

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL



SEMIANNUAL REPORT
TO CONGRESS

APRIL 1, 2016 – SEPTEMBER 30, 2016

DOE/OIG-0071

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MESSAGE FROM ACTING INSPECTOR GENERAL

I am pleased to submit the Semiannual Report to Congress for the period ending September 30, 2016. This report highlights our efforts to assess the effectiveness and efficiency of Department of Energy programs and operations.

Within the 35 reports issued this reporting period, we addressed some of the Department's highest mission-related priorities. For example, our review of [Lawrence Livermore National Laboratory's Laser Inertial Fusion Energy Endeavor](#) determined the Laboratory incurred general and administrative costs for independent research and development activities outside the parameters of the Laboratory Directed Research and Development program, which is expressly unallowable. Due to inadequate controls and oversight, the Laboratory incurred approximately \$23.3 million in questionable costs. Another example of our work in a high priority area is [The Department of Energy's Continued Support of the Texas Clean Energy Project Under the Clean Coal Power Initiative](#) where we questioned the viability of the project and financial risk to the Department. We found that the Department had accelerated disbursements of Recovery Act funds and allowed the awardee, Summit Texas Clean Energy LLC, to modify the allocation of project costs resulting in higher reimbursements than originally intended. Thus, there is limited assurance of success in the project despite the Department's \$116 million investment.

Our investigative efforts during this period led to a \$2.25 million settlement agreement resolving violations of the False Claims Act by a Small Business Innovation Research (SBIR) grant recipient. We determined the grant recipient received 15 SBIR awards from multiple agencies and allowed employees to charge labor hours to the awards, even when the hours did not correspond with actual time and effort by the employees. Our participation in another recovery effort resulted in a settlement agreement totaling \$862,203 with the Bonneville Power Administration's Low Density Discount Program recipient. The agreement resolved a Qui Tam complaint involving false claims power discounts.

The Office of Inspector General appreciates the cooperation from Department leadership and officials around the Energy complex. The Department's support of our work assists us with assessing operational efficiencies and programmatic performance, which in turn helps the Department meet its mission. I would also like to extend my gratitude to the entire OIG staff for the quantity and quality of work produced. The Department and American taxpayers benefit from our employees' commitment and dedication to safeguarding Department resources.



Rickey R. Hass

STATISTICAL HIGHLIGHTS

INVESTIGATIONS

INVESTIGATIVE ACTIVITIES

Cases Open as of April 1, 2016	213
Cases opened	67
Cases closed	64
Cases Open as of September 30, 2016	216
Multi-Agency Task Force Cases Opened During Period	21
Qui Tam ¹ Investigations Opened During Period	2
Total Open Qui Tam Investigations as of September 30, 2016	16
Administrative discipline and other management actions	19
Recommendations to management for positive change and other actions	41
Suspensions/Debarments	29
Cases accepted for prosecution ²	35
Indictments	24
Criminal convictions	13
Pre-trial diversions	1
Civil actions	3
Dollars Recovered ³ (Fines, Settlements, Recoveries)	\$6,867, 088

HOTLINE RESULTS

Total Hotline calls, emails, letters, and other complaints (contacts) ⁴	911
Hotline contacts resolved immediately/redirected/no further action	711
Hotline contacts predicated for evaluation	200
Total Hotline predications processed this reporting period ⁵	204
Hotline predications transferred to OIG Program Office	20
Hotline predications referred to Department management or other entity for information/action	55
Hotline predications closed based upon preliminary OIG activity and review	126
Hotline predications open at the end of the reporting period	3

RECOVERY ACT WHISTLEBLOWER RETALIATION ACTIVITIES⁶

Open investigations	0
Complaints Resolved	0
Complaints Dismissed	0

¹For more information on Qui Tams, go to: http://www.justice.gov/usao/eousa/foia_reading_room/usam/title9/crm00932.htm

²Some investigations accepted during the 6-month period were referred for prosecution during a previous reporting period.

³Some of the money collected was the result of investigations involving multiple agencies.

⁴This number includes any contact that required Hotline staff review including: re-contacts for additional information and requests for disposition.

⁵This number includes four predications carried over from the last reporting period.

⁶In the previous reporting period ending March 31, 2016, we inadvertently reported 2 cases under Recovery Act Whistleblower Activities that were not Recovery Act-related.

STATISTICAL HIGHLIGHTS AUDITS AND INSPECTIONS

AUDITS AND INSPECTION ACTIVITIES

Total Reports Issued	35
Audit Reports Issued	31
Inspection Reports Issued	4

BETTