether the Department was taking appropriate action on recommendations made in earlier security-related inspection reports. Specific areas of review included: (1) the process for transmitting classified documents; (2) the progress being made on executing the Department's counterintelligence implementation plan; coordination activities with State, local, and tribal officials regarding shipments of nuclear weapons, nuclear weapons components, and special nuclear materials; and (4) the export licensing process as it relates to foreign national visits.

The OIG found that the Department had made progress in implementing the recommendations in previous OIG reports and made suggestions to enhance future implementation activities. For example, the Department issued for comment a draft directive on export controls intended to better delineate the roles and responsibilities of hosts of foreign nationals. The Department also issued for comment a draft award fee contract clause and a civil penalties rule designed to hold contractors accountable for security incidents, such as an improperly transmitted classified document. In addition, the Department continues to make progress in executing the counterintelligence implementation plan.

Further, with respect to nuclear shipment coordination activities, the Department sent letters to the Governors of the 48 contiguous States providing information on these activities and requesting points of contact for law enforcement and emergency management entities. In addition, a memorandum of understanding was signed between the Department and the Department of Defense to allow the Department access to military installations in the event that a nuclear shipment requires a “safe haven.” The OIG suggested that Department officials take further action to obtain and maintain accurate information regarding points of contact, update applicable Department directives and manuals, and establish target dates for accomplishing management actions.

### **Did you know?**

The Federal Government's investment in information technology is estimated to be \$50 billion for 2003. This investment makes the Federal Government the largest buyer of information technology in the world.

Source: Information Technology Investments, Budget of the United States, Fiscal Year 2003

## **Information Technology**

Effective information technology (IT) management is essential to the Department's performance of its multifaceted mission. While the Department has taken a number of actions designed to improve the overall management of IT resources, additional improvements in this critical area are still needed. OIG reviews completed during this reporting period provided recommendations on ways in which the Department could enhance the performance of IT activities.

## **Improvements Needed in Redesign and Modernization of the Department's Nuclear Materials Management Safeguard System**

Since 1965, the Department has maintained the Nuclear Materials Management Safeguard System (NMMSS). This

system is a major component of the Government's nuclear materials accounting system and contains aggregate high-level data on quantity as well as individual transaction data on shipments of nuclear materials both internal and external to the United States. An audit was conducted to assess the Department's efforts to redesign or modernize the NMMSS and to determine whether such efforts were consistent with the Corporate Systems Information Architecture.

The audit determined that the Department had not adequately managed its system redesign and modernization activities for the NMMSS. Furthermore, planned and ongoing nuclear materials accounting systems development activity was not always consistent with the Corporate Systems Information Architecture. For example, the Department had no plans to complete an initiative to demonstrate the feasibility of a corporate-level nuclear materials accounting solution. Additionally, organizations were allowed to continue to develop or upgrade accounting and production related systems at a projected cost of over \$7.5 million. The Department also undertook a major redesign of NMMSS without providing the support or site-level funding necessary to ensure success of the effort. Furthermore, the Department did not meet requirements of the Clinger-Cohen Act of 1996 and Office of Management and Budget implementing guidance to maximize the value of investments by developing and implementing an information technology architecture that requires a structured and disciplined approach to systems development.

While the NMMSS redesign effort will provide a number of improvements in accounting for nuclear materials, it will not achieve the level of standardization envisioned by the Nuclear Materials Stewardship Initiative. The Stewardship Initiative, a study conducted by the Department to develop a means of improving materials management responsibilities, recommended a corporate-level nuclear materials accounting solution. Because of its fragmented management approach, the Department may not realize significant savings from integrating its nuclear materials accounting systems that were identified by the initial sponsors of the Stewardship Initiative.

To facilitate modernization of the Department's nuclear materials accounting systems, the OIG recommended that the Administrator, NNSA, and the Office of Security, in

coordination with the Chief Information Officer:

(1) develop a coordinated approach and select a final alternative for modernizing nuclear materials accounting information systems that is consistent with the Department's Corporate Systems Information Architecture as well as security and program specific operational needs; and (2) impose a moratorium on development efforts to minimize redundancy during the process of developing and selecting a modernization alternative. Unless necessary to address emergencies, development should be limited to maintaining site-level systems and other nuclear materials accounting information systems in a steady state. The OIG also recommended that the Department's Chief Information Officer update the directive governing information management systems development.

The Office of Security and the Chief Information Officer shared many of the OIG concerns on the nuclear materials modernization initiatives and generally agreed with the OIG recommendations. The NNSA did not concur with the OIG recommendations and indicated that it had unique requirements that may not be served by a corporate-level solution. Subsequent to the reply, NNSA has agreed and is currently leading a Department E-Government initiative to develop a corporate approach to nuclear materials management. (IG-0556)

### **Hacker Sentenced for Unauthorized Access to Government Computers**

As previously reported, the subject of a joint investigation with the FBI pleaded guilty to one felony count of violating 18 U.S.C. Section 1030 (Fraud and Related Activity in Connection with Computers). The investigation determined that an individual gained unauthorized access to Government-owned computers at one of the Department's National Laboratories. The individual, a private citizen, modified data files and downloaded budget material from an unclassified computer network.

During this reporting period, the individual was sentenced to 6 months' home detention, 4 years' probation, and 400 hours of community service and ordered to pay restitution of \$20,000. (I00TC007)

### **Former Contractor Employee Pleads Guilty to Misuse of Government Computers**

An OIG investigation determined that a contractor employee at the Rocky Flats Site used four Government-owned computers to access and transfer child pornography over the Internet. Computer forensic media analysis disclosed the presence of 65 images of child pornography and 12 child pornographic movies on the computer.

The contractor employee was terminated and subsequently pleaded guilty to one felony count of violating 18 U.S.C. Section 2252A (Possession of Child Pornography). Sentencing is pending. (I01TC020)

### **Subcontractor Employee Misuses Government Computer**

The OIG received information that a subcontractor employee at the Department's Hanford Site was inappropriately using a Government assigned computer. The investigation determined that over a 5-month period the employee used a Government computer to access non-work related Internet sites and submitted falsified time cards, which resulted in payment of salary and benefits for the 325 labor hours spent accessing these sites.

Pursuant to a civil settlement agreement with the U.S. Attorney's Office for the Eastern District of Washington, the employee agreed to reimburse the Government \$16,930 to resolve violations of the Civil False Claims Act. The court also ordered the employee to pay various fees totaling \$170. (I0IRL001)

### **Contractor Employee Misuse of a Government Computer**

An OIG investigation determined that a contractor employee at the Department's Oak Ridge National Laboratory used a Government computer to access adult pornographic images over the Internet. The U.S. Attorney's Office for the Eastern District of Tennessee declined prosecution in favor of administrative remedies.

The OIG issued an Administrative Report to Management reporting the results of the investigation and making a number of recommendations. Management informed the OIG that: (1) administrative action was taken against the contractor employee; (2) the employee's security clearance was recommended for suspension; (3) policies were clarified regarding internal roles and responsibilities for review of computer related abuse; and (4) written reminders were issued reinforcing awareness of the misuse of Government resources. (I01OR005)

### **Misuse of a Government Computer by a Department Employee**

An OIG investigation determined that a Berkeley Site Office employee used a Government issued computer to download and view adult pornographic images. The U.S. Attorney's Office for the Northern District of California deferred criminal prosecution in favor of administrative action. The OIG issued an Administrative Report to Management concerning the investigative findings. In response to the OIG report, the Department suspended the employee for 5 workdays. (I02TC015)

#### **Did you know?**

The Department's Environmental Management Program is the largest environmental cleanup and stewardship program in the world, encompassing activities in more than 30 states and territories.

Source: Overview of Environmental Management's Closure Site Program, EM Website

### **■ Environmental Standards and Stewardship**

The Department faces significant environmental challenges at its facilities due to past operations that left a legacy of unacceptable risk to the environment. These circumstances dictate that continued high priority must be given to evaluating and correcting the impacts of past practices and minimizing the possible adverse impacts of present and future activities. The Department's goal is to cleanup as many sites as possible by 2006. While the Department has implemented an aggressive plan to accelerate cleanup of its contaminated sites, OIG reviews continue to disclose the need for increased management attention to achieving its goal. The OIG completed the following reviews of this important challenge area:

### **The Department Needs to Better Evaluate Necessity and Consider Less Costly Alternatives When Planning Idaho Construction Projects**

The Idaho Operations Office (Idaho) has a 5-year plan to construct or upgrade facilities at the Idaho National Engineering and Environmental Laboratory. Idaho National Engineering and Environmental Laboratory is managed and operated by a management contractor. The plan covers Fiscal Years 2001 through 2005 construction projects, collectively valued at \$3.3 billion. The largest single project in the 5-year plan is a waste vitrification facility that, by itself, is expected to cost \$2.5 billion. The vitrification facility would treat sodium-bearing liquid waste (liquid waste) and high-level radioactive calcine waste (solid waste). A 1995 Settlement Agreement between the Department and the State of Idaho established milestones for removing both types of waste from the State over the next several decades.

