

# memorandum

DATE: November 15, 2006

REPLY TO

ATTN OF: IG-40

SUBJECT: Letter Report on "Alleged Waste of Funds Involving Excess Property at Rocky Flats"  
(INS-L-07-03)

TO: Assistant Secretary for Environmental Management

This is to advise you of the results of an Office of Inspector General inspection of alleged waste of funds involving excess property at the Department of Energy's (DOE's) Rocky Flats site.

## BACKGROUND

Nuclear weapons production operations at Rocky Flats were discontinued in 1992. Subsequently, responsibility for Rocky Flats was reassigned from the Department's Office of Defense Programs to the Office of Environmental Management. In January 2000, DOE entered into a contract with Kaiser-Hill Company, LLC, for the closure of Rocky Flats by December 2006. Closure activities included the dismantling and removal of 805 structures, many of which were radioactively contaminated, as well as the disposal of 600,000 items of excess property and equipment. Rocky Flats was closed on October 13, 2005.

The dismantling and removal of structures included the 371/374 Building Cluster. Prior activities in the 371/374 Building Cluster focused on the recovery of plutonium from mission-related work and the treatment of aqueous waste. At the time site facilities were being evaluated for closure, the 371/374 Building Cluster contained radiological and chemical contamination on building surfaces and in building equipment/systems.

The Office of Inspector General received an allegation that Kaiser-Hill wasted funds by throwing away thousands of dollars of excess personal property from the 371/374 Building Cluster without making the property available for sale to other parties. It was alleged that the property included items such as tool chests, electric motors, conduits and fittings, spools of wire, and many other types of tools and supplies valued at anywhere from \$16 to \$8,000. Reportedly, some of the items were brand new and still in their boxes. It was also alleged that, inconsistent with how most of the property was handled, an electrical subcontractor was allowed to take possession of some equipment and remove it from the site.

After receiving the allegation, the Office of Inspector General conducted a preliminary inquiry. We were informed that property remaining on-site was considered "economic discard" and that it was cheaper to discard the property rather than incurring costs to decontaminate it and try to sell it at auction. In response to continuing concerns, the Office of Inspector General initiated an inspection into the facts and circumstances surrounding this matter.

## RESULTS OF INSPECTION

We determined that a decision was made by DOE and Kaiser-Hill that under certain circumstances personal property at Rocky Flats would be disposed of as low-level waste rather than surveying it for radioactive contamination, trying to decontaminate it, and selling it at auction. Under such a scenario, it was entirely possible that, as alleged, new or usable excess property was disposed of instead of being processed for sale. However, despite our best efforts, we could not locate documentation supporting the disposition of the excess property in question. As a consequence, we could not determine whether the disposition actions were consistent with site property procedures that implemented this decision by the Department and Kaiser-Hill.

DOE and Kaiser-Hill officials told us that the decision on how to dispose of excess property at Rocky Flats was made based on the cost of decontaminating property, the risk of releasing contaminated property, and the overall impact to the site closure schedule. Officials told us that the site had experienced problems with excess property that had previously been auctioned to the public. They referenced instances where auctioned excess property had to be recovered by the Government because of contamination and safety concerns. The officials said that, in order to eliminate the liability associated with releasing contaminated excess property, a decision was made that excess property stored within the secured zone where the 371/374 Building Cluster was located would be declared low-level waste and sent to a radioactive waste landfill.

We found that the disposal decision was incorporated into site closure procedures, which were approved by the Department. Specifically, the Rocky Flats Property Control Manual stated that the emphasis was on completing “expedited closure” of the site and that abandonment and destruction of property may be the most economical means of achieving closure of the facility. As such, the Property Control Manual provided for expedited property disposal activities and a streamlined disposal process, incorporating exemptions from certain provisions of Subchapter H of the DOE Property Management Regulations and Federal Property Management Regulations. The Property Control Manual specifically allowed for excess property from a nuclear facility that was “not free releasable based on process knowledge”<sup>1</sup> and that had a unit acquisition cost of less than \$5,000 to be treated as suspect contaminated property and disposed of as low level waste.

