

EX-107, 003

U.S. DEPARTMENT OF ENERGY



OFFICE OF INSPECTOR GENERAL



SEMIANNUAL REPORT TO CONGRESS

APRIL 1 TO SEPTEMBER 30, 2003





Department of Energy

Washington, DC 20585

October 29, 2003

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

Dear Secretary Abraham:

I am pleased to submit the Office of Inspector General's (OIG) *Semiannual Report to Congress*. This Report summarizes significant OIG activities and accomplishments during the 6-month period ending September 30, 2003.

The Report reflects our continuing commitment to focus OIG efforts on the issues and concerns most critical to you, the Administration, and the Congress. In particular, it describes OIG accomplishments in identifying the most significant management challenges facing the Department.

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

Sincerely,

A handwritten signature in cursive script that reads "Greg Friedman".

Gregory H. Friedman
Inspector General

Enclosure





INSPECTOR GENERAL'S MESSAGE

I am pleased to submit the Department of Energy (Department) Office of Inspector General (OIG) Semiannual Report to Congress for the period ending September 30, 2003. This report, issued in accordance with the provisions of the Inspector General Act of 1978, as amended, represents the OIG's accomplishments in identifying areas of Department operations most vulnerable to waste, fraud, and mismanagement.

As noted by the special logo appearing throughout this report, the Inspector General community is celebrating the 25th Anniversary of the Inspector General Act of 1978. We share this special occasion with the 57 cabinet, other executive branch, and independent agency Offices of Inspector General. As a historical note, the Department of Energy OIG actually existed prior to passage of the Inspector General Act, having been formed as part of the Energy Organization Act of 1977, and the office operated under this separate authority until 1988 when it was incorporated under the Inspector General Act.

This Semiannual Report details our most significant activity during the reporting period and is organized by OIG-identified management challenge areas. These areas include: Contract Administration; Environmental Cleanup; Information Technology Management; National Security; Performance Management; Stockpile Stewardship; and Worker/Community Safety. Notable work outside the above-mentioned challenge areas is presented in the section of this report entitled, "Other Significant Accomplishments."

Finally, I would like to express my heartfelt appreciation to all of the OIG employees who exhibit continued professionalism, dedication, and commitment to the mission and work of the OIG. On behalf of the American taxpayers, I thank this committed OIG staff for their many successes during this reporting period.



Gregory H. Friedman
Inspector General



TABLE OF CONTENTS

Management Challenge Areas

- <i>Contract Administration</i>	<i>1</i>
- <i>Environmental Cleanup</i>	<i>8</i>
- <i>Information Technology Management</i>	<i>16</i>
- <i>National Security</i>	<i>18</i>
- <i>Performance Management</i>	<i>24</i>
- <i>Stockpile Stewardship</i>	<i>26</i>
- <i>Worker/Community Safety</i>	<i>30</i>

Other Significant Accomplishments

- <i>Administrative Safeguards</i>	<i>32</i>
- <i>Congressional Responses</i>	<i>38</i>
- <i>PCIE Audit Committee</i>	<i>38</i>
- <i>PCIE Awards</i>	<i>38</i>
- <i>Results</i>	<i>40</i>
- <i>Qui Tams</i>	<i>41</i>
- <i>Management Referral System</i>	<i>41</i>
- <i>Intelligence Activities</i>	<i>42</i>
- <i>Legislative and Regulatory Review</i>	<i>42</i>
- <i>Hotline System</i>	<i>43</i>
- <i>Reports Issued</i>	<i>44</i>
- <i>Statistical Information</i>	<i>50</i>



■ CONTRACT ADMINISTRATION

Internal Control Weaknesses at the Los Alamos National Laboratory Result in \$14.6 Million in Potentially Unallowable Costs

In light of recent criticism regarding the operation of the Los Alamos National Laboratory (LANL) by the Department's contractor, the University of California, the National Nuclear Security Administration (NNSA) requested the OIG to perform an audit of costs incurred. As a result, the OIG conducted an audit to determine the allowability of \$5.2 billion charged to the LANL contract for Fiscal Years 2000 through 2002 and to evaluate relevant controls.

The OIG review identified about \$14.6 million of potentially unallowable costs that were charged to the LANL contract, including: (1) \$3.7 million for "working" meals; (2) \$7.4 million for travel costs in excess of contract limits; and (3) \$3.5 million for an internal audit function that did not meet Department requirements.

As part of the OIG review, we also identified a series of internal control weaknesses that contributed to an environment in which these potentially unallowable costs could be incurred and claimed. Specifically, we found control weaknesses in the following areas: Laboratory audit function, financial system reconciliation, payroll and travel approval processes, financial management, personnel turnover, and financial system review and approval. Further, the OIG identified a significant backlog in the completion of required audits of LANL subcontracts.

The OIG recommended that NNSA recover unallowable costs and require the contractor to improve internal controls to help ensure that incurred costs are allowable. NNSA generally agreed with the audit recommendations and indicated that corrective actions had been taken or were planned. In response to the control weaknesses, the LANL contractor has announced an aggressive corrective action plan. (IG-0596)

Control Weaknesses Relating to the Advanced Mixed Waste Treatment Facility Contract

In 1996, the Department entered into a \$912 million fixed-price contract for services associated with a planned Advanced Mixed Waste Treatment Facility (AMWTF) at the Idaho National Engineering and Environmental Laboratory (INEEL). The bulk of this amount, \$569 million, was for construction of the AMWTF and its processing equipment. Although construction of the AMWTF was completed in December 2002, as of June 2003 the facility was not yet fully operational. The OIG performed an audit to determine whether the Department was paying a reasonable price for the design, construction, and operation of the AMWTF.



Artist Concept of the Advanced Mixed Waste Treatment Facility at INEEL.

The audit found that the Department had not acted to minimize costs associated with the AMWTF. Specifically, the Idaho Operations Office (Idaho) did not seek price adjustments after several major waste treatment technologies initially proposed by the contractor were eliminated from the scope of work. Idaho officials focused primarily on achieving the intended end product at the agreed-to total price. This approach overlooked the fact that major facility components, which were reflected in the original estimate of construction costs, had been deleted from the project and should, in our judgment, have been the subject of an equitable price adjustment. The AMWTF contract included provisions for equitable price adjustment under circumstances such as these.

The OIG estimated that without an equitable price adjustment to reflect scope changes, the Department could pay at least \$90 million more than necessary under the AMWTF contract. Accordingly, the OIG recommended that Idaho work to obtain an equitable price adjustment commensurate with reductions in the scope of work to be performed under the contract. It was also recommended that management controls over contract pricing be strengthened.



Management generally concurred with the finding and recommendations in the report and agreed to perform an analysis to determine if appropriate adjustments were made to the contract based on scope reductions. In addition, management agreed to improve management controls in this area. (IG-0622)

Weaknesses Found in Inventory Management at Selected Department Laboratories

This audit was conducted to determine whether the Department was properly managing sensitive equipment at three contractor-operated laboratories —Lawrence Livermore National Laboratory, Lawrence Berkeley National Laboratory, and Stanford Linear Accelerator Center.

The OIG found that at each of these sites, management was ultimately able to locate virtually all of the items of sensitive equipment we sampled. In numerous cases, however, the items were not subjected to inventory controls and, as a consequence, contractor personnel had to make exceptional efforts to locate and retrieve the property. The OIG also noted opportunities to improve controls and accountability. For example, each site had sensitive items that were not properly marked as Government property; property records were not always updated to reflect custody changes when employees were reassigned or terminated; and sites did not always ensure that items reported as stolen were entered into law enforcement recovery databases.

The OIG recommended that Departmental officials provide guidance to specifically define the categories of sensitive equipment to be accounted for by contractors and ensure that contractors follow sound property accounting management practices. Management generally agreed with the report and recommendations. (IG-0606)

Internal Control Weaknesses in the NNSA's Office of International Material Protection and Emergency Cooperation

The OIG received allegations regarding the Material Protection, Control and Accounting Program managed by the NNSA's Office of International Material Protection and Emergency Cooperation (IMPEC). The allegations concerned the creation of an advisory committee, the Board of Visitors, in violation of the Federal Advisory Committee Act (FACA) and the inappropriate handling of payments from an unauthorized sublease for office space to support the program in Moscow, Russia.



The OIG conducted an inspection to determine if: (1) the Board of Visitors advisory committee was established in conformance with FACA requirements; and (2) payments for the sublease for office space in Moscow were appropriately handled. The inspection concluded that the Board of Visitors was not established in conformance with FACA requirements. It also was determined that IMPEC officials did not adhere to advice from the Office of the General Counsel when establishing the Board of Visitors and did not obtain required approval to compensate Board of Visitors members.

In addition, it was revealed that a subcontractor had improperly kept about \$14,000 in payments resulting from subleases of office space in Moscow. When this came to the attention of the prime contractor, the contractor took appropriate action to recoup these funds. The review also found that Department contractor officials did not adhere to internal procurement policies and procedures when contracting for support to the Board of Visitors and when entering into the primary lease for the office space in Moscow.

The OIG made several recommendations to management to strengthen internal controls in the advisory board establishment process and to ensure future procurements adhere to procurement requirements. Management agreed with the OIG's recommendations and conclusions. **(IG-0593)**

Utility Leases at Oak Ridge Could Be Improved to Protect Department Interests

In 1998, the Department's Oak Ridge Operations Office entered into a series of utility leases with the Community Reuse Organization of East Tennessee (CROET). Under the lease terms, CROET was to manage a variety of Government-owned utility systems, including steam, compressed air, nitrogen, water, and natural gas, at the Department's East Tennessee Technology Park (ETTP). By agreement, the Department leased its utility systems to CROET at no charge. In turn, CROET was to contract with a third party with utilities expertise to operate and maintain the utility systems for the Department. Department officials believed that, using this approach, CROET could operate the systems, improve site infrastructure, and sell the utilities back to the Department, as well as to other ETTP tenants, at significant savings.



The OIG conducted an audit to determine whether the utility system leases at ETPP have been managed to improve site infrastructure and reduce costs to the system. The OIG concluded that the Department now pays about the same as it did before the leases were agreed to for Government-owned utility systems costs even though its utility usage has declined over the same period. Based on our review, the OIG questioned \$6.9 million in lease costs, including costs for commodity markups, improperly used repair and rehabilitation funds, interest on unused funds, and tenant bad debts.