In 1995, the OIG issued a report on the *Audit of Construction Management at the Idaho National Engineering Laboratory* (WR-B-96-03), in which the OIG questioned the need for a number of planned construction projects. Specifically, that audit found that Idaho was not consistently verifying the need for projects or identifying and evaluating alternatives. In light of such findings, the current audit was conducted to determine whether alternatives to constructing the waste vitrification project were given adequate consideration.

The current audit found that Department officials were aware of less costly alternatives to construction of the vitrification facility but failed to adequately consider these options. These options would allow Idaho to treat the liquid waste by upgrading an existing facility for as little as \$80 million (estimated project cost) and defer action on the solid waste until technical uncertainties involving disposition of the solid waste are resolved. The Department chose not to consider alternative approaches because it interpreted the Settlement Agreement to require that Idaho's waste be "road ready" by the milestone date of 2035 and judged that vitrifying the waste was the only treatment process that would meet this milestone. As a result, the Department may spend significant funds to construct a facility that may ultimately prove to be unnecessary.

The OIG recommended that the Assistant Secretary for Environmental Management require Idaho to fully evaluate alternatives to constructing the waste vitrification facility and to negotiate appropriate alternatives with the State of Idaho. Department management fundamentally agreed with the audit conclusions and noted that the Office of Environmental Management recently decided to modify the current baseline and, potentially, the treatment alternative for Idaho high-level waste, pending the results of further study and acquisition activities. (IG-0549)

### **Department Will Not Meet K Basin Spent Fuel Removal Milestones**

The Department has been storing 2,100 metric tons of spent nuclear fuel at the Hanford Site in southeastern Washington. The Hanford Site is run by a Department contractor. The fuel is currently stored in canisters that are kept in two enclosed water-filled pools known as K Basins. In the early 1990s, the Richland Operations Office initiated its Spent Nuclear Fuel Project aimed at decreasing human and environmental risks by removing spent fuel from present storage conditions, cleaning and repackaging it into multi-canister overpacks, and transporting the overpacks to interim dry storage.

In December 1998, the Hanford Federal Facility Agreement and Consent Order, a Tri-Party Agreement between the Department, the Environmental Protection Agency, and the State of Washington, was modified to address the cleanup process of the K Basins. The modified agreement set forth a number of enforceable milestones associated with removing spent fuel from the K Basins. The Agreement requires the Department to remove 190 overpacks by December 31, 2002; 121 additional overpacks by December 31, 2003; and all remaining spent fuel, a total of about 400 overpacks, by July 31, 2004. An audit was conducted to determine whether the Department is on schedule to meet the spent fuel removal milestones.

The audit found that, although the Department had planned to move approximately 66 overpacks from the K Basins to dry storage by March 20, 2002, only 50 overpacks had been moved by that date. More significantly, persistent equipment problems and process complexities kept the Department from



Spent fuel shipment cask for moving spent fuel from K Basins to new canister storage building, Hanford Site, Richland, Washington



Nuclear chemical operator attaching hoses to ports in the top of a multi-canister overpack holding 290-300 irradiated fuel assemblies from Hanford's K Basins, in the cold vacuum drying facility, Hanford Site



operating at its planned full production schedule of 16 overpacks per month. The OIG determined that without effectively overcoming these issues and implementing an adequate plan for cleanup, the Department will not meet any of the milestones established in the Tri-Party Agreement relating to the cleanup of the K Basins.

The OIG recommended that the Department reevaluate its production schedule and, as required, amend it to reflect achievable production levels. Department management generally agreed with the facts presented but did not agree with all conclusions and recommendations. Management stated that although the K Basin schedule is aggressive, it is achievable, and, therefore, reevaluating the Department's approach is premature. While the OIG respects the positive nature of this position, the evidence gathered during the audit confirms that achievement of current Tri-Party Agreement milestones is at risk. Consequently, the OIG believes that additional analysis of the schedule and challenges facing the project is warranted. (IG-0552)

### **Salt Processing Project at Savannah River**



**In-Tank Precipitation Facility,  
Savannah River Site**

The Department's Savannah River Site stores approximately 38 million gallons of high-level waste, including 35 million gallons of salt waste and 3 million gallons of sludge. To treat salt waste, the Department originally planned to process the waste through the Savannah River Site's In-Tank Precipitation Facility. In February 1998, however, the Department suspended operation of the Facility because it could not be operated safely. As a result, the Department searched for an alternative treatment technology for waste, and, in June 2001, issued its Salt Processing Alternatives Final Supplemental Environmental Impact Statement. The impact statement narrowed the alternatives to four treatment technologies: small tank precipitation; ion exchange; solvent extraction; and direct disposal in grout. In October 2001, the Department announced the selection of solvent extraction as the preferred treatment technology.

An audit was conducted to determine whether the solvent extraction method was the safest and most cost-effective alternative for treating salt waste at the Savannah River Site. The audit found that the Department's preferred treatment

technology, solvent extraction, was not necessarily the safest and most cost-effective means of treating salt waste. Although all four treatment alternatives were considered safe, in almost every scenario evaluated by the Department the direct disposal in grout technology posed less risk to on-site workers, the general public, and the environment. Additionally, direct disposal appeared to be more cost-effective than solvent extractions.

The OIG recommended that the Manager, Savannah River Operations Office: (1) reevaluate the direct disposal alternative to confirm that it is the most cost-effective alternative for treating salt waste; (2) immediately petition to obtain regulatory approval and public support for the direct disposal alternative if it is proven to be the most cost-effective alternative; and (3) not proceed beyond the conceptual phase of the contract for the Salt Waste Processing Facility until a regulatory decision on the acceptability of the direct disposal alternative has been obtained or until the need for this disposal path is reaffirmed by the Assistant Secretary for Environmental Management. Department management concurred with the overall approach to pursue the safest and most cost-effective method for salt waste disposition. However, management did not concur with the OIG's specific recommendations or propose any changes to its current salt processing plan. (IG-0565)

### **Closure of the Fernald Environmental Management Project Behind Schedule**

Congress established the Defense Facilities Closure Projects account (Closure Account) in 1997 to help focus management attention on cleanup activities at selected Department sites. Congress expected the Department to find ways to accelerate cleanup activities at the sites and ensure that site closure was achieved by the end of FY 2006. Also, Congress required the Department to seek the resources necessary to keep these projects on schedule for closure in 2006 or earlier. The Closure Account provided funding to the Department for the accelerated cleanup of the Fernald Environmental Management Project (Fernald). Through December 2001, the Department spent about \$2.8 billion at Fernald. Furthermore, Fluor Fernald, Inc. (Fluor), the contractor for the project,



**Waste pits project rail yard with 170 railcars, Fernald Environmental Management Project**

estimates that it will need an additional \$1.7 billion to achieve site closure.

The OIG conducted an audit to determine whether Fernald was on schedule to achieve cleanup and closure in FY 2006. The audit determined that as of December 2001, only about 35 percent of cleanup activities required to achieve site closure had been completed, and Fluor's newest baseline estimate was that site closure would not be achieved until December 2009. The audit disclosed that the Department did not seek an adequate funding level to ensure closure by 2006, nor had the Department or Fluor inserted necessary requirements in the relevant contractual instrument to effectuate a 2006 cleanup. Further, the Department could incur about \$152 million in additional infrastructure support costs at the site if closure is completed in 2009 rather than 2006, as planned.

The OIG recommended that the Assistant Secretary for Environmental Management: (1) ensure that project completion dates and funding requests are based on current and complete project baselines; (2) request adequate funding to achieve site closure in FY 2006 as required by Congress; and (3) notify the Secretary of Energy and Congress if the FY 2006 closure deadline cannot be achieved. The OIG also recommended that the Manager, Ohio Field Office: (1) modify the Fluor contract to require site closure in FY 2006; and (2) require Fluor to immediately develop a project baseline that supports achieving the FY 2006 site closure deadline.

Department management agreed with all of the recommendations except modifying the Fluor contract to require site closure in FY 2006. (IG-0555)

### **Rocky Flats Environmental Technology Site Unable to Meet Target Date for Completing Plutonium Stabilization and Packaging Plutonium Metals and Oxides**

A prerequisite to closure of the Rocky Flats Environmental Technology Site (Rocky Flats) is the removal of 9,800 kilograms of plutonium metals and oxides stored at the site. Rocky Flats estimates that these metals and oxides will be

efficiency

packaged into 1,900 containers prior to being shipped to the Savannah River Site. In 1998, the Department established a target for stabilizing and packaging the plutonium at Rocky Flats by May 31, 2002. To do so, the Department procured and installed the Plutonium Stabilization and Packaging System (Stabilization System) at Rocky Flats, a machine operated by the Rocky Flats contractor Kaiser-Hill Co., LLC (Kaiser-Hill).



**Rocky Flats - View looking northwest of Building 776/777, Rocky Flats Environmental Technology Site, Golden, Colorado**

An audit was conducted to determine whether Rocky Flats would be able to stabilize and package its plutonium by the May 31, 2002, target. During 2001, it became clear that Rocky Flats would not meet the May 31, 2002, target. Given current Stabilization System operation levels, less than half of the 1,900 containers would be produced by the target date due to late startup of the Stabilization System and higher than expected equipment failures. Also, Kaiser-Hill had not developed a detailed, long-term production schedule to ensure that the last container would be produced by the target date. Furthermore, the Department's Rocky Flats Field Office did not ensure that a contingency plan was prepared in the event that production failed. As a result, the resources devoted to running the Stabilization System cannot yet be redirected to other aspects of site cleanup and until the 1,900 containers are shipped offsite, the Rocky Flats Protected Area that houses the plutonium must remain open at a cost of \$3.6 million per month. Each missed milestone increases the risk of delays to site closure, at an estimated cost of at least \$6 million more per month.

The OIG recommended that the Manager, Rocky Flats Field Office, direct Kaiser-Hill to: (1) develop a long-term, comprehensive, and detailed schedule to show when production can realistically be completed; and (2) prepare a contingency plan for plutonium stabilization and packaging in the event that the Stabilization System experiences a catastrophic failure. The Rocky Flats Field Office agreed with the OIG recommendations and stated that it developed a long-term production schedule for the Stabilization System based on 6 months of operational experience. Management also stated that it has implemented extraordinary levels of management oversight to deal with Stabilization System contingencies. (IG-0554)

## **Subcontractor Pleads Guilty to Illegal Storage of Hazardous Waste**

A joint investigation by the OIG, as part of the East Tennessee Environmental Crimes Task Force, determined that over a 3-year period a Department subcontractor in Oak Ridge, Tennessee, illegally stored hazardous waste in violation of the Resource Conservation and Recovery Act. The investigation found that 28 of 450 sample containers stored by the subcontractor contained 15,232 pounds of hazardous waste for which the company did not have a Resource Conservation and Recovery Act permit.

The subcontractor pleaded guilty to a felony violation of 42 U.S.C. Section 6928(d)(2)(A) (Storing Hazardous Waste Without a Permit) and was ordered to pay \$35,400 in fines and penalties. The subcontractor previously paid a \$100,000 civil penalty assessed by the Environmental Protection Agency in November 2000. In addition, the investigation resulted in payment by the subcontractor's parent corporation of approximately \$14.5 million in documented remediation and disposal costs. (1990R003)

## **Subject Sentenced for Clean Water Act Violation**

Another joint investigation by the OIG, as part of the East Tennessee Environmental Crimes Task Force, determined that a private individual discharged more than 500,000 gallons of "black liquor" into the Emory River. The river flows into the Clinch River, which runs through the Department's East Tennessee Technology Park (formerly known as K-25) in Oak Ridge, Tennessee. Black liquor, an environmental contaminant, is a by-product of the pulp and paper mill industry.

The subject pleaded guilty to a one-count violation of the Clean Water Act [33 U.S.C. Sections 1311(a) and 1319 (c)(1)] and was sentenced to 12 months' home confinement; 2 years' supervised probation; 300 hours of community service; and a fine of \$84,956.64. (I02OR003)

■ **Contract Administration**

The Department's programs are largely accomplished through contractors that operate and manage a broad range of scientific and production activities and facilities for the Department. These contracts represent about 67 percent of the Department's annual budget. Contract administration, which includes project management, has been a longstanding challenge. The Department continues to experience difficulties in the management of some of its major projects. Since the early 1990's, the OIG has issued a series of reports critical of the planning, justification, and management of major projects. Recent OIG reviews have found the following:

**Improvements Needed for Procurement Administration at Brookhaven National Laboratory**

In May 1999, the OIG evaluated certain aspects of the procurement function at Brookhaven National Laboratory (Brookhaven) and found that Brookhaven had not fully enforced the terms of its subcontracts for health physics technicians. Brookhaven is managed and operated by Brookhaven Science Associates, LLC. The audit recommended that Brookhaven strengthen its administration of subcontracts. The Department agreed with the OIG recommendations and directed Brookhaven to implement improvements. At the request of the Department's Brookhaven Area Office and to gauge the sufficiency of corrective actions, the OIG initiated a follow-on audit.

The audit found that, while Brookhaven had initiated certain improvements, it did not always properly administer procurements. Specifically, Brookhaven did not: (1) provide the Department with required advance notice for certain procurement actions, including those that exceeded specified dollar thresholds; (2) prepare adequate justification for noncompetitive procurements or exemptions from requirements of the *Buy American Act*; and (3) accurately maintain procurement data on small business contracting and small purchases. Additionally, Brookhaven had not provided adequate training for acquisition staff, implemented

appropriate control measures, and effectively implemented an assessment and performance measurement program. As a consequence, neither the Department nor Brookhaven had full assurance that competition was adequate and that procurement awards provided the best value and were in the best interests of the Government. Furthermore, inaccuracies in its procurement database contributed to Brookhaven overstating its small business contracting activity by about \$10 million in FY 2000 and \$12 million in FY 2001.

The OIG recommended that the Manager, Chicago Operations Office, direct Brookhaven to give priority attention to performing a series of corrective actions and incorporate completion of the actions into a specific performance measurement that must be attained within the next fiscal year. The OIG also recommended that the Manager establish performance measures to monitor the quality and effectiveness of Brookhaven's procurement function.

Department management agreed with the recommendations and stated that Brookhaven had been working to improve its procurement system and had begun initiating changes that will comply with the recommendations. (CR-B-02-02)

### **Cost Sharing at Ashtabula Needs Further Evaluation**

From 1952 through 1988, RMI Titanium Company (RMI), a private company, performed work for the Department and its predecessor agencies as well as for various commercial customers. RMI's commercial work involved processing uranium and non-radioactive metals, such as copper and copper alloys. Historically, the Federal Government has not reimbursed private companies for cleanup activities related to their commercial operations. However, in March 1993, the Department awarded RMI a 10-year, cost-reimbursable contract to cleanup the RMI site in its entirety as well as adjacent grounds, to a level that permits release of the site for unrestricted use.

The site remediation, now referred to as the Ashtabula Environmental Management Project, is projected to cost approximately \$300 million. Through FY 2001, the

Department has spent about \$103 million on this effort. The OIG conducted an audit of the project to determine whether RMI should pay a portion of the Ashtabula remediation costs.

The audit was unable to ascertain a clear rationale for the Department accepting full financial responsibility for remediating Ashtabula. The site was, and continues to be, privately operated. RMI's copper work and a portion of its uranium work were performed for commercial customers; however, the Department has paid all of the costs associated with the decontamination and restoration of Ashtabula. Information available at the time of the audit suggests that the Department did not adequately evaluate cost-sharing options when negotiating the 1993 remediation contract. With the contract's expiration in 2003, the Department has an opportunity to negotiate an agreement for the remaining cleanup work that requires RMI and the Government to share costs in closer proportion to the benefits originally derived from site operations. It is the OIG's opinion that reasonable cost-sharing provisions in future contracts at Ashtabula could save taxpayers as much as \$34 million.

Management did not agree with the recommendations relating to cost sharing. The Ohio Field Office did, however, agree to evaluate the impact of RMI's commercial work on the cost of the cleanup and to factor the results of this evaluation into future contracts. In addition, management agreed to consider discontinuing fee payments in future contracts as the Department evaluates options to effectively liquidate the Department's liability at Ashtabula. (IG-0558)

### **The Department Needs to Use Project Management Controls to Avoid Costs and Schedule Overruns**

At the request of the Administrator, NNSA, the OIG conducted an expedited review of efforts to construct the Tritium Extraction Facility at the Department's Savannah River Site. The Administrator expressed concerns that the Tritium Extraction Facility may be over budget and behind schedule. The current baseline for the project, established in 1999, provided that the Tritium Extraction Facility was to be completed by February 2006 at a cost of \$401 million and that it was to produce 3 kilograms of tritium per year.