It was specifically alleged that the property in question came from various rooms in the 371/374 Building Cluster, which included several maintenance shops in Building 371. We determined that Buildings 371 and 374 were designated “Type 3” facilities, meaning that they contained significant radiological contamination. Further, the vast majority of items identified in the complaint would have had a unit acquisition cost of less than \$5,000. Therefore, under site procedures the vast majority of the items could have been treated as “suspect contaminated property” and disposed of as low level waste if they could not be released “based on process knowledge.”

It was also alleged that the Building 371 maintenance shops were in the “cold” non-radioactive portion of the building, and it was believed that these items would not have been

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<sup>1</sup> “Not free releasable based on process knowledge” means that an official with knowledge of the management and/or use of excess property is unable to certify that the property is free to be released without radiological or other restrictions.

contaminated and could, therefore, have been made available for sale. However, an official from the site subcontractor that handled property disposal told us that when the 371/374 Building Cluster came due for demolition, there was no one left at the site to certify that property was releasable based on process knowledge. This official also said that, based upon the company's experience, it would not have been cost effective to survey this property for radiological and hazardous material contamination and that, as a result, this property was disposed of as low-level waste. The official acknowledged that it was possible that some new property still in boxes was disposed of in this manner.

Department and contractor officials could not provide any documentation supporting: (1) the contention that certifications based on process knowledge could not be obtained for excess property items coming from the 371/374 Building Cluster; or, (2) that any formal analysis was done relating to whether or not it would have been cost effective to survey the excess property for radiological and hazardous material contamination. We were told that the determination of cost effectiveness was based on experience relating to the cost of the survey effort verses what the property would bring at auction.

In addition, Department and contractor officials were unable to provide any documentation describing the specific excess property items that were sent to the waste disposal site from the 371/374 Building Cluster, including the 371 maintenance shops. There were manifests for the shipments to the waste disposal facility, but the descriptions of materials on the manifests were general and did not identify specific excess property items. Consequently, we were unable to determine if the disposition path for the items identified in the allegation was consistent with the requirement in the Property Control Manual that items be under a \$5,000 acquisition cost limit.

We did not corroborate the allegation, which we were informed was not based on first-hand knowledge, that an electrical subcontractor was allowed to remove some property from Rocky Flats. Our inquiries included interviews of Rocky Flats and property disposal subcontractor officials, and none had any knowledge of such removal occurring. We were told that the electrical subcontractor brought significant quantities of its own tools and equipment on site and that this property was removed by the subcontractor when its work was completed. We also asked a representative of the electrical subcontractor about this matter, and this official denied that the subcontractor removed any Rocky Flats property.

The expedited closure of Rocky Flats was the core objective of the contract between DOE and Kaiser-Hill. Documentation indicates that the DOE Headquarters Office of Procurement and Assistance Management accepted the elimination of excess property screening requirements. The Office also accepted that the expedited closure framework would necessitate that excess property be expeditiously disposed of because delays had "the potential to jeopardize the closure schedule and add millions of tax payer [sic] dollars to the project." Estimates in 1995 put the cost of closure of Rocky Flats between \$22 and \$36 billion over 70 years, whereas the expedited closure objective of the Kaiser-Hill contract reduced the expected cost to \$7 billion with closure in 2006.

## CONCLUSION

The Department's decision regarding the disposition of the excess property identified in the allegation may or may not have been prudent from a financial perspective. Absent documentation supporting the approach taken by DOE and Kaiser-Hill, we are not in a position to opine on the appropriateness of these actions. We believe it may be beneficial to the success of future closure activities for the Office of Environmental Management, in consultation with the Office of Procurement and Assistance Management, to use the Rocky Flats excess property disposal effort as a lessons-learned that could improve disposition processes at other DOE sites.

This inspection was conducted in accordance with the "Quality Standards for Inspections" issued by the President's Council on Integrity and Efficiency. Since we are not making any recommendations for corrective actions, a response to this report is not required. If you have any questions concerning this matter, please feel free to contact me at (202) 586-4109.

Christopher R. Sharpley  
Deputy Inspector General  
for Investigations and Inspections

cc: Deputy Secretary  
Chief of Staff  
Director, Office of Procurement and Assistance Management  
Manager, Rocky Flats Project Office  
Director, Office of Internal Review (CF-1.2)