The Department did not agree with the audit's estimate of lease costs. Management did, however, concur with the OIG's recommendation to perform a detailed analysis of lease provisions and to restructure the lease agreements as necessary to protect the Department's interests. **(IG-0609)**

Restructuring Activities at the Department's Kansas City Plant Will Not Achieve Intended Results

Consistent with the Department's intention to study options for consolidating production operations, the contractor operating the Department's Kansas City Plant submitted a plan to significantly reduce floor space and workforce. Thereafter, the Department approved the plan, estimated to cost \$138 million to implement. The Department's approval was based on projected operational savings of \$35.4 million per year. Restructuring activities began in September 1999, with completion of the project scheduled by the end of September 2005.

The OIG initiated an audit to determine if the Kansas City Plant's restructuring initiative would achieve intended results. The audit found that the effort will not reduce the floor space of the Kansas City Plant as intended. Less than half of the planned 600,000 square feet of floor space will actually be transferred to the General Services Administration; and rather than being reduced, current staffing levels remain the same as when restructuring activities began. To date, the Department has incurred \$84 million in costs. Furthermore, it will not fully achieve the \$35.4 million annual projected savings, which was the basis for the project's approval. Because an additional \$54 million is scheduled to be spent on this project, we believe that the Department should reevaluate the viability of the Kansas City Plant's plan.



Management expressed general agreement with the recommendations, but had some concern with the OIG's conclusions. Specifically, management believed that the project was still justified and would achieve a projected \$30.9 million per year savings, recouping the cost of the project in less than 5 years beginning in Fiscal Year 2006. Management's revised savings figures, however, in our judgment, are not supported by available documentation. **(IG-0616)**

Idaho National Engineering and Environmental Laboratory's Strategic Initiative Fund

In Fiscal Year 2000, the INEEL established a Strategic Initiative Fund to pursue mission development opportunities by marketing its research, development, and engineering expertise to potential customers both within and external to the Department. The fund is financed through an indirect cost allocation assessed on all INEEL direct-funded programs. The OIG conducted an audit to determine whether INEEL's use and distribution of costs associated with the Strategic Initiative Fund were appropriate.

The OIG found that INEEL had used the Strategic Initiative Fund for questionable purposes. Specifically, the fund had been used to:

(1) supplement the Laboratory Directed Research and Development (LDRD) Program; (2) pay for activities that should have been funded directly by program offices; and (3) pay for activities, such as advertising and marketing, that did not directly support INEEL's primary missions.

Further, the audit disclosed that the major programs providing funding to the Strategic Initiative Fund did not receive benefits commensurate with their contributions. For example, in 2002, Environmental Management contributed 68 percent of total funding, but received only 17 percent of the benefits.

Regarding the use of Environmental Management funds, the audit findings were especially troubling given the Department's emphasis on maximizing the efficiency and effectiveness of its environmental remediation program. In our view, any diversion of funds for other indirect or essentially unrelated purposes undermines this objective. In our judgment, the \$24 million spent through the INEEL Strategic Initiative Fund between 2000 and 2002 could have been used more effectively by the sponsoring program offices to meet mission requirements.



We recommended that the Acting Chief Financial Officer, in coordination with the Under Secretary for Energy, Science and Environment, develop and implement policies and procedures to prohibit the use of mission development activities to supplement LDRD funds. We also recommended that the Manager, Idaho Operations Office, take steps to clarify the terms of the contract for operating INEEL as it pertains to mission development activities.

The Acting Chief Financial Officer stated that the contracting officer had deemed the costs questioned in the report to be allowable. However, the response indicated that management agreed to review Strategic Initiative Fund uses to ensure the fund is used appropriately and that LDRD funds are not being augmented. Based on results of the review, clarifying guidance will be issued to other offices. In addition, Idaho agreed to clarify the terms of the site contract pertaining to mission development activities.

Management's review of the uses of the Strategic Initiative Fund is a positive step forward. However, the examples cited in this report suggest to us that a Department-wide policy is needed to define appropriate uses of mission development funds. (IG-0601)

Internal Control Weaknesses in Firearms Inventory at the Lawrence Livermore National Laboratory

The OIG conducted an inspection to determine whether internal controls over firearms at the Lawrence Livermore National Laboratory (LLNL) were adequate and whether LLNL's firearms inventory was administered appropriately.

While we were able to physically locate all firearms on LLNL's inventory, we concluded that internal controls over LLNL's administration of the firearms inventory needed improvement. Specifically, the inspection determined that: (1) five firearms, which had been purchased over 10 years ago, did not have property control numbers and were not listed in the property inventory; and (2) LLNL was not conducting monthly inventories of firearms, as required by Department policy.

Management agreed with the OIG's findings and recommendations, and LLNL officials indicated that they were taking prompt action to improve controls over all firearms at the LLNL. (IG-0621)

■ ENVIRONMENTAL CLEANUP

Infrastructure Improvements Needed at the Department's Hanford Site

The Department's Hanford Site was established in 1943 to support the production of plutonium for the Manhattan Project. Today, many of the site's facilities and much of its infrastructure have deteriorated and are operating beyond design life. In October 2000, the Office of Environmental Management required the Richland Operations Office (Richland) to address these concerns by developing a site infrastructure restoration plan. The plan was designed to identify the site's facility and infrastructure needs considering current site conditions and capacities, the extent of deferred maintenance, cleanup plans, and other missions.



Hanford Site—A new roof structure is being constructed to safely enclose the 100-DR Reactor Core.

The OIG conducted an audit to determine whether Richland had developed and implemented an effective infrastructure restoration plan for the Hanford Site. The audit determined that between 1998 and 2002, Hanford's deferred maintenance had risen dramatically, from about \$21 million to over \$186 million. Additionally, in addressing infrastructure needs, Richland had not always followed established policy, nor had it implemented an integrated system for managing facility maintenance. Furthermore, the OIG found that without an adequate infrastructure to meet mission needs, the Department risks being unable to complete the Hanford Site's cleanup mission safely and within established timeframes.

The OIG recommended that the Manager, Richland Operations Office: (1) develop and implement a site plan, consistent with Department and Environmental Management policy, that fully identifies mission critical infrastructure and prioritizes projects accordingly; (2) immediately address maintenance and infrastructure restoration needs that could compromise the health and safety of employees; (3) to the extent possible, consolidate and integrate site infrastructure systems to ensure consistency; and (4) work with Office of Environmental Management at headquarters to ensure that



required infrastructure repairs and upgrades are identified and funded consistent with Environmental Management's risk-based accelerated cleanup approach.

Management generally concurred with the audit finding, but only partially concurred with recommendation 2, stating that it was not aware of any infrastructure deficiencies that are critical to safety and health. **(OAS-B-03-03)**

Nevada Local Governments Improperly Use Federal Funds Intended for Oversight of Site Characterization at Yucca Mountain

The OIG conducted an audit to determine whether Nevada local governments were using Federal oversight funds in accordance with the terms of the Nuclear Waste Policy Act and annual appropriations language. The audit determined that the Nevada counties reviewed improperly used oversight funds for lobbying, litigation, coalition building and other activities unrelated to oversight of the site characterization of Yucca Mountain or studying the impacts that Yucca Mountain will have on local communities.

The OIG questioned costs totaling \$3.3 million of the \$7.2 million spent over a 2-year period. In addition, the counties had nearly \$6.5 million in unexpended funds, which included nearly \$1.7 million in accrued interest. The accrued interest was inappropriately used by the counties to augment local budgets. The improper expenditures and accumulation of unexpended funds and interest occurred because the Office of Civilian Radioactive Waste Management (OCRWM): (1) did not monitor the counties' program activities; (2) did not provide funding to the counties based on expenditures as required by statute; and (3) had not taken corrective action when deficiencies were previously identified by independent auditors.

The OIG recommended that OCRWM recover the questioned costs, unexpended funds, and interest earned. We also recommended that OCRWM distribute funds based on expenditures, monitor the counties' programs, require annual certifications to include amounts expended, and resolve findings identified by independent auditors.

Management generally agreed with the OIG's recommendations, but requested the opinion of the Office of the General Counsel concerning our recommendation relating to the recovery of interest and unexpended funds. **(IG-0600)**

Opportunities Exist to Improve the Efficiency of the Department's System for Disposing of Remote-Handled Transuranic Waste at the Waste Isolation Pilot Plant

The Waste Isolation Pilot Plant (WIPP), located near Carlsbad, New Mexico, is the Department's underground repository for defense-generated transuranic (TRU) waste. Most TRU wastes can be handled by workers using minimal specialized protective gear and is referred to as "contact-handled" TRU. TRU wastes with a surface radiation dose rate greater than 200 millirem per hour, however, must be handled using remote devices and is referred to as "remote-handled."



RH-72B cask at the WIPP. This cask will be used to ship remote-handled TRU waste to WIPP for disposal.

The OIG conducted an audit to determine whether the Department had established an efficient system for disposing of remote-handled TRU waste at WIPP. The audit concluded that opportunities exist for the Department to improve the efficiency of its remote-handled TRU waste disposal program over the next two decades.

Specifically, the OIG disclosed that if current waste emplacement practices continue, by 2020 the repository, as now configured, will not be able to accommodate 980 planned shipments of remote-handled TRU waste. The Department has recognized the potential space problem and identified some alternatives, but has not yet formally planned for the resolution of this issue.

It was also determined that improvements were needed in the integration and consistency of local treatment plans at several sites and the Department's overall remote-handled TRU waste management plan. For example, according to the Department's accelerated cleanup schedule, WIPP will receive about 180 shipments of the Hanford Site's remote-handled TRU waste by 2012. However, Hanford only expects to send about 20 shipments by that date.



In addition, the OIG noted actions that the Department can take to improve the efficiency of transporting TRU waste to WIPP. For example, the OIG estimated that the Department could reduce the number of planned shipments to WIPP by about 33 percent by optimizing the use of 10-drum versus 3-drum shipping containers. Such action would have significant cost savings implications.