**Intermediate Tritium Vault,  
Savannah River Site**



The audit found that the Tritium Extraction Facility will cost substantially more than the planned \$401 million. Further, based on current progress, it is unlikely that the facility will be completed by February 2006. In fact, key project management officials have estimated that: (1) the total project cost could increase to as much as \$500 million; (2) the facility may not be completed until December 2006; and (3) under certain scenarios, it may not contain all elements of the original specifications. Completion of the Tritium Extraction Facility within its baseline cost, schedule, and scope was in jeopardy because the integrated Federal and contractor project team had not made full use of available project management controls. As a consequence, the Tritium Extraction Facility lacks a viable baseline and NNSA cannot be assured that the facility will be available when needed or that project funds are being expended efficiently.

The OIG recommended a series of specific actions aimed at strengthening the Tritium Extraction Facility Project. The OIG also made recommendations that have broader applicability in efforts to enhance and revitalize the nuclear weapons program. Management agreed with the OIG recommendations. (IG-0560)

### ■ Performance Management

Performance management challenges are not unique to the Department. In fact, performance measures in the Federal Government as a whole tend to be ill-defined and not properly integrated into agency budget submissions or the management and operation of agencies. This was recognized in the *President's Fiscal Year 2002 Management Agenda*, which identified Budget and Performance Integration as a Governmentwide initiative for FY 2002. During this period, the OIG issued the following report:

#### **The Office of Environmental Management's Performance Measures Fail to Capture Overall Program Results**

The Office of Environmental Management established corporate performance measures and project-specific budget milestones as the primary mechanisms to measure program

performance. An audit was conducted to determine whether Environmental Management's performance measures reflect overall program performance.

The audit found that, despite the existence of numerous performance measures at the corporate and project level, such measures did not capture overall program results. Specifically, the measures did not cover the majority of Environmental Management's cleanup projects or budgets, capture overall program performance, or address risk reduction attributes. It was also observed that although the cleanup program experienced substantial cost growth and schedule slippages, the Department consistently reported that the program was generally successful in meeting corporate goals. Rather than focusing on overall program results, Department management chose to focus on the measurement of discrete accomplishments. As a result, the Department was deprived of a valuable tool for monitoring the progress of its cleanup program. Periodic reporting of information on overall cost and schedule performance could have focused management's attention on trends in cost growth of \$39 billion and schedule slippages of almost 6 years.

The OIG recommended that the Assistant Secretary for Environmental Management develop performance measure mechanisms that: (1) supplement existing corporate performance measures and provide information on overall cost and schedule performance; and (2) capture changes in risk across Environmental Management's site cleanup activities. As the cleanup program moves into an accelerated, risk-based cleanup strategy, such a mechanism should highlight whether the program's efforts were successful in reducing or eliminating risks to public health, workers, and the environment. Department management agreed with the OIG recommendations and developed a corrective action plan to improve existing performance measurement mechanisms. (IG-0561)

### ■ **Research and Development Investment**

Science and technology are critically important to keeping the Nation's economy competitive and for addressing challenges

faced in areas such as health care, defense, energy production and use, anti-terrorism, and the environment. During this reporting period, the OIG completed reviews that examined whether the Department was managing Research and Development activities efficiently.



**Artist's rendering of the Advanced Light Source at Lawrence Berkeley National Laboratory**

### **Lawrence Berkeley National Laboratory Advance Light Source Beam Lines Not Fully Utilized**

The Department's Office of Basic Energy Sciences maintains four Synchrotron Radiation Light Source facilities designed to collect data concerning the structure of matter. The Department refers to these facilities as "user facilities" as they are made available to a variety of private sector, commercial, and educational research entities. These facilities are major instruments for enhancing the Nation's science base.

An OIG audit focused on two of the four facilities, the Advanced Light Source located at Lawrence Berkeley National Laboratory (Berkeley) and the Stanford Synchrotron Radiation Laboratory located at the Stanford Linear Accelerator Center (Stanford). Both of these facilities generate and deliver soft x-ray and vacuum ultra-violet light in the form of beams and are operated by facilities management contractors. Scientists at Berkeley and Stanford are allocated beam line time to perform a variety of research. The audit was conducted to determine whether beam lines at these facilities were being used to the fullest extent.



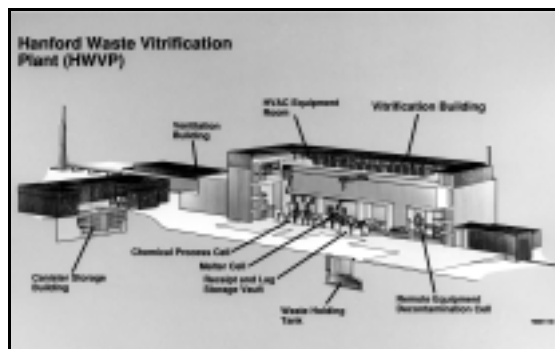
**The beam line tunnel at Stanford Linear Accelerator Center, Palo Alto, California**

The audit determined that the beam lines at Stanford were utilized to the fullest extent practicable. This was not the case at the Berkeley facility. Specifically, beam lines at Berkeley were idle 35 percent of the time. During the same period, 150 scientifically valid research proposals had been rejected because Berkeley did not have a centralized scheduling system and was, therefore, unaware that additional beam time was available. In addition, the Office of Basic Energy Sciences did not provide clear guidance with regard to tracking and reporting use and did not have performance measures in place to evaluate the effectiveness of its user facilities. As a result, opportunities to conduct valuable research were lost.

The OIG recommended that the Office of Basic Energy Sciences: (1) require Berkeley to establish a centralized scheduling system and ensure that participating research teams use their scheduled time; (2) require facility managers to report on the actual use of Synchrotron facilities; and (3) establish meaningful performance measures that can be used to evaluate management of its user facilities. Given the audit results, the OIG also discussed with management concerns about plans to construct additional beam lines at Berkeley at a cost of \$5-10 million per line. The OIG noted that such further expansion should be carefully considered. Department management concurred with the finding and recommendations. (IG-0562)

### Advanced Vitrification System

The Department stores a substantial quantity of high-level radioactive waste, requiring treatment and eventual disposal, at its Hanford Site in Richland, Washington. In 1998 in response to an unsolicited proposal, the Department awarded a contract to the Radioactive Isolation Consortium, LLC, which claimed that a technology it was developing would accelerate the Hanford vitrification schedule and save tens of billions of dollars. The process was known as the Advanced Vitrification System.



**Hanford Waste Vitrification Plant,  
Richland, Washington**

The OIG conducted an audit which disclosed that efforts to develop and deploy the Advanced Vitrification System face a number of significant technical challenges that should be addressed before the Department funds additional research on the technology. Evaluations conducted by independent reviewers and by Department staff over the past 5 years have raised serious doubts about the viability of the Advanced Vitrification System and the likelihood that it will deliver on the benefits promised. One review, for example, concluded that the Radioactive Isolation Consortium failed to prove that the Advanced Vitrification System process produced a waste form acceptable for storage in a permanent repository. Other studies indicated that potential cost savings were substantially overstated and that planned reductions in the risk exposure to workers could not be substantiated. While one independent study concluded that the Advanced Vitrification System process had merit, its authors identified at least 15 significant uncertainties or technical challenges that would need to be overcome.

The Department also had not developed specific performance measures relating to the evaluation and selection of alternative vitrification technologies. To its credit, however, the Department planned to initiate a business plan evaluation of the Advanced Vitrification System technology. Hopefully, the review will provide a more definitive assessment on the viability of using the Advanced Vitrification System.

The OIG recommended that the Assistant Secretary for Environmental Management: (1) delay funding decisions on the Advanced Vitrification System until major uncertainties have been addressed; (2) develop specific, focused performance measures to more fully gauge progress in evaluating and selecting an alternative or advanced vitrification technology; and (3) address all technical, programmatic, and financial challenges and uncertainties identified in previous studies during the upcoming business plan evaluation. Department management agreed with the OIG recommendations and will initiate corrective actions. (IG-0564)

### **■ Infrastructure and Asset Management**

The Department's physical infrastructure includes more than 50 major facilities in 35 States. For several years, the OIG has reported that the condition of the Department's infrastructure is deteriorating at an alarming pace and may be inadequate in the future to meet mission requirements. A recent infrastructure review follows:

#### **Audit Identifies Weaknesses in the Department's Program to Dispose of Excess Facilities**

During the course of nuclear weapons production, the Department and its predecessor agencies constructed over 20,000 facilities ranging from temporary buildings and office space to state of the art nuclear reactors and laboratories. Costs associated with these facilities, primarily for surveillance and maintenance, exceed \$70 million annually. Over time, these costs are expected to rise, as will the health and safety risks that these buildings pose to workers and the

environment. Many of these structures are no longer needed and have been identified as excess facilities. An audit was conducted to determine whether the Department has prioritized facility disposition consistent with its mission needs and with its goal to minimize overall costs and risks.

The audit found that the Department's facility disposition activities were not prioritized to balance mission requirements, reduce risk, and minimize life-cycle costs. In some cases, disposition plans were in conflict with requirements for new facilities planned for ongoing missions. In other instances, facilities posing little or no risk to human health and the environment were decommissioned while disposition of facilities that had much higher associated risks had not been addressed. Finally, sites had not completed cost-benefit analyses necessary to fully consider the relationship between recurring surveillance and maintenance costs and one-time decommissioning costs. These situations arose because the Department had not: (1) developed a corporate approach for disposition activities; (2) collected and reported reliable data on costs associated with disposition activities or on decommissioning performance; and (3) designated sufficient funds to carry out an effective disposition program.

The OIG recommended that the Director, Office of Management, Budget and Evaluation/Chief Financial Officer, work with the NNSA, the Office of Science, and the Office of Environmental Management to: (1) develop a corporate approach to managing infrastructure; (2) identify alternative approaches for funding disposition activities; and (3) develop performance measures that convey the true nature of progress being made in eliminating excess facilities. Department management agreed in principle with the OIG recommendations but commented that the Office of Environmental Management's primary mission is to complete cleanup and close sites and that disposition of excess facilities must be balanced against the risk and cost associated with other cleanup requirements. (IG-0550)

### **■ Energy Supply**

The United States imports more than 53 percent of its petroleum, much of it coming from the Persian Gulf region. The Department estimates that this will increase to 62 percent by the year 2020. In 1990, Congress declared that dependence over 50 percent on foreign oil should be considered a “peril point.” Recent world events have underscored the paramount importance of maintaining an adequate energy supply. OIG reviews have disclosed certain instances where the Department was not achieving the maximum benefit from its energy-related programs. For example:

#### **Did you know?**

About 1.5 billion gallons of ethanol are produced each year in the United States. Most of it is made from corn.

Source: Just the Basics: Ethanol, Office of Transportation Technologies, U.S. Department of Energy Website

### **The Department Has Not Made Satisfactory Progress in Reaching Alternative Fuels Use Goals**

Since the 1970’s, various strategies have been pursued to address concerns relating to U.S. dependence on foreign petroleum. The Department of Energy, by virtue of its mission, has been designated as a leader in this endeavor. As one element of its effort, the Department has set goals, based on statutory requirements, for replacing its own use of petroleum-based motor fuels with alternative fuels, such as compressed natural gas, propane, ethanol, bio-diesel, and electricity. These goals include reducing its petroleum consumption by 20 percent by the year 2005 and acquiring and using light-duty vehicles that operate on alternative fuels. The success of the Department’s internal effort has significant implications for the national strategy in this arena.

The OIG conducted an audit to determine whether actions taken by the Department will contribute to reaching its own alternative fuels goals. The audit determined that the Department had essentially satisfied its objective of acquiring vehicles capable of operating on alternative fuels. The audit disclosed, however, that many of these vehicles were, in fact, still being operated using petroleum-based motor fuels. Thus, the Department had not made satisfactory progress in reaching its goals for alternative fuels use. Driver resistance and market conditions contributed to these results. The

current lack of alternative fuels infrastructure, such as readily available filling stations, contributed to the problem. Under the circumstances, program success in the near term is highly questionable.

The OIG recommended that the Department adopt a series of specific actions to increase the use of alternative fuels in Department vehicles. To the extent that current goals are unrealistic, impractical, or economically inefficient, the OIG recommended that the Department develop new strategies to achieving program success. This might require certain legislative initiatives. Department management stated that it had already taken actions to meet petroleum replacement goals, but recognized that there was room for improvement. To that end, management agreed with the OIG recommendations and proposed corrective actions to implement them. (IG-0553)

### ■ **Human Capital**

The President's Governmentwide Management Initiative calls for Strategic Management of Human Capital. Like the Federal workforce as a whole, the Department faces the challenge of a workforce comprised of workers close to retirement age. The OIG has been monitoring the human capital issue through its role in the Federal Managers' Financial Integrity Act process and other audit work. Although the Office has no specific human capital reports for the current period, several significant reviews are underway, and the OIG will continue to monitor this important management challenge.



## **Congressional Responses**

**D**uring this reporting period, the OIG received 26 requests for information from Congress, provided information in 33 instances to Congress, briefed Committee staff on 4 occasions, and testified at 1 hearing.

## **President’s Council on Integrity and Efficiency Audit Committee**

The OIG is an active member and participant on the President’s Council on Integrity and Efficiency (PCIE) Audit Committee. Inspector General Gregory H. Friedman has served as Chairman of the Committee since May 1999. This Committee leads the Federal audit community in key efforts to facilitate the President’s Management Reform Agenda by forming task forces and working collaboratively with various elements throughout Federal Government. Most recently, the Office participated in the Committee’s revision of the “Guide for Conducting External Quality Control Reviews of the Audit Operations of Offices of Inspector General” and the revision of the PCIE Peer Review Assignments for the FY 2003-2004 review cycles.

## **Quality Standards for Investigations**

This Office is also spearheading an effort to update the *Quality Standards for Investigations* published by the PCIE, in coordination with the entire OIG community. The guidelines are applicable to activities conducted by criminal investigators working for the OIGs affiliated with the PCIE and the Executive Council on Integrity and Efficiency.

## **Qui Tams**

Since 1996, the OIG has been instrumental in working with the Department of Justice (DOJ) in Qui Tam cases in which it is alleged that a Department contractor or grantee has

### **Did you know?**

The False Claims Act (Act) prohibits any person from "knowingly" presenting "a false or fraudulent claim for payment or approval" to the Federal Government. The Act authorizes individual citizens to bring private suits, referred to as Qui Tam actions, to enforce the Act on behalf of the Government.

Source: False Claims Act

submitted false claims. The OIG is currently working with the DOJ on 27 Qui Tam lawsuits involving alleged fraud against the Government in the amount of approximately \$187 million.

## **Administrative Safeguards**

### ***Congressional Hearing***

On May 1, 2002, the Inspector General testified before the House Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, on a report issued in February 2002 that examined the Department's purchase card program. While the Federal Government has promoted the use of purchase cards, misuse of these cards has become a serious problem. In fact, some Government agencies' purchase card programs have received widespread media attention over the last several months. Since 1998, the OIG has conducted over 20 reviews and criminal investigations in which Federal, contractor, or grantee employees were found to have misused purchase cards. Some of the OIG's recent work in this area is described below.

### ***Department Contractor Employee Purchase Card Abuse***

As previously reported, two OIG investigations resulted in the conviction of three former Department contractor employees at the Idaho National Engineering and Environmental Laboratory for violations of 18 U.S.C. Section 641 (Theft of Government Property). The convictions involved misuse of Government-sponsored credit cards in the amount of \$218,000.

During this reporting period, the Department debarred the three former contractor employees and two individually owned businesses from Government contracting for 3 years. In addition, one of the contractor employees was sentenced to 13 months' incarceration and 3 years' supervised probation and ordered to pay \$137,446 in restitution. (I00IF001 and I011F003)

An OIG investigation disclosed that over a 14-month period a contractor employee assigned to the Oak Ridge National

Laboratory used a Government purchase card to purchase non-business related consumer electronic products totaling \$10,804.12. These claims were submitted and paid for with Federal funds.

The employee pleaded guilty to a one-count felony for violation of 18 U.S.C. Section 287 (False Claims). The employee was subsequently sentenced to 5 years' supervised probation. The court also ordered the individual to pay restitution to the Department of \$10,804.12 and a \$100 special assessment fee. Thereafter, the Department debarred the individual from Government contracting for a period of 3 years. (1010R009)

In addition, an OIG investigation disclosed that a former Department grantee employee improperly charged rental cars and other personal expenses to a Government-funded credit card. The individual pleaded guilty to a one-count violation of 18 U.S.C. Section 666 (Theft Concerning Programs Receiving Federal Funds). The subject was sentenced to 8 months' confinement and 3 years' supervised release and ordered to pay \$37,147.65 in restitution. (I01AL001)

### ***Weaknesses Disclosed in Sandia National Laboratories Procurement Card Program***

The Procurement Card Program at Sandia National Laboratories (Sandia) provides employees with the ability to procure low value, commercially available goods and services in an expeditious and easy manner. Since the mid-1990's, Sandia's program has grown from approximately 25 cardholders with purchases of about \$500,000 to over 1,600 cardholders with purchases totaling \$55 million.

Sandia's internal auditors reviewed the internal controls over procurement cards in 1998 and 1999 and found that restricted items were being purchased, receipts were not being maintained, and unauthorized users were making purchases. In addition, a February 2002 OIG report, *U.S. Department of Energy's Purchase Card Programs - Lessons Learned* (101OP001), disclosed weaknesses in the Department's system of safeguards and controls over its agency-wide purchase card program. In light of the Procurement Card Program's growth and the problems previously identified by Sandia Internal Audit and the OIG, the OIG conducted an

#### **Did you know?**

According to the General Services Administration, which administers the Government wide contract for the Purchase Card Program, in fiscal year 2001, over 400,000 cardholders in about 60 agencies made purchases totaling \$13.8 billion.

Source: U.S. General Accounting Office (GAS) Testimony on Government Purchase Cards, Control Weaknesses Expose Agencies to Fraud and Abuse (Statement of Linda M. Calbom, Director, Financial Management and Assurance) GAO Website

audit to determine whether procurement cards were being appropriately utilized at Sandia.

The OIG review revealed instances where Sandia procurement cardholders purchased restricted items, split purchases to avoid transaction limits, and allowed unauthorized users to make purchases. The audit determined that Sandia had not enforced its existing policies and procedures, nor did it have adequate controls over the approval of transactions conducted through the use of procurement cards.

The OIG recommended that the Manager, Albuquerque Operations Office require Sandia to: (1) enforce compliance with the requirements of the Procurement Manual including, at a minimum, the removal of procurement cards from those who inappropriately use them; (2) include a requirement in the Procurement Manual that managers who approve procurement card purchases must review receipts for compliance with Procurement Manual requirements; (3) institute a procurement card usage review and approval process for managers who do not currently have their purchases reviewed; and (4) include a performance measure of appropriate use in the annual performance measures developed for the Procurement Card Program. Department management concurred with the recommendations and is in the process of initiating corrective actions. (WR-B-02-03)

### ***Department Employee Fined for Violations of the False Claims Act***

An OIG investigation determined that a Department employee at the Office of Scientific and Technical Information conspired with a Department subcontractor employee to submit false Government travel and lodging claims for reimbursement.

As part of a civil judgment, the Department employee was ordered to pay treble damages in the amount of \$8,494.20 and was assessed an additional \$52,500 in civil penalties for violations of the Civil False Claims Act, 31 U.S.C. Sections 3729-3731.

efficiency

In response to an OIG Administrative Report to Management, the Department also removed the employee from Federal Service and initiated action to suspend the subcontractor employee's clearance. (1000R002)

### ***Department Employee Pleads Guilty to Filing False Income Tax Returns***

A joint investigation with the Internal Revenue Service Criminal Investigation Division determined that a Department employee failed to report approximately \$97,275 in cash and other items of value on income tax returns filed between 1995 and 1998. The investigation indicated that the employee solicited some of the non-reported income from Department contractors. The employee pleaded guilty to four counts of violating 26 U.S.C. Section 7206 (1) (Filing False Income Tax Returns) and subsequently resigned. Sentencing is pending. (198HQ006)

### ***Contractor Employee Pleads Guilty to Theft of Public Money***

An OIG joint investigation with the FBI determined that a contractor employee at the Department's Brookhaven National Laboratory (Brookhaven) submitted false travel vouchers on behalf of former Brookhaven research collaborators over a 7-year period in the amount of \$51,130. During the course of the investigation, the subject made restitution for the full amount to the Department. The employee subsequently pleaded guilty to violation of 18 U.S.C. Section 641 (Theft of Public Money). Sentencing is pending. (102PT003)

### ***Various Entities Debarred by the Department for Embezzlement of Community Development Funds***

In a previous Semiannual Report, the OIG reported the results of an investigation into allegations that managers of a non-profit corporation, operating under grants from the Department, devised a plan to set up fictitious shell companies to fraudulently bill charges against the grants. As a result of the OIG investigation, both the corporation's accountant and General Manager pleaded guilty to violating one count of 18 U.S.C. Section 666 (Theft from Program

Receiving Federal Funds) and were sentenced. Another corporation employee and his wife were placed into a Pre-Trial Diversion Program for 1 year and ordered to repay the Department.

During this reporting period, the Department debarred five fictitious shell companies, three corporation employees, and two of their spouses for a 3-year period of time from Government contracting. (196SR003)

### **Intelligence Activities**

The OIG issued two quarterly intelligence reports pursuant to Executive Order 12863, “President’s Foreign Intelligence Advisory Board.” The Order requires the Inspectors General of the Intelligence Community to report to the Intelligence Oversight Board concerning intelligence activities that Inspectors General have reason to believe may be unlawful or contrary to Executive order or Presidential directive. No intelligence activities were identified that were contrary to Executive order or Presidential directive.

### **Legislative and Regulatory Review**

The OIG coordinated and reviewed 11 legislative and regulatory items, as required by the Inspector General Act of 1978 (Act). The Act requires the OIG to review existing and proposed legislation and regulations relating to Department programs and operations and to comment on the impact which they may have on economical and efficient operations of the Department.

### **Hotline System**

The OIG operates a Hotline System to facilitate the reporting of allegations involving the programs and activities under the auspices of the Department. During the reporting period, the Hotline processed 501 complaints.

## **Management Referral System**

The OIG operates an extensive Management Referral System. Under this system, selected matters received through the OIG Hotline or other sources are referred to the appropriate Department manager or other Government agency for review and appropriate action. Complaints referred may include such matters as time and attendance abuse, misuse of Government vehicles and equipment, violations of established policy, and violations of standards of conduct.

The OIG referred 90 complaints to Department management and other Government agencies during this reporting period and specifically requested Department management to respond concerning the actions taken on 15 of these complaints. Otherwise, Department management is asked to respond if it develops information or takes action that it believes should be reported. The following management responses are particularly noteworthy because they demonstrate management's use of OIG information to stimulate positive change or to take decisive action.

- The Idaho Operations Office formed an assessment team to review allegations that air-monitoring equipment at the Idaho National Environmental and Engineering Laboratory was improperly calibrated. The team identified six instances in which the contractor was non-compliant with calibration requirements. Idaho Operations Office officials will monitor the contractor's corrective actions and will communicate with the Idaho Department of Environmental Quality regarding monitoring practices. (I02RS021)
- In response to a referral, the NNSA requested the Department's Director of Aviation Management to conduct a review of the use of a Lear jet by the Carlsbad Field Office. The report cited "significant" management deficiencies at the Albuquerque Operations Office and also revealed that the Carlsbad Field Office "contributed to the irregularities." As a result, NNSA will issue a Business and Operations Policy Letter enforcing

*efficiency*

the requirements of OMB Circular A-126, “Improving the Management and Use of Government Aircraft,” for all aircraft managed by NNSA elements. (I01RS100)

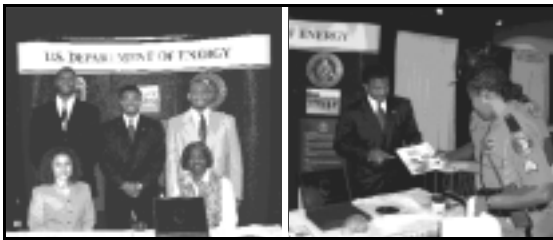
- The Nevada Operations Office found merit to allegations that one of its employees continually abused time and attendance and utilized vehicles and computers for personal use. The employee resigned pending removal action. (I02RR063)
- The Albuquerque Operations Office reviewed allegations of misappropriation of excess Government property at Los Alamos National Laboratory (Los Alamos). The review evaluated administrative controls to determine whether such controls adequately protected excess Government property during the disposal process. Although the review did not substantiate the specific allegations, it resulted in seven recommendations to improve weaknesses in physical access controls and public sale practices at Los Alamos. (I00RR096)
- Although the Albuquerque Operations Office was unable to substantiate allegations of tool theft at Los Alamos, it found evidence of loose accountability practices by tool-crib personnel. Los Alamos subsequently improved the process of tool issuing and tracking by using specialized computer software at all three of its tool cribs. The improved process now requires real-time update of a database to reflect tool custody. All tools in the tool crib are now marked so that tool-crib employees can see at a glance if any tools are unreturned. Hard copies of issuance documents are signed and filed, and expendable items are tied to a work-order number. (I01RS075)
- The Paducah Site Office reviewed allegations of insufficient and unclear radiological postings on signs within the West Kentucky Wildlife Management Area surrounding the Paducah Gaseous Diffusion Plant. Based on its review, the Paducah Site Office made major



improvements, such as: (1) developing and mailing an advisory pamphlet to nearby residents warning them to stay out of the area; (2) briefing recreational groups about the hazards; (3) conducting numerous inspections to police the area for inappropriate use; and (4) adding “plain English” signs to supplement traditional radiological symbols and abbreviations. (I00RS086)

### **Diversity in the OIG Workplace**

The OIG undertook an aggressive recruitment effort during the reporting period. Over 30 new auditors and investigators were hired during the last two quarters of FY 2002. Specifically, 14 women and 7 minorities were hired for critical positions. The OIG took a number of proactive steps that led to filling many of these positions with minorities including making visits to historically Black colleges and universities that have significant minority enrollments. OIG staff also recruited at annual conferences of the Women in Federal Law Enforcement and National Organization of Black Law Enforcement Executives. The OIG will continue to build on these accomplishments and to strengthen diversity in its workplace.



**OIG staff, 2002 National Organization of Black Law Enforcement Conference, Tampa, Florida**

**AUDIT REPORTS ISSUED***April 1 to September 30, 2002***Reports Issued**

REPORT NUMBER	TITLE	DATE OF ISSUE	SAVINGS	QUESTIONED COSTS
IG-0549	Idaho Operations Office Planned Construction of a Waste Vitrification Facility	04-01-02	\$2,400,000,000	
IG-0550	Disposition of the Department's Excess Facilities	04-03-02	\$7,500,000	
IG-0551	The Department of Energy's Pit Production Project	04-12-02		
IG-0552	Completion of K Basins Milestones	04-15-02		
IG-0553	Alternative Fuels Use at the Department of Energy	05-02-02		
IG-0554	The Plutonium Stabilization and Packaging System at the Rocky Flats Environmental Technology Site	05-13-02		
IG-0555	Closure of the Fernald Environmental Management Project	06-05-02	\$152,000,000	
IG-0556	Nuclear Materials Accounting Systems Modernization Initiative	06-06-02		
IG-0558	Cost Sharing at the Ashtabula Environmental Management Project	06-07-02	\$18,000,000	
IG-0559	Privatization of Safety Management Services at the Savannah River Site	06-18-02	\$6,000,000	
IG-0560	The Department of Energy's Tritium Extraction Facility	06-24-02		
IG-0561	Environmental Management Performance Measures	06-27-02		
IG-0562	Synchrotron Radiation Light Sources at Lawrence Berkeley National Laboratory and Stanford Linear Accelerator Center	07-22-02		

# Reports Issued

<b>IG-0564</b>	Advanced Vitrification System	08-20-02		
<b>IG-0565</b>	Salt Processing Project at the Savannah River Site	08-27-02	\$475,000,000	
<b>IG-0566</b>	National Nuclear Security Administration's Test Readiness Program	09-09-02		
<b>IG-0567</b>	The Department's Unclassified Cyber Security Program 2002	09-09-02		
<b>IG-0568</b>	Remote Access to Unclassified Information Systems	09-13-02		
<b>IG-0569</b>	The Federal Energy Regulatory Commission's Unclassified Cyber Security Program 2002	09-13-02		
<b>IG-0570</b>	Depleted Uranium Operations at the Y-12 National Security Complex	09-25-02	\$30,000,000	
<b>CR-B-02-02</b>	Procurement Administration at Brookhaven National Laboratory	08-22-02		
<b>CR-C-02-01</b>	Audit of State of Nevada Yucca Mountain Oversight Funds for Fiscal Year 2001	08-22-02		\$25,753
<b>CR-FC-02-01</b>	Federal Energy Regulatory Commission's Fiscal Year 2001 Financial Statement Audit	04-03-02		
<b>CR-FC-02-02</b>	Department of Energy Isotope Program's Fiscal Year 2001 Financial Statement Audit	04-10-02		
<b>CR-FC-02-03</b>	Uranium Enrichment Decontamination and Decommissioning Fund's Fiscal Year 2001 Financial Statement Audit	04-12-02		
<b>CR-FC-02-04</b>	Western Area Power Administration Fiscal Years 2000 and 1999 Financial Statement Audit	04-16-02		
<b>CR-FS-02-02</b>	Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2001	04-15-02		

***Reports Issued***

<b>CR-L-02-03</b>	Review of the Department's Non-Nuclear Weapon Components Production Availability	04-04-02		
<b>CR-L-02-04</b>	Review of the Department's High Performance Computing Program	04-05-02		
<b>CR-L-02-05</b>	Audit of the Department's Clean Coal Power Initiative	08-02-02		
<b>CR-L-02-06</b>	Security Controls Over Intelligence Systems	08-19-02		
<b>CR-L-02-07</b>	The 2002 Evaluation of Classified Information Systems Security Program	09-09-02		
<b>CR-L-02-08</b>	Review of the Department of Energy's Management of Travel Cards	09-11-02		
<b>CR-V-02-03</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Princeton University's Princeton Plasma Physics Laboratory Under Department of Energy Contract No. DE-AC02-76CH03073	07-02-02		\$702
<b>ER-L-02-02</b>	Funds Received From Termination of the Silo 3 Subcontract at the Fernald Environmental Management Project	04-15-02	\$6,800,000	
<b>ER-L-02-03</b>	Survey of Transuranic Waste Records Management at the Rocky Flats Environmental Technology Site	05-23-02		
<b>ER-L-02-04</b>	Subcontracting for Environmental Management Projects at the Oak Ridge Reservation	07-30-02		\$414,000
<b>ER-L-02-05</b>	Work for Others Projects at the Western Area Power Administration	09-24-02		

***Reports Issued***

<b>ER-V-02-02</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Fermi National Accelerator Laboratory Under Department of Energy Contract No. DE-AC02-76CH03000	05-01-02		\$350,680
<b>ER-V-02-03</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Bechtel Jacobs Company LLC FY 2001	05-28-02		
<b>ER-V-02-04</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to UT-Battelle, LLC Under Department of Energy Contract No. DE-AC05-00OR22725	05-28-02		
<b>ER-V-02-05</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to the Bechtel BWXT Idaho, LLC Under Department of Energy Contract No. DE-AC07-991D13727	09-06-02		\$138,000
<b>ER-V-02-06</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to the Hanford Environmental Health Foundation Under Department of Energy Contract No. DE-ACO6-9ORL11711	09-16-02		
<b>WR-B-02-03</b>	Sandia National Laboratories Procurement Card Program	08-06-02		

***Reports Issued***

<b>WR-L-02-02</b>	Review of Yucca Mountain Surface Facilities	04-11-02		
<b>WR-L-02-03</b>	Rocky Flats Closure Contract Quarterly Incentive Fees	05-02-02		
<b>WR-V-02-04</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Mason & Hanger Corporation Under Department of Energy Contract No. DE-AC04-91AL65030	05-23-02		
<b>WR-V-02-05</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to BWXT Pantex LLC Under Department of Energy Contract No. DE-AC04-00AL66620	07-03-02		
<b>WR-V-02-06</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation Under Department of Energy Contract No. DE-ACO4-94AL85000	07-31-02		\$788,271
<b>WR-V-02-07</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Los Alamos National Laboratory Under Department of Energy Contract No. W-7405-ENG-36	09-12-02		\$126,203
<b>WR-V-02-08</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Lawrence Livermore National Laboratory Under Department of Energy Contract No. W-7405-ENG-48	09-12-02		

<b>WR-V-02-09</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to BWXT Y-12, LLC Under Department of Energy Contract No. DE-AC05-00OR22800	09-13-02		\$659,392
<b>WR-V-02-10</b>	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Los Alamos National Laboratory Under Department of Energy Contract No. W-7405-ENG-36	09-16-02		

**The OIG's Audit Followup Action:**

- OIG recommended corrective actions agreed to by the Department are tracked by the Department until complete.
- The OIG follows up on all Department nonconcurrences with OIG report recommendations.
- When the Department and the OIG disagree, the Department must prepare a Management Decision describing its position and any alternative action.
- The Department's Office of Management, Budget and Evaluation/ Chief Financial Officer reviews the Management Decisions and may convene a meeting of the Departmental Internal Control and Audit Review Council (DICARC) to achieve mutually agreeable resolution.