Management disagreed with the OIG's finding and recommendations and took the position that recent improvements in established management systems were sufficient to address issues as they arise. **(IG-0613)**

Inadequacies Found in the Idaho National Environmental Laboratory's Waste Reduction Program

In 1996, the Idaho Operations Office entered into a contract to construct the Advanced Mixed Waste Treatment Facility (AMWTF) to characterize, treat and package INEEL's waste. The waste will eventually be transported to the WIPP for final disposal. One of the primary goals of the contract was to significantly reduce the volume of waste during the treatment process so as to reduce the overall cost of transportation and disposal. Specifically, the contract required that the waste in its original volume (65,000 cubic meters) be reduced after treatment to about 22,750 cubic meters or no more than 35 percent of the original volume. The contractor will be penalized monetarily if the volume of post-treated waste does not meet this performance objective. The current contract value for this effort is \$912 million.

An OIG audit determined that the contractor will not meet the Department's waste volume reduction goals. Based on current plans, the volume of INEEL's waste to be shipped to WIPP will only decrease by about 6 percent. Initially, the contractor will employ a variety of sorting, repackaging, and compacting techniques to reduce the 65,000 cubic meters by more than half. However, the treated waste will then be placed in "over-pack" disposal containers, which will increase the volume to about 61,000 cubic meters. Thus, overall volume savings will be minimal.

Furthermore, the review found that the Idaho Operations Office's planning and oversight for the waste reduction project was inadequate. Additionally, the contract for this project was unclear as to exactly how waste reduction would be measured and had not been modified to reflect current assumptions. As a result, WIPP may receive substantially more volume



than originally planned, and the Department could spend approximately \$205 million more than expected to dispose of INEEL waste.

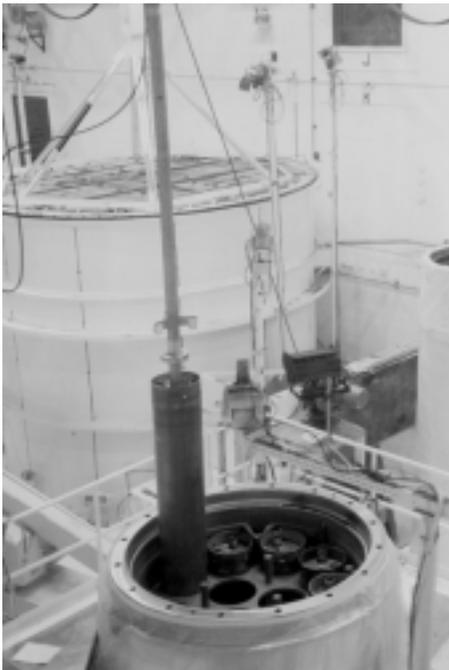
The OIG recommended that the Assistant Secretary for Environmental Management develop a contingency plan reflecting the greater-than-anticipated volume of waste to be shipped to WIPP. We also recommended that the Manager, Idaho Operations Office seek to clarify the waste reduction goals and measures contained in the waste reduction projects contract.

Management agreed with the OIG's finding and recommendations and indicated that it had previously identified all of these issues in past reviews. (IG-0611)

Redundancies Exist in Department Spent Nuclear Fuel Canister and Cask Development

The OIG conducted an audit to determine whether the National Spent Nuclear Fuel (SNF) Program (National Program) has eliminated certain redundant technology development activities across the complex. The audit disclosed redundancies, specifically with regard to the development of canisters and transportation casks. We noted that the Department's Hanford Site, the Office of Naval Reactors, and the National Program simultaneously developed three different SNF canisters for interim storage and related tasks. In addition, the Office of Civilian Radioactive Waste Management and the Naval Reactors program were independently acquiring different casks in anticipation of transporting the Department's SNF to the national repository. We found that the National Program did not have programmatic authority over canister and cask development for all Department-owned SNF. Further, the Department did not have a comprehensive integration plan for cask development.

The OIG recommended that the Assistant Secretary for Environmental Management: (1) coordinate with the Director, Office of Civilian Radioactive Waste Management



INEEL-test loading of shielded canister/transport cask.



to ensure that the National Program has sufficient authority to fully integrate the Department's SNF technology development activities; and (2) conduct an analysis to determine whether using standard canisters, rather than multi-canister overpacks, for the remainder of the National Program at Hanford is feasible and cost-effective. The OIG also recommended that the Director, Office of Civilian Radioactive Waste Management, work with the Deputy Administrator for Naval Reactors to determine whether a single cask development effort could serve the Department's needs for transporting Department-owned SNF.

The Assistant Secretary for Environmental Management and the Director, Office of Civilian Radioactive Waste Management, generally concurred with recommendations 1 and 2. However, the Director, Office of Civilian Radioactive Waste Management, did not concur with the recommendation made to this office, stating that there were significant differences between SNF types, and the additional cost of using a cask suitable for Naval Reactors would exceed the potential benefit from shared development. The Deputy Administrator for Naval Reactors also responded to the report and generally concurred with the finding and recommendations. (IG-0608)



Rocky Flats-Building 440, now a waste storage facility for transuranic and low-level mixed waste.

Disposal of the Rocky Flats Environmental Technology Site Low-Level Mixed Waste

The OIG conducted an audit to determine whether the Department is prepared to dispose of low-level mixed waste (LLMW) that has been generated by the Rocky Flats Environmental Technology Site. The audit disclosed that no disposal site is likely to be available before January 2004, but that the Rocky Flats contractor anticipates a need for a disposal site by August 2003. The delay will cause the Department to consider temporary and permanent options with significant cost implications from as little as \$4 million to as much as \$320 million more than disposal at the Department's preferred location, the Hanford Site near Richland, Washington.

Currently, neither Hanford nor the Department's second preferred choice, the Nevada Test Site, is accepting LLMW. It is uncertain when Hanford can receive the waste because, in 2000, the Department entered into an agreement with the State of Washington that the Department would complete a Hanford Solid Waste Environmental Impact Statement (Hanford EIS) before sending LLMW to Hanford. The Hanford EIS has been ongoing since 1997.

The 2000 agreement provides that under certain circumstances the Department, in consultation with Washington State, may dispose of LLMW at Hanford prior to full completion of the Hanford EIS. The OIG recommended, therefore, that the Assistant Secretary for Environmental Management: (1) aggressively pursue negotiations with the State to allow for timely disposal of Rocky Flats' LLMW at Hanford if the Hanford EIS is delayed beyond August 2003; and, (2) if negotiations are unsuccessful, identify and pursue the most cost-effective LLMW storage and disposal alternatives to ensure timely closure of Rocky Flats.



Saltstones low-level waste solidification and disposal at Savannah River Site.

Management concurred with the finding and recommendations. **(IG-0612)**

Inadequate Waste Disposal Plans at the Savannah River Site's Waste Solidification Building

The NNSA plans to spend about \$58 million to design and construct a facility at the Savannah River Site that will treat radioactive liquid wastes. The proposed facility, commonly referred to as the Waste Solidification Building (WSB), will produce several waste forms acceptable for disposal at existing sites around the complex. This effort is a part of the Department's Plutonium Disposition Program. The OIG conducted an audit to determine whether the Department has a complete plan to dispose of waste generated from the Plutonium Disposition Program.



*ECONOMY, EFFICIENCY,
EFFECTIVENESS*

While NNSA intended to transfer waste treated at the WSB to the Department's Office of Environmental Management, it had not coordinated its plans with that office. Consequently, Environmental Management's long-range plans did not include disposition of the WSB-treated waste and the Department lacked a cost or schedule baseline for its disposal. Additionally, during the audit, Environmental Management took the position that receiving, processing, and disposing of the waste was NNSA's responsibility. Without an integrated and coordinated plan, the Department's environmental disposition goals may not be achieved and life-cycle costs for the Plutonium Disposition Program are likely to exceed initial estimates.

The OIG recommended that the Administrator, NNSA: (1) formally request that Environmental Management accept the waste from WSB; (2) develop a complete disposition plan for WSB waste, including total life-cycle costs; and (3) coordinate with the Assistant Secretary for Environmental Management to establish procedures for the disposal of newly generated nuclear waste from NNSA activities, thereby ensuring that future plans are fully integrated and coordinated, and issue guidance to field organizations, as appropriate.

NNSA did not concur with our recommendations. NNSA believes that current waste disposal plans are adequate considering uncertainties inherent at this stage and that it is premature to develop a plan and formal agreement to transfer waste from the WSB to the Office of Environmental Management when the facility will not be operational until 2007.

The disparate positions taken by NNSA and Environmental Management emphasize the need for formal development of a complete disposition plan for WSB waste and coordination among the affected offices. While the exact amounts and distribution of WSB waste are not yet known, the characteristics of the waste are known and preliminary estimates of waste volumes have been prepared and can be used to begin the formal planning process with Environmental Management. Additionally, the WSB life-cycle costs should be finalized as soon as possible. Although the WSB is not expected to commence operations until 2007, initiating the formal planning process could reduce the chances that the project will encounter significant delays. (IG-0618)



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■ INFORMATION TECHNOLOGY MANAGEMENT

The Department's Unclassified Cyber Security Program 2003

Congress enacted the Federal Information Security Management Act (FISMA) to ensure that all agencies develop and maintain adequate cyber security controls to protect Federal information resources. As required by FISMA, the OIG performed its annual independent evaluation to determine whether the Department's unclassified cyber security program protected data and information systems. The OIG evaluation noted that since our 2002 evaluation significant progress had been achieved in that the Department had taken an aggressive approach to strengthen cyber security and had implemented countermeasures to reduce network vulnerabilities. In addition, the Chief Information Officer had issued or drafted several policy statements that, if implemented, should improve cyber security throughout the Department.

Despite these improvements, the OIG identified problems that continue to exist in several critical areas. Specifically, the Department had not: consistently implemented a risk-based approach to cyber security management; developed or fully tested at nine sites plans for maintaining or resuming critical operations in the event of an emergency or disaster; resolved several previously reported problems or strengthened configuration management controls designed to protect systems from unauthorized modification or damage; corrected access control problems at five locations; and significantly improved cyber security incident reporting.

The OIG recommended that the Under Secretary for Energy, Science and Environment and the Administrator, National Nuclear Security Administration, in conjunction with the Chief Information Officer: (1) ensure all program elements make full use of the Plan of Action and Milestones database to identify, track, and ultimately correct all cyber security weaknesses, regardless of the source; (2) verify that all cyber security weaknesses are corrected prior to closing them; and (3) implement a program-level cyber security metrics program to guide day-to-day operations.

Department management concurred with our recommendations and proposed actions that were responsive to the recommendations.
(IG-0620)



Computer Security, Training, and Accountability Deficiencies at Lawrence Livermore National Laboratory

An OIG investigation identified instances in which the LLNL did not require students and other invited guests to sign a user agreement or receive cyber security training prior to accessing LLNL's unclassified computer network. One student guest was found to have used a Government computer to download pornographic images and access pornographic websites. The investigation also identified an isolated incident involving the use of a generic user name and password for multiple students. In response to an OIG Administrative Report to Management, LLNL took action to correct identified computer security training and accountability deficiencies. (I02TC023)

Security Weakness in Department Wireless Networking Technologies

An increasing number of the Department's organizations are using wireless communications devices and networks. Such technologies enable the transmission of data without physical connection using radio frequency. The OIG conducted an audit to determine whether the Department had taken actions to reduce the risks associated with its wireless networks.

The audit disclosed that four of six Department organizations the OIG reviewed, that had deployed wireless networks, did so without assessing the risks associated with their use. The report noted that most sites did not routinely implement or test the effectiveness of wireless security measures and the organizations had not focused sufficient attention on properly securing wireless networks or preventing the unauthorized use of such devices. In particular, they had not developed specific guidance or configuration management policies outlining approval, security, and wireless connection requirements. Lack of attention to wireless security placed the Department's information systems at risk of compromise.

The Department has initiated an effort to require specific security actions regarding wireless devices. For example, management has drafted and circulated for comment specific policy for the use of wireless technologies and devices throughout the Department. Also, various organizations have procured and are piloting the use of certain wireless security tools. Despite these positive steps, we concluded that more needs to be done if the Department is to have in place a comprehensive wireless security strategy



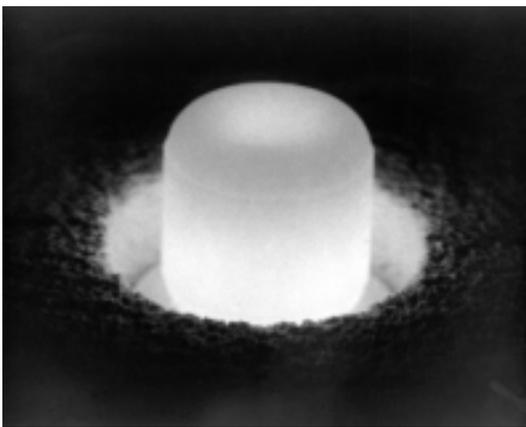
consistent with the *President's Management Agenda* initiative regarding the use of information technology.

Management agreed with our recommendations and noted that the Department's proposed policy, "Cyber Security Requirements for Wireless Devices and Information Systems" will address many of our recommendations. (IG-0617)

■ NATIONAL SECURITY

Timely Reestablishment of Domestic Plutonium-238 Production

In January 2001, a Departmental Record of Decision was issued requiring reestablishment of the Department's capability to domestically produce annually up to 5 kilograms of plutonium-238. This level of production is estimated to sufficiently satisfy future national security and other National Aeronautics and Space Administration (NASA) mission needs.



Plutonium-238 Sphere under its own light.

The OIG conducted an audit to assess the Department's progress in reestablishing this capability. The audit disclosed that unless the Department accelerates its program to reestablish a plutonium-238 production capability, it risks the ability to meet future need requirements. It was also determined that even under the most favorable scenario, a domestic production capability is at least 5 to 6 years from completion.

The OIG recommended that the Director, Office of Nuclear Energy, Science and Technology: (1) initiate the Department's critical decision process for the plutonium-238 production project and follow established project management processes to ensure efficient and effective operations; (2) notify the Department of Defense and NASA of the lead time necessary to supply plutonium-238 for national security and space exploration applications and request that they provide the Department with firm estimates of future plutonium-238 needs; and (3) designate plutonium-238 production as a high priority project, aggressively pursue



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the level of funding necessary to reestablish a domestic production capability, and initiate procurement of the specialized equipment needed.

Management generally concurred with the audit finding and recommendations and agreed to take corrective actions. **(IG-0607)**

Improvements Needed in Allocation of International Materials Protection, Controls and Accountability (IMPC&A) Program Funds

The Department is responsible for initiatives designed to reduce the threat related to nuclear materials and weapons in the former Soviet Union (FSU). The objective of the IMPC&A program is to reduce the risk posed by weapons and weapons-usable nuclear material at 95 sites in the FSU. The Department commits about \$250 million annually to this initiative.

The OIG conducted an audit to determine whether the Department had satisfied congressional and programmatic goals for the IMPC&A program. The audit determined that the Department may not be maximizing the performance of the IMPC&A program as a result of several continuing problems. Notably, a significant portion of program funding was expended and accumulated in the U.S. rather than being used directly to reduce or ameliorate proliferation risks in the FSU. Specifically, the Department: (1) exceeded congressional targets for funds expended at the national laboratories by about \$8.5 million in Fiscal Year 2001 and \$5.2 million in Fiscal Year 2002; (2) permitted uncommitted funds to increase from \$65.8 million in Fiscal Year 2001 to about \$133 million by the end of Fiscal Year 2002; and (3) had not specifically identified or pursued opportunities to increase procurement efficiencies and reduce overhead charges.

The OIG recommended that the Department develop a risk-based approach to funding allocation and establish specific, quantifiable performance measures with milestones and spending targets to guide execution of the program. As we noted in our recent report on *Management Challenges at the Department of Energy* (IG-0580), the integration of budget and performance measurement is essential to satisfy the President's Management Initiative.



The NNSA did not specifically concur or non-concur with the report and recommendations. However, NNSA's Associate Administrator for Management and Administration acknowledged our concern about the importance of a risk-based approach for allocation of funding and the need for developing performance measures for spending targets, uncommitted balances and procurement efficiencies. The Associate Administrator stated that NNSA's Planning, Programming, Budgeting and Evaluation process, which is continuing to evolve, will ultimately resolve the concerns raised during the audit. **(IG-0603)**

Management Challenges in the Department's Protective Force Program

In light of previously identified efficiency concerns, the OIG initiated an audit to evaluate the Department's management of its protective force program. The audit disclosed that since September 11, 2001, the Department has made a number of management improvements in this area. The OIG noted that the Department had already taken some action to reduce the impact of heightened security on overtime costs. For example, the NNSA issued guidance granting authority to arm protective force personnel who have "L" rather than the higher level "Q" clearances to help alleviate overtime costs and free up officers to attend required training sessions. NNSA also initiated a study to determine how to decrease unscheduled overtime to an acceptable level. Additionally, the Department's contractors have begun the process of hiring approximately 400 more officers to reduce unscheduled overtime.

The Department still faces a number of challenges that could adversely affect the protective force program. Specifically, the OIG observed: (1) long delays associated with granting clearances for newly employed protective force officers; (2) significant increases in unscheduled overtime costs; (3) morale and potential retention problems based on mandatory overtime and declining training opportunities; and (4) operational vulnerabilities associated with the lack of contingency plans to address unscheduled work stoppages.

Management generally concurred with our recommendations regarding accelerated clearance processing, workforce monitoring, and overtime. While most Department organizations endorsed the need for an agency-wide contingency plan, one office stated that such a plan was impractical



and recommended that only site-level plans be developed. Overall, management has implemented, or intends to implement, actions that should satisfy the OIG's recommendations. **(IG-0602)**

Review of the Department's Joint Technical Operations Team

The Department of Energy (DOE) developed the Joint Technical Operations Team (JTOT) to provide a rapidly deployable technical response, primarily to terrorist incidents involving nuclear weapons. JTOT consists of two phases: JTOT-1, during which DOE scientists provide technical advice to Department of Defense (DOD) personnel to render-safe a weapon of mass destruction; and JTOT-2, during which a joint DOE/DOD team prepares a weapon of mass destruction for safe transport for final disposition. Within DOE, JTOT activities are managed and executed by the NNSA.

The OIG conducted an inspection to determine whether NNSA could meet the aircraft requirements of DOE's JTOT-1 and JTOT-2 missions. The inspection concluded that NNSA was not prepared to meet its aircraft requirements for these missions. Specifically, the OIG determined: (1) NNSA aircraft were not always available to support potential JTOT-1 and JTOT-2 missions; (2) there had been no formal contingency planning for those occasions when NNSA aircraft were not available for JTOT missions; (3) DOE and DOD officials expressed significantly differing views regarding the DOE's intent or obligation to provide aircraft support to DOD for JTOT-2 missions; and (4) if DOE was responsible for providing aircraft support to DOD for JTOT-2 missions, NNSA's aircraft may not be capable of satisfactorily supporting these missions.

The OIG recommended that NNSA develop a formal agreement with DOD detailing the specific JTOT aircraft responsibilities assigned to each Department; that NNSA establish definitive aircraft requirements for JTOT based on the formal agreement; and, most importantly, that NNSA identify and make available the resources to meet the definitive aircraft requirements. In response to our report, NNSA indicated that it would initiate corrective actions. **(IG-0605)**



Vulnerability and Risk Assessments Adequate at Bonneville but Improvements Needed at the Western and Southwestern Power Administrations



The Southwestern Power Administration's Jamesboro, Arkansas, switchyard.

The OIG initiated an audit of the Bonneville Power Administration (Bonneville), Western Area Power Administration (Western), and Southwestern Power Administration (Southwestern) to determine whether they have performed adequate vulnerability and risk assessments for their critical assets. The audit determined that while Bonneville had performed adequate vulnerability and risk assessments for its most critical assets, Western's and Southwestern's assessments were either inadequate or nonexistent.

The OIG found that Western emphasized emergency recovery rather than assessing asset vulnerabilities and risks. At Southwestern, management stated that its security team's workload and travel restrictions limited the priority placed on completing the assessments. As a result, Western and Southwestern assets could be more vulnerable to attack.



Southwestern Power Administration's Poplar Bluff, Missouri, switchyard.