***INSPECTION REPORTS ISSUED****April 1 to September 30, 2002\*****Reports Issued***

<b>REPORT NUMBER</b>	<b>TITLE</b>	<b>DATE OF ISSUE</b>
<b>IG-0557 (Classified)</b>	Inspection of Department of Energy Fresh Pursuit Policies and Practices (U)	06-06-02
<b>IG-0563 (Classified)</b>	Inspection of the Security of Spent Nuclear Fuel at the West Valley Demonstration Project (U)	07-30-02
<b>INS-L-02-02</b>	Follow-on Inspection of Classified Document Transmittal Process	04-11-02
<b>INS-L-02-03</b>	DOE Grant to Florida International University	04-12-02
<b>INS-L-02-04</b>	Follow-up Inspection of Selected Coordination Activities by the Department of Energy's Office of Transportation Safeguards	04-16-02
<b>INS-L-02-05</b>	Status of Department of Energy's Counterintelligence Implementation Plan	04-18-02
<b>INS-L-02-06</b>	Follow-up Inspection of the Department of Energy's Export Licensing Process for Foreign National Visits and Assignments	06-13-02
<b>INS-L-02-07</b>	Update of the Y-12 Tactical Response Plan	06-19-02

\* Does not include non-public reports.



## AUDIT REPORT STATISTICS

*April 1 to September 30, 2002*

The following table shows the total number of operational and financial audit reports, and the total dollar value of the recommendations.

	TOTAL NUMBER	ONE TIME SAVINGS	RECURRING SAVINGS	TOTAL SAVINGS
Those issued before the reporting period for which no management decision has been made:*	22	\$2,387,704,389	\$179,220,670	\$2,566,925,059
Those issued during the reporting period:	52	\$3,052,577,248	\$45,200,000	\$3,097,777,248
Those for which a management decision was made during the reporting period: *	33	\$4,276,093,604	\$146,307,120	\$4,422,400,724
<i>Agreed to by management:</i>		\$1,721,770,706	\$5,160,000	\$1,726,930,706
<i>Not agreed to by management:</i>		\$104,842,218	\$79,027,120	\$183,869,338
Those for which a management decision is not required:	22	\$7,214,702	\$0	\$7,214,702
Those for which no management decision had been made at the end of the reporting period.*	19	\$3,613,668,713	\$140,233,550	\$3,753,902,263

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

**AUDIT REPORT STATISTICS***April 1 to September 30, 2002*

The following table shows the total number of contract audit reports, and the total dollar value of questioned costs and unsupported costs.

	<b>TOTAL NUMBER</b>	<b>QUESTIONED COSTS</b>	<b>UNSUPPORTED COSTS</b>
Those issued before the reporting period for which no management decision has been made:	3	\$4,432,894	\$84,241
Those issued during the reporting period:	1	\$25,753	\$0
Those for which a management decision was made during the reporting period:	0	\$0	\$0
Value of disallowed costs:		\$0	\$0
Value of costs not disallowed:		\$0	\$0
Those for which a management decision is not required:	0	\$0	\$0
Those for which no management decision had been made at the end of the reporting period:	4	\$4,458,647	\$84,241

### **REPORTS LACKING MANAGEMENT DECISION**

The following are audit reports issued before the beginning of the reporting period for which no management decisions had been made by the end of the reporting period. The reasons management decisions had not been made and the estimated dates (where available) for achieving management decisions are also included. These audit reports are over 6 months old without a management decision. The Department has a system in place which tracks audit reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by audit agencies and agreed to by management are addressed and effected as efficiently and expeditiously as possible.

The Contracting Officers have not yet made decisions on the following contract reports. The reasons for not doing so included: (1) the delaying of settlement of final costs questioned in audits pending completion of review of work papers; (2) voluminous additional records; (3) additional work by the Defense Contract Audit Agency; and (4) completion of certain legal and contractual investigations.

WR-C-95-01	Independent Final Audit of Contract No. DE-AC34-RIRF00025, July 26, 1990, to March 31, 1993, Wackenhut Services, Inc., Golden, Colorado, March 14, 1999 <i>(Estimated date of closure: December 30, 2002)</i>
ER-C-97-01	Report on Interim Audit of Costs Incurred Under Contract No. DE-AC24-92OR219721 from October 1, 1994, to September 30, 1995, Fernald Environmental Restoration Management Corporation, Fernald, Ohio, December 20, 1996 <i>(Estimated date of closure: December 30, 2002)</i>
ER-C-00-03	Interim Audit of Thomas Jefferson National Accelerator Facility Costs Incurred Under Contract No. DE-AC05-84ER40150 Fiscal Year 1994 Through 1999 <i>(Estimated date of closure: November 30, 2002)</i>

Additional time was necessary to develop management decisions for the following reports. Further explanations for the delays follow each audit report.

CR-B-99-02	Management of Unneeded Material and Chemicals, September 30, 1999  <i>Implementation/action plan and Management Decision brief to be provided to the Under Secretary for Energy, Science and Environment and the Under Secretary for Nuclear Security/Administrator for National Security Administration by December 16, 2002.</i>
IG-0508	Stocked Inventory at the Savannah River Site, June 27, 2001  <i>Final negotiations on the Management Decision are proceeding. It is expected that it will be approved by November 30, 2002.</i>
IG-0516	Information Technology Support Services Contract, August 23, 2001  <i>All issues have been resolved and the Management Decision is in final coordination and due completion no later than October 31, 2002.</i>
IG-0532	Progress of the Spallation Neutron Source Project, November 19, 2001  <i>The finalization of the Management Decision on this report is awaiting resolution of one outstanding issue. It is estimated that this will occur by December 30, 2002.</i>
IG-0537	Telecommunications Infrastructure, December 21, 2001

*Issues with status updates on recommendations have been resolved with Management Decision submitted for final signature. It is estimated that this will occur by October 31, 2002.*

IG-0540

Advanced Radioisotope Power Systems Program,  
January 14, 2002

*The finalization of the Management Decision is pending the resolution of complex issues. This is expected to occur by December 30, 2002.*

IG-0545

Cyber-Related Critical Infrastructure  
Identification and Protection Measures,  
March 20, 2002

*The Management Decision is awaiting the resolution of a nonconcurrency. It should be made by December 30, 2002.*

**INVESTIGATIVE STATISTICS***April 1 to September 30, 2002*

Investigations open at the start of this reporting period	184
Investigations opened during this reporting period	67
Investigations closed during this reporting period	41
Investigations open at the end of this reporting period	210
Qui Tam investigations opened	2
Total open Qui Tam investigations as of 9/30/02	27
Multi-agency task force investigations opened	21
Total open multi-agency task force investigations as of 9/30/02	83
Investigative reports to prosecutors and Department management	12
Recommendations to management for positive change and other actions	15
Administrative discipline and other management actions	42
Suspensions/Debarments	36
Investigations referred for prosecution	18
<i>Accepted*</i>	18
<i>Indictments</i>	18
<i>Criminal convictions</i>	18
<i>Pretrial diversions</i>	1
<i>Civil actions</i>	2
Fines, settlements, recoveries**	\$15,509,877.46

\* Some of the investigations accepted during the 6-month period were referred for prosecution during a previous reporting period.

\*\* Some of the money collected was the result of task force investigations.

**INSPECTION STATISTICS**  
*April 1 to September 30, 2002*

Inspections open at the start of this reporting period	56
Inspections open during this reporting period	19
Inspections closed during this reporting period	21
Inspections opened at the end of this reporting period	54
Reports issued (includes non-public reports)	10
Inspection Recommendations	
<i>Accepted this reporting period</i>	9
<i>Implemented this reporting period</i>	13
Complaints referred to Department management/others	90
Referrals to Department management requesting a response for OIG evaluation	15

**Hotline Statistics**

Hotline calls, e-mails, letters, and other complaints	501
Hotline calls, e-mails, letters, and other complaints predicated	168
Hotline referrals received via the General Accounting Office and predicated	9
Unresolved Hotline predications from previous reporting periods	14
Total Hotline predications	191
Hotline predications transferred to the Management Referral System	87
Hotline predications closed based upon preliminary OIG activity	89
Hotline predications pending disposition	15
Total predications processed	191

## **FEEDBACK SHEET**

The contents of the October 2002 Semiannual Report to Congress comply with the requirements of the Inspector General Act of 1978, as amended. However, there may be additional data which could be included or changes in format which would be useful to recipients of the Report. If you have suggestions for making the Report more responsive to your needs, please complete this feedback sheet and return it to:

Department of Energy  
Office of Inspector General (IG-121)  
Washington, D.C. 20585

ATTN: Wilma Slaughter

Your name:

Your daytime telephone number:

Your suggestion for improvement: (Please attach additional sheets if needed.)