The OIG recommended that the Administrators of Western and Southwestern ensure that: (1) adequate vulnerability and risk assessments are performed for their critical assets; and (2) appropriate risk mitigation strategies for asset protection are developed and implemented. Western and Southwestern concurred with the OIG's finding and recommendations and have initiated corrective actions. (OAS-B-03-01)

Safeguard and Control Inadequacies Over Personal Computers at Los Alamos National Laboratory

LANL maintains approximately 5,000 laptop and 30,000 desktop computers for processing a broad range of classified and unclassified information. These computers are considered "sensitive property" due in part to their susceptibility to theft. The OIG conducted an inspection to determine the adequacy of internal controls over laptop and desktop computers at LANL.



During the course of the inspection, the OIG issued an interim report focusing on specific issues relating to accountability of laptop computers. The inspection determined that controls over classified and unclassified laptop computers at LANL were inadequate. The OIG identified control weaknesses that undermined confidence in LANL's ability to assure that laptop computers were appropriately controlled and adequately safeguarded from loss or theft. Weaknesses were also found in LANL's controls for ensuring laptop computers used to process and store classified information were maintained in accordance with existing security requirements.

Specifically, the OIG found that: (1) LANL could not accurately account for its single user, stand-alone, classified laptop computers; (2) laptop computers reported as "unlocated" were written off of LANL's property inventory without a formal inquiry; (3) thefts of laptop computers were sometimes not reported to LANL's Office of Security Inquiries, as required; (4) the "purchase card process" did not assure that required inventory controls were followed when new computers were purchased; (5) laptop and desktop computers were acquired using purchase cards after LANL prohibited such purchases without special authorization; and (6) employees were not held financially liable for the loss of their assigned Government computer(s) in accordance with LANL requirements.

Because of the weaknesses identified, the OIG does not believe that LANL can provide adequate assurance that classified, sensitive, or proprietary information is appropriately protected. Without formally concurring, management expressed general agreement with the report and stated that the issues presented in the report would be factored into the corrective action efforts currently underway. A broader assessment of controls over desktop and laptop computers will be included in a subsequent report. **(IG-0597)**



Interagency Summary Report on Security Controls over Biological Agents

The OIG participated in a Federal interagency working group that issued a classified interagency report detailing the need for improvements in security controls over biological agents. The document, which summarizes prior reports by the Inspectors General of the Departments of Energy, Agriculture, Army, Defense, Health and Human Services, and Veterans Affairs, provides Federal officials a single reference on recent issues and actions concerning security controls over biological agents. The report incorporates findings from three Energy Inspector General reports issued since 1999. (D-2003-126)

■ PERFORMANCE MANAGEMENT

NNSA's Planning, Programming, Budgeting, and Evaluation Process

At its inception, NNSA committed to implement a Planning, Programming, Budgeting, and Evaluation (PPBE) process, modeled on the system used by the DOD. A PPBE process uses short-term and long-term planning to define program requirements and matches requirements with budgetary resources. NNSA's Administrator established an overall objective that the PPBE process become the core management protocol for NNSA.

In accordance with congressional appropriations report language, the OIG conducted an independent assessment of NNSA's PPBE process and structure to determine if improvements could be made to further enhance NNSA's planning, programming, budgeting, and evaluation. We also addressed Congress' specific questions regarding: (1) how the NNSA's PPBE process compared to the process used by the DOD; (2) whether the PPBE process was capable of being used as a central decision-making process for resource allocation decisions; and (3) to what extent PPBE had been incorporated by NNSA's management and operating contractors.

In response to Congress' specific questions, we found that NNSA's PPBE process: (1) was consistent with the DOD process, although the two processes differ with regard to the way budget execution and



evaluation are handled; (2) provided a mechanism for making centralized resource allocation decisions; and (3) had not yet resulted in changes for existing financial and budgeting systems at the observed NNSA management and operating contractors because the field role in the process had not been fully developed.

The OIG assessment determined that although NNSA had made significant progress toward the implementation of its PPBE process, several areas are in need of attention before the process is fully operational. Specifically, NNSA managers were not always clear on their roles and responsibilities; contractor estimates that form the basis for budget estimates were not validated; and an independent analysis group to support the resource allocation decision process had not been established. These issues arose because NNSA determined that, due to concerns raised by Congress about its progress on PPBE, its development would occur concurrently with implementation.

The OIG recommended a series of specific actions intended to help NNSA improve the implementation and effectiveness of its PPBE process. The Associate Administrator for Management and Administration, NNSA, agreed with the report, the conclusions reached, and the recommendations presented. NNSA also indicated that since the audit's conclusion, significant progress had been made toward resolving certain issues raised in the report. (IG-0614)

Improving the Management of Emergency Response and Law Enforcement-Related Grants

The OIG conducted a review of the Savannah River Operations Office (SRO) management of grants awarded for emergency response and law enforcement-related activities. The grants are for activities intended to enhance area security and safety, such as training State and local emergency response personnel whose services may be required in the event of a radiological incident; operating a State emergency operations center; and maintaining a mobile radiation laboratory to be used in the event of a radiological release. SRO has five grants associated with emergency response and law enforcement-related activities: two with the State of Georgia and three with the State of South Carolina. Financial obligations for the five grants for Fiscal Years 2001 and 2002 were approximately



\$2,682,534 and \$3,004,728, respectively. SRO officials are responsible for ensuring that grantee activities are in accordance with the grant terms and for verifying the proper expenditure of grant funds.

The OIG concluded that SRO was not adequately managing the grants to Georgia and South Carolina and did not have documentation to support whether or not the grant recipients were on schedule and meeting milestones. Specifically, we found that SRO: (1) had not received many of the deliverables specified in the grants; (2) had not followed up as required on the delinquent deliverables; and (3) did not have a formal system for tracking grant deliverables. Grant deliverables consist of progress and financial reports that provide performance and financial data that allow the Department to assess whether grantee performance is meeting established objectives and taxpayer funds are being appropriately used.

The OIG recommended that SRO ensure receipt of all currently delinquent deliverables and that all incurred costs associated with the grants are reviewed for appropriateness and allowability. It was also recommended that SRO develop and implement a system for tracking deliverables, including establishment of a course of action when delinquencies remain unresolved. Department management concurred with the OIG's recommendations and has initiated or is in the process of initiating corrective actions. (IG-0604)

■ STOCKPILE STEWARDSHIP

NNSA Infrastructure Site Plans Deemed Unreliable

In its Fiscal Year 2003 congressional budget submission, the NNSA requested almost \$250 million for its Facilities and Infrastructure Recapitalization Program and indicated that a total of \$1.5 billion was needed through 2007.

NNSA Ten-Year Comprehensive Site Plans are key planning tools for allocating infrastructure funding and providing a foundation for NNSA complex-wide facilities and infrastructure strategic planning. The OIG conducted an audit to determine whether NNSA's site plans provide accurate and useful data to aid in the prioritization of mission essential facility renovation and repair projects.



The audit determined that NNSA site plans did not contain accurate assessments of the structural and mechanical condition of the sites' facilities nor did they identify and prioritize the mission critical facilities in need of repair or refurbishment. We found that facility condition assessments used to support site plans were prepared using out-of-date information and that sites did not have a standard methodology for assigning a mission criticality level to their facilities. Without reliable site plans, NNSA has less assurance that the \$1.5 billion it intends to spend for infrastructure improvements over the next 5 years will be spent on the most urgent needs and mission-essential facilities. In addition, NNSA may be unable to ensure the vitality and readiness of the nuclear weapons complex.

The OIG recommended that the Associate Administrator for Facilities and Operations: (1) develop and implement guidance establishing standard criteria for identifying mission critical facilities, and define the types of facilities to be included; and (2) require NNSA sites to conduct new condition assessments on all mission critical facilities, and update their Ten-Year Comprehensive Site Plans using the revised condition assessments. NNSA management concurred with the recommendations and stated that many actions have been taken to address the overarching issues noted in the report. NNSA did not believe, however, that it risked being unable to ensure the vitality and readiness of the nuclear weapons complex as indicated in the report. (OAS-B-03-02)

Audit Finds Significant Progress Made in Construction of the National Ignition Facility

The National Ignition Facility (NIF) at LLNL will be an integral part of the NNSA mission of maintaining the safety, reliability, and effectiveness of the nuclear stockpile without underground nuclear testing. The facility will be key to the science-based stockpile stewardship program, creating temperatures, pressures, and densities that approach those found in an exploding nuclear weapon.



Installation of NIF Spatial Filter End Vessels in Laser Bay 2 at Lawrence Livermore National Laboratory.



NIF project construction was originally estimated to cost \$1.2 billion. In 1999, the Department reported, however, that there would be significant schedule and cost problems in completing the facility by the June 2003 completion date. In April 2001, NNSA revised the completion date to September 2008 and presented revised cost estimates of \$2.2 billion for project construction and another \$1.2 billion for demonstration and commission of the facility's laser performance.

In light of the initial schedule and cost concerns, the OIG conducted an audit to determine whether NNSA would be able to complete construction of the NIF facility within the revised schedule and cost baselines. The audit determined that significant progress has been made toward constructing the facility within the revised schedule and cost baselines. As of February 2003, about 73 percent of the facility was complete and LLNL had met all revised milestone dates within the cost baseline. Furthermore, the audit revealed that LLNL had successfully developed project management controls, including milestone dates that were more aggressive than those set by NNSA.

The OIG plans to continue to monitor the project.
(IG-0598)

Improvements Necessary in Project Management Control of the Dual Axis Radiographic Hydrodynamic Test Facility

The Dual Axis Radiographic Hydrodynamic Test (DARHT) Facility at the LANL will be the Nation's first hydrodynamic test facility capable of producing three-dimensional x-ray photographs. Hydrodynamic tests are used to obtain diagnostic information on the behavior of a nuclear weapon and to evaluate the effects of aging on the nuclear weapons remaining in the Nation's stockpile. The OIG conducted an audit to determine whether the DARHT project was within schedule, cost, and technical scope.



The following photograph shows DARHT's main facility, the Hydrotest Firing Site, under construction.



The audit disclosed that the DARHT facility would not be completely operational until at least 15 months after scheduled completion. In addition, the following activities gave the erroneous appearance that the total project cost had remained within the planned budget: scope changes had reduced or eliminated work elements; critical activities had been shifted to other programs; and at least two activities that were part of the original scope of work are being completed with non-project funds.

The audit concluded that project management control, as exercised by the NNSA and LANL, needed improvement. Specifically, budget estimates were not realistic, given the project's technical complexity; a sufficient contingency fund had not been established; and additional project funding had not been requested, even when needed. As a result, DARHT lacked a viable baseline and at least an additional \$57.5 million in costs associated with the transferred work elements will have to be absorbed by other programs or projects. Management generally concurred with the OIG's finding and recommendations. **(IG-0599)**

Inefficiencies Found in Beryllium Oxide Operations at the Y-12 National Security Complex

The Y-12 National Security Complex is a vital part of the Department's national defense mission, and its mandate is to help ensure the viability of the Nation's nuclear weapons stockpile. As part of its stockpile stewardship responsibilities, Y-12 makes widespread use of beryllium oxide primarily as a ceramic component in nuclear weapons. Beryllium oxide is highly toxic, posing significant health risks to workers. Y-12's beryllium oxide operations include 141 active storage and operational areas. The OIG initiated an audit of Y-12 to determine whether the Department was conducting its beryllium oxide operations in the most efficient and effective manner.

The audit disclosed a number of inefficiencies in Y-12's beryllium oxide operations. For example, operations were spread across the Y-12 site and, in some cases, were co-located with other Y-12 operations. In addition, manufacturing equipment and facilities were outdated, which increased manufacturing time and costs and exacerbated health hazards associated with the use of beryllium. Problems persisted because the Department did not have an approved, consistent plan for improving operations. Further,



the Department did not consider materials other than beryllium oxide that may be capable of performing the same function without the harmful health effects. As of September 2002, the Department had spent about 4 years and \$10 million on activities designed to mitigate the identified problems with beryllium operations; however, at the time of the audit, improvements were still needed.

The OIG recommended that the Deputy Administrator for Defense Programs: (1) ascertain the viability of using a substitute for beryllium oxide; (2) determine the most efficient and effective path forward for supporting the enduring stockpile; (3) prepare a plan to implement the decision; and (4) take action, in the interim, to mitigate the existing beryllium oxide operational efficiency and effectiveness issues. Management agreed with our recommendations and stated that it would begin the appropriate corrective action process immediately. (IG-0595)



Ames Laboratory aerial view.

■ WORKER/COMMUNITY SAFETY

Shortcomings in the Oversight of Shock Sensitive Chemicals at the Department's Ames Laboratory

Shock sensitive chemicals, which are used throughout the Department's complex, are substances that have the potential to undergo rapid reactions that can produce an explosion. The OIG conducted an inspection to determine the adequacy of management controls over shock sensitive chemicals at the Ames Laboratory (Ames).

The review determined that although Ames had documented requirements in place for controlling shock sensitive chemicals, implementation shortcomings existed. During the course of the inspection, the OIG also learned that the Department does not have a standard definition or listing of shock sensitive chemicals. This situation has resulted in inconsistent handling of shock sensitive chemicals from site to site.



Ames Lab Scientists are studying the effects of light on chemical reactions.

The OIG recommended that the Assistant Secretary for Environment, Safety and Health (EH): (1) develop and implement a Department definition or list of shock sensitive chemicals; and (2) evaluate whether Department-wide standards for controlling shock sensitive chemicals should be developed and appropriately implement the results of that evaluation. Recommendations were also made to the Manager, Chicago Operations Office to ensure improved controls over shock sensitive chemicals at Ames.

EH agreed that the management of shock sensitive chemicals needs enhancement. EH also proposed actions that, when implemented, should address the OIG's program-wide concerns. Chicago Operations Office management concurred with our recommendations and identified a number of corrective actions taken that appear to address the OIG recommendations. **(IG-0615)**



■ ADMINISTRATIVE SAFEGUARDS

Congressional Request to Review Alleged Inappropriate Communications by Federal Energy Regulatory Commission Chair and Member

At the request of Senators Joseph Lieberman and Maria Cantwell, the OIG conducted an inquiry concerning a telephone conference call held by Chairman Pat Wood and Commissioner Nora Mead Brownell of the Federal Energy Regulatory Commission (Commission) with a number of Wall Street representatives. At issue was whether Chairman Wood and Commissioner Brownell inappropriately discussed pending cases during the call. Specifically, media accounts cited by the Senators reported that the Commissioners may have indicated how they intended to vote on particular contract cases.

The OIG did not identify evidence substantiating the allegation that the conduct or contents of the call violated any Commission procedural rules. While recognizing the Commission's desire to engage in public outreach, the OIG did recommend that the Commission carefully consider whether the conduct or contents of communications such as those at issue in this particular instance expose Commission decision-making to avoidable legal challenge or needless controversy.

To the extent the Commission intends to continue engaging in such communications in the future, the OIG believes that the Commission should carefully consider whether: (1) such communications should be tape-recorded or concurrently transcribed and otherwise made available to the public as soon as possible; (2) the identities and affiliations of the participants in such communications should be recorded; and (3) other steps should be taken to promote public confidence in Commission proceedings, including, for example, a practice of inviting members of the media or the general public to participate. **(IG-0610)**

Department Withholds Monies from Prime Contractor for Improper Training Costs

An OIG investigation determined that the prime contractor at the Portsmouth Gaseous Diffusion Plant improperly billed the Department for (1) employee training that occurred prior to the start of the contract; and



(2) excessive training hours associated with two contractor employees. The Department, in coordination with the U.S. Attorney's Office for the Southern District of Ohio, disallowed and withheld \$251,800 from the prime contractor to resolve this matter. (I02OR012)

Contractor Employee Convicted and Sentenced for Misuse of Government Funded Fleet Cards

An OIG investigation determined that a contractor employee assigned to the Hanford Site Special Response Team Security Force stole and utilized two U.S. Government fleet fuel credit cards to make personal fuel and oil purchases in excess of \$7,000. The subject pleaded guilty to a one-count violation of Title 18 U.S.C. 641 (Theft of Government Property). The individual was sentenced to 1-year probation and ordered to pay restitution in the amount of \$7,190.33. The individual's employment was terminated as a result of the investigation. (I03RL004)

Contractor Employee Debarred for Misuse of Government Credit Card and Theft of Funds

An OIG investigation determined that a former employee at Pacific Northwest National Laboratory: (1) misused an assigned Government funded credit card to make personal purchases totaling \$1,709.04; and (2) stole \$3,115 in Laboratory continuing education funds. The individual was charged in the State of Washington with theft in the first degree. In response to an OIG Administrative Report to Management, the Department debarred the subject from Government contracting for a period of 3 years. The subject's current whereabouts are unknown. (I02RL003)

Subcontractor Employees Plead Guilty to Theft of Government Property

An OIG joint investigation with a local Sheriff's Department determined that two subcontractor employees at the Bonneville Power Administration (BPA) stole in excess of \$45,000 of Government property. The property, consisting of computer hardware, software, and accessories; office supplies; power tools; and steel shelving units, was recovered during the investigation. The two subjects pleaded guilty to violations of 18 U.S.C. 641 (Theft of Government Property). One subject was sentenced to 3 months' home detention, 3 years' probation, and was ordered to pay a \$100



court assessment fee. The second subject was sentenced to 180 days home detention, 3 years' probation, and was ordered to pay a \$100 court assessment fee. Both subjects were terminated as a result of the investigation. **(I02RL005)**

Laboratory Intern Charged with Destruction of a Government Laptop

An OIG investigation determined that a student intern at Sandia National Laboratories stole and destroyed an unclassified Government laptop computer. The intern's employment was terminated. The subject pleaded no contest to one count of Computer Abuse, in violation of New Mexico State Statute, Chapter 30, Article 45, Section 4(5). The subject was sentenced to 2 years' probation and agreed to reimburse the Department \$10,000. **(I02AL015)**

Civil Judgment Awarded Against Former Department Subcontractor for Filing False Coal Test Invoices and Reports

As previously reported, a joint investigation with other Federal law enforcement agencies determined that two subcontractor officials and their respective companies knowingly submitted false claims to the Departments of Energy and Defense in the form of coal test reports and invoices for coal testing. Both individuals pleaded guilty to criminal charges of filing false statements, and each was sentenced to 2 years' probation. Both companies and their owners were also debarred from Government contracting for a 3-year period.

During this reporting period, a civil judgment in the amount of \$1,030,000 was rendered against one of the companies and its owner. Other additional claims are pending. **(I94SR018)**

Former Department Employee Debarred for Violations of the False Claims Act

As previously reported, an OIG investigation determined that a Department employee in the Office of Scientific and Technical Information (OSTI) conspired with a Department subcontractor employee to submit false Government travel and lodging claims. 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 False Claims Act. 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.



During the current reporting period, the former OSTI employee was debarred from Government contracting and Government-approved subcontracting for a 3-year period. **(I00OR002)**

Department Supply Specialist Sentenced for Receiving Kickbacks

As previously reported, a joint investigation with the Federal Bureau of Investigation (FBI) determined that a Department employee responsible for providing oversight of carpet cleaning contractors received kickbacks from a carpet-cleaning vendor. The employee, a General Supply Specialist, also provided the vendor with competitor bid information. As a result of the investigation, the employee pleaded guilty to Title 18 U.S.C. 201(b)(2)(A) (Bribery of Public Official) and retired from Federal Service.

During the current reporting period, the individual was sentenced to 6 months' imprisonment, 6 months' home detention, 2 years' supervised release and was ordered to pay a \$5,000 fine and a \$100 assessment fee. In response to an Administrative Report to Management, the Department also took action to correct identified systemic weaknesses associated with the individual's utilization of a Government purchase card to obtain carpet cleaning services. **(I01HQ006)**

Subcontractor Employee Sentenced for Theft of Property

As previously reported, a joint investigation by the OIG and FBI determined that over a 4-year period a former subcontractor employee at the INEEL stole about \$10,000 worth of Government property. The stolen property, which included a computer, printer, carpet and various tools, has been recovered. As a result of the investigation, the subcontractor terminated the subject's employment. In addition, the subject pleaded guilty to a 1-count violation of Title 18 U.S.C. 641 (Theft of Government Property).

During the current reporting period, the subject was sentenced to 3 months' incarceration, 1 year supervised release, and was ordered to pay a \$3,500 fine, \$651.75 in restitution, and a \$25 assessment fee. **(I01IF004)**



Contractor Procurement Official Sentenced for Bribery

As previously reported, an OIG joint investigation with the FBI determined that a contractor procurement official inappropriately accepted cash and other items of value from a laboratory vendor. The investigation found that over a 2-year period the procurement official worked with the vendor to inflate the cost of specialty sensor parts; improperly purchased the parts with a Government procurement card; ordered and paid for parts that were never delivered; and arranged for the subcontractor to fix, repair, and rework parts at inflated prices. The procurement official pleaded guilty to violating Title 18 U.S.C. 201(b)(2)(A) (Bribery of Public Official).

During the current reporting period, the procurement official was sentenced to 1 year and 1 day incarceration and 3 years' supervised release and was ordered to pay \$12,500 in restitution, a \$3,000 fine, and a \$100 special assessment fee. The procurement official is no longer an employee of the contractor. **(I01LL003)**

Contractor Employee Sentenced for Theft of Public Money

As previously reported, an OIG joint investigation with the FBI determined that a contractor employee at the Department's Brookhaven National Laboratory submitted false travel vouchers in the amount of \$51,130. During the course of the investigation, the subject made restitution to the Department and subsequently pleaded guilty to violating Title 18 U.S.C. 641 (Theft of Public Money).

During the current reporting period, the subject was sentenced to 2 years' probation, 6 months' home detention and was ordered to pay a \$9,600 fine and \$25 assessment fee. **(I02PT003)**

Department Employee Sentenced for Filing False Income Tax Returns

As previously reported, 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 Title 26 U.S.C. 7206(1) (Filing False Income Tax Returns) and subsequently resigned.

During this reporting period, the individual was sentenced to 7 months' imprisonment, 7 months' home detention, and 1 year supervised release. The individual was also ordered to pay \$35,675 in restitution and a \$400 assessment fee. **(I98HQ006)**

Individual Sentenced in Connection with Theft and Forgery of Department Security Badges

As previously reported, a joint investigation with the FBI determined that an individual not associated with the Department or its contractors stole and then forged Department security badges to facilitate the cashing of fraudulent checks. The individual pleaded guilty to a three-count violation of Title 18 U.S.C. 1028(a)(6) (Fraud and Related Activity in Connection with Identification Documents) and a one-count violation of Title 18 U.S.C. 471 (Manufacturing Counterfeit Securities of the United States).

During the current reporting period, the individual was sentenced to 5 months' incarceration, 4 months' home confinement, and 3 years' supervised release and was ordered to pay \$300. **(I02AL013)**



CONGRESSIONAL RESPONSES AND
PCIE ACTIVITIES

■ **CONGRESSIONAL RESPONSES**

During this reporting period, the OIG received 27 requests for information from Congress, provided information in 29 instances to Congress, briefed Committee staff on 12 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 the Federal Government. Most recently, this Office participated in the Committee's revision of the “Policy Statement on Internal Quality Control and External Peer Reviews.”

■ **PRESIDENT’S COUNCIL ON INTEGRITY
AND EFFICIENCY AWARDS**

The OIG is pleased to report that members of our staff received the following PCIE Awards for Excellence:

Y-12 Audit Group – for outstanding achievements in improving integrity, efficiency, and effectiveness of Government operations through several high-impact audits that were truly innovative and which directly resulted in management action to improve operations, cost savings, and improved health and safety for workers. (Audits included: “*Calutron Isotope Production Capabilities*,” IG-0574; “*Beryllium Oxide Operations at Y-12*,” IG-0595; “*Management of Beryllium Metal Supply*,” IG-0583; and “*Reconfiguration of Kansas City Plant*,” IG-0616.)

Office of Inspections – for outstanding efforts in its work to enhance Department safeguards and security through various reviews, including cross-cutting topics, such as emergency cooperative agreements with other entities, aircraft response to terrorist incidents involving nuclear weapons, protective force efficacy, and high-risk property.



Nuclear/Energy Audit Group – for outstanding contributions to national security in their review of classified visit controls at two national laboratories.

Idaho Falls Audit Office – for outstanding work on audits of the Department’s Advanced Mixed Waste Treatment Project.

Stockpile Stewardship Audit Team – for outstanding audits of the Department’s Stockpile Stewardship Program. Specifically, this team conducted high-impact audits concerning weaknesses in stockpile stewardship operations, maintenance, refurbishment, testing, components and materials.

OIG Members of the East Tennessee Environmental Crimes Task Force – for their outstanding, sustained, and distinguished performance in connection with the investigation and prosecution of environmental crimes within the Eastern District of Tennessee.



■ HIGHLIGHTS OF POSITIVE RESULTS BASED ON OFFICE OF INSPECTOR GENERAL WORK

During the current reporting period, the Department took the following positive actions as a result of prior and recent Office of Inspector General work. Consistent with our findings and recommendations in:

- our review entitled, “*Management of Sensitive Equipment at Selected Locations*,” IG-0606, and other investigations into security lapses at the Department’s nuclear laboratories, the Secretary of Energy directed the NNSA to overhaul security procedures at all NNSA laboratories. (See audit summary on page 5.)
- our audit concerning, “*Beryllium Oxide Operations at the Y-12 National Security Complex*,” IG-0595, the Deputy Administrator for Defense Programs has decided not to build the Beryllium Manufacturing Facility and to cease beryllium oxide fabrication by the end of Fiscal Year 2004. (See audit summary on page 31.)
- our report entitled, “*The Advanced Mixed Waste Treatment Facility Contract at the Idaho National Engineering and Environmental Laboratory*,” IG-0622, Department management, in an apparent reversal of position, is conducting an analysis to determine whether a substantial price adjustment is warranted under the contract to construct the Advanced Mixed Waste Treatment Facility. (See audit summary on page 4.)
- our report entitled, “*Accounting for Government Owned Nuclear Material Provided to Non-Department Domestic Facilities*,” IG-529, the Nuclear Regulatory Commission has directed 1,100 companies to report on the precise amount of nuclear materials in their possession. This directive is part of an initiative to update the Nuclear Materials Management and Safeguards System used to track nuclear materials held by private, educational and other facilities.
- our review entitled, “*Accounting for Sealed Sources of Nuclear Material Provided to Foreign Countries*,” IG-0546, on March 11, 2003, the Secretary of Energy announced at the International Atomic Energy Agency conference on Security of Radioactive Sources that the U.S. was evaluating potential vulnerabilities in the control of radioactive sources in order to strengthen the regulatory infrastructure for accounting, tracking and disposing of such sources. In addition, the Secretary announced that the U.S. will focus its



resources on assisting developing countries to locate, consolidate, secure, and dispose of high-risk, orphaned radiological sources by developing national and regional repositories for these sources.

- Our report entitled, “*Calutron Isotope Production Capabilities*,” IG-0574, Department management re-evaluated its decision to permanently disable existing calutrons. As part of the re-evaluation, management agreed to maintain existing calutrons in an operable condition until they are no longer needed.

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.

■ QUI TAMMS

Since 1996, the OIG has been instrumental in working with the Department of Justice (DOJ) in Qui Tam cases. The OIG is currently working with the DOJ on 24 Qui Tam lawsuits involving alleged fraud against the Government in the amount of approximately \$187 million.

■ 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 119 complaints to Department management and other Government agencies during this reporting period and specifically requested Department management to respond concerning the actions taken on 40 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 demonstrate management’s use of OIG information to stimulate positive change or to take decisive action:

- The OIG referred evidence to management indicating that, while on duty, a contractor employee had been using Government computers to send private citizens harassing e-mail. Department management found the evidence persuasive enough to provide it to the contractor, who then terminated the employee.



OTHER SIGNIFICANT ACCOMPLISHMENTS

- In response to complaints of possible misuse of vehicles, a management and operating contractor at one of the Department's sites confirmed that two employees were inappropriately using Government motor-pool vehicles. In addition to taking corrective actions specific to the two individuals, the contractor's internal audit organization is conducting a systematic review of all light-vehicle usage.
- In response to allegations of safety issues at a Department site, the program office responded with a detailed table showing 18 corrective actions it had identified for the site contractor to implement. To date, the program office has: interviewed 150 employees concerning these issues; revised safety and radiological control procedures to prevent "radiological airborne uptakes"; and taken disciplinary action against a manager.

■ 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 23 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.



OTHER SIGNIFICANT ACCOMPLISHMENTS

■ 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 572 complaints. As noted throughout this report, you can reach the OIG Hotline by calling 1-800-541-1625 or 202-586-4073.



AUDIT REPORTS ISSUED
April 1, 2003, to September 30, 2003

REPORTS ISSUED

REPORT NUMBER	TITLE	DATE OF ISSUE	SAVINGS	QUESTIONED COSTS
IG-0595	Beryllium Oxide Operations at the Y-12 National Security Complex	04-16-03	\$200,000,000	
IG-0596	University of California's Costs Claimed and Related Internal Controls for Operation of Los Alamos National Laboratory	04-16-03		\$14,599,874
IG-0598	Status of the National Ignition Facility Project	04-28-03		
IG-0599	Dual Axis Radiographic Hydrodynamic Test Facility	05-22-03	\$57,500,000	
IG-0600	Oversight Funds Provided to Local Governments in the State of Nevada	05-23-03		\$3,345,160
IG-0601	Idaho National Engineering and Environmental Laboratory's Strategic Initiative Fund	05-27-03		
IG-0602	Management of the Department's Protective Forces	06-03-03		
IG-0603	International Materials Protection, Control and Accountability Nonproliferation Initiative	06-04-03		
IG-0606	Management of Sensitive Equipment at Selected Locations	06-16-03		
IG-0607	Plutonium-238 Production	06-19-03		
IG-0608	The Department of Energy's Spent Nuclear Fuel Canisters and Transportation Casks	06-20-03		
IG-0609	Utility System Leases at the East Tennessee Technology Park	06-25-03		\$6,900,000
IG-0611	Waste Reduction Plans for the Advanced Mixed Waste Treatment Project at the Idaho National Engineering and Environmental Laboratory	07-07-03		



REPORTS ISSUED

IG-0612	Disposal of the Rocky Flats Environmental Technology Site's Low-Level Mixed Waste	07-08-03		
IG-0613	Disposal of Remote-Handled Transuranic Waste at the Waste Isolation Pilot Plant	07-18-03	\$7,900,000	
IG-0614	National Nuclear Security Administration's Planning, Programming, Budgeting, and Evaluation Process	08-05-03		
IG-0616	Reconfiguration of the Kansas City Plant	08-13-03	\$22,000,000	
IG-0617	Security Over Wireless Networking Technologies	08-25-03		
IG-0618	Savannah River Site's Waste Solidification Building	09-04-03		
IG-0620	The Department's Unclassified Cyber Security Program-2003	09-17-03		
IG-0622	The Advanced Mixed Waste Treatment Facility Contract at the Idaho National Engineering and Environmental Laboratory	09-30-03	\$90,000,000	
OAS-B-03-01	Power Marketing Administration Infrastructure Protection	04-28-03		
OAS-B-03-02	Planning for National Nuclear Security Administration Infrastructure	05-06-03		
OAS-B-03-03	Infrastructure Improvements at the Hanford Site	05-07-03		
OAS-L-03-13	Performance Measures in the Office of Science	04-22-03		
OAS-L-03-14	Office of Energy Efficiency and Renewable Energy's (EE) Grants, Subsidies, and Cost Sharing Arrangements	04-17-03		
OAS-L-03-15	Weatherization Assistance Program	04-18-03		
OAS-L-03-16	Department of Energy's Nuclear Weapons Incident Response Program	04-16-03		



REPORTS ISSUED

OAS-L-03-17	Distributed Energy Resources Program	05-02-03		
OAS-L-03-18	Utilization of Safeguards and Security Funding	05-29-03		
OAS-L-03-19	Recurring Acquisitions at the Chicago Operations Office	08-14-03		
OAS-L-03-20	Procurement Administration at the Oak Ridge National Laboratory	09-11-03		
OAS-L-03-21	The Federal Energy Regulatory Commission's Cyber Security Program-2003	09-22-03		
OAS-L-03-22	Relocation of Administrative Personnel from A-Area to B-Area at the Savannah River Site	08-25-03		
OAS-V-03-06	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Argonne National Laboratory Under Department of Energy Contract No. W-31-109-ENG-38	04-08-03		
OAS-V-03-07	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Ames Laboratory Under Department of Energy Contract No. W-7405-ENG-82	04-17-03		



REPORTS ISSUED

OAS-V-03-08	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Bechtel BWXT, LLC Under Department of Energy Contract No. DE-AC07-99ID13727	04-24-03		
OAS-V-03-09	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to DynMcDermott Petroleum Operations Company Under Department of Energy Contract No. DE-AC96-93PO18000	06-10-03		
OAS-V-03-10	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation Under Department of Energy Contract No. DE-AC04-94AL85000	07-14-03		\$1,131,434
OAS-V-03-11	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Battelle-Pacific Northwest National Laboratory Under Department of Energy Contract No. DE-AC06-76RL01830	08-28-03		
OAS-V-03-12	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	08-28-03		
OAS-V-03-13	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Honeywell Federal Manufacturing and Technologies, LLC Under Department of Energy Contract Nos. DE-AC04-76DP00613 and DE-AC04-01AL66850	08-29-03		
OAS-V-03-14	Review of the Single Audit Report of the Jacksonville Electric Authority Under U.S. Department of Energy Cooperative Audit Agreement No. DE-FC21-90MC27403	09-08-03		



REPORTS ISSUED

OAS-V-03-15	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to the Westinghouse Savannah River Company Under Department of Energy Contract No. DE-AC09-96SR18500	09-17-03		
OAS-V-03-16	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Oak Ridge Associated Universities Under Department of Energy Contract Numbers DE-AC05-76OR00033 and DE-AC05-00OR22750 for Fiscal Years 2000 through 2002	09-17-03		
OAS-V-03-17	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 Under Department of Energy Contract No. DE-AC05-98OR22700	09-29-03		
OAS-V-03-18	Review of the Independent Auditors' Report on Princeton University for the Year Ended June 30, 2002	09-30-03		
CR-FC-03-03	Uranium Enrichment Decontamination and Decommissioning Fund's Fiscal Year 2002 Financial Statement Audit	08-21-03		
CR-FC-03-04	Western Area Power Administration Fiscal Years 2002 and 2001 Combined Financial Statement Audit	06-10-03		



INSPECTION REPORTS ISSUED
*April 1, 2003, to September 30, 2003**

REPORTS ISSUED

REPORT NUMBER	TITLE	DATE OF ISSUE
IG-0593	Inspection Report on "Concerns Related to the Office of International Material Protection and Emergency Cooperation"	04-01-03
INS-L-03-06	Letter Report on "Inspection of Explosives Security at Selected Department of Energy Sites"	04-03-03
IG-0597	Interim Inspection Report on "Inspection of Internal Controls Over Personal Computers at Los Alamos National Laboratory"	04-25-03
INS-L-03-07	Letter Report on "Inspection of Status of Recommendations from the Office of Inspector General's March 2000 and December 2001 Export Control Reviews"	05-28-03
IG-0604	Report on "Inspection of Savannah River Operations Office Management of Emergency Response and Law Enforcement-Related Grants"	06-02-03
IG-0605	Inspection Report on "National Nuclear Security Administration's Ability to Meet the Aircraft Requirements of the Joint Technical Operations Team"	06-05-03
INS-L-03-08	Letter Report on "Internal Controls Over Firearms at the Savannah River Site"	07-29-03
INS-L-03-09	Letter Report on "Inspection of Internal Controls Over Laptop and Desktop Computers at the Savannah River Site"	07-29-03
IG-0615	Inspection Report on "Oversight of Shock Sensitive Chemicals at the Department's Ames Laboratory"	08-11-03
INS-L-03-10	Letter Report on Inspection of "Alleged Missing Documents from the Los Alamos National Laboratory Library"	08-11-03
IG-0619	Inspection Report on "The Security Afforded Selected Tritium Reservoir Shipments (U)." Classified Report	09-16-03
IG-0621	Inspection Report on "Firearms Internal Controls at the Lawrence Livermore National Laboratory"	09-25-03

*Does not include non-public reports.

OFFICE OF SPECIAL INQUIRIES REPORTS ISSUED
April 1, 2003, to September 30, 2003

REPORT NUMBER	TITLE	DATE OF ISSUE
IG-0610	Special Inquiry - FERC Communications	6-27-03



AUDIT REPORT STATISTICS
April 1, 2003, to September 30, 2003

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*	12	\$3,706,115,011	\$90,113,550	\$3,796,228,561
Those issued during the reporting period	49	\$403,376,468	\$0	\$403,376,468
Those for which a management decision was made during the reporting period *	28	\$526,020,069	\$41,264,000	\$567,284,069
<i>Agreed to by management</i>		\$347,315,524	\$20,000,000	\$367,315,524
<i>Not agreed to by management</i>		\$61,888,671	\$0	\$61,888,671
Those for which a management decision is not required	23	\$1,131,434	\$0	\$1,131,434
Those for which no management decision had been made at the end of the reporting period*	10	\$3,700,287,284	\$70,113,550	\$3,770,400,834

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

STATISTICS



AUDIT REPORT STATISTICS

April 1, 2003, to September 30, 2003

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

	TOTAL NUMBER	QUESTIONED COSTS	UNSUPPORTED COSTS
Those issued before the reporting period for which no management decision has been made	4	\$4,436,951	\$84,241
Those issued during the reporting period	0	\$0	\$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	\$4,436,951	\$84,241

STATISTICS



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 (Estimated date of closure: March 31, 2004)
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 (Estimated date of closure: December 31, 2003)
ER-C-00-03	Interim Audit of Thomas Jefferson National Accelerator Facility Costs Incurred Under Contract No. DE-AC05-84ER40150 Fiscal Years 1994 Through 1999 (Estimated date of closure: November 30, 2003)
OAS-C-03-01	Final Audit of Princeton University's Costs Claimed for National Aeronautics and Space Administration Contract NAS5-96021, November 18, 2002 (Estimated date of closure: March 31, 2004)



STATISTICS

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

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 31, 2003.

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, 2003.

IG-0545 Cyber-Related Critical Infrastructure Identification and Protection Measures, March 20, 2002

The finalization of the Management Decision on this report is awaiting review and mandatory concurrence by several organizations. It is expected that this will occur December 31, 2003.

IG-0565 Salt Processing Project at the Savannah River Site, August 27, 2002

The finalization of the Management Decision on this report is pending the resolution of one outstanding legal issue. This should occur by March 31, 2004.



INVESTIGATIVE STATISTICS
April 1, 2003, to September 30, 2003

STATISTICS

Investigations open at the start of this reporting period	222
Investigations opened during this reporting period	84
Investigations closed during this reporting period	66
Investigations open at the end of this reporting period	240
Qui Tam investigations opened	3
Total open Qui Tam investigations as of 09/30/03	24
Multi-agency task force investigations opened	21
Total open multi-agency task force investigations as of 09/30/03	91
Investigative reports to prosecutors and Department management	10
Recommendations to management for positive change and other actions	15
Administrative discipline and other management actions	22
Suspensions/Debarments	7
Investigations referred for prosecution	22
<i>Accepted*</i>	17
<i>Indictments</i>	14
<i>Criminal convictions</i>	10
<i>Pretrial diversions</i>	0
<i>Civil actions</i>	7
Fines, settlements, recoveries**	\$1,378,054.02

*Some of the investigations appearing 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, 2003, to September 30, 2003

Inspections open at the start of this reporting period	54
Inspections opened during this reporting period	26
Inspections closed during this reporting period	17
Inspections open at the end of this reporting period	63
Reports issued (includes non-public reports)	15
Inspection Recommendations	
<i>Accepted this reporting period</i>	30
<i>Implemented this reporting period</i>	29
Complaints referred to Department management/others	119
<i>Referrals to Department management requesting a response for OIG evaluation</i>	40

HOTLINE STATISTICS
April 1, 2003, to September 30, 2003

Hotline calls, e-mails, letters, and other complaints	572
Hotline calls, e-mails, letters, and other complaints predicated	239
Unresolved Hotline predications from previous reporting periods	20
Total Hotline predications	259
Hotline predications transferred to the Management Referral System	148
Hotline predications closed based upon preliminary OIG activity	94
Hotline predications pending disposition	17
Total predications processed	259

STATISTICS



FEEDBACK SHEET

The contents of the October 2003 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-1)
Washington, D.C. 20585

ATTN: Jacqueline Becker

Your name:

Your daytime telephone number:

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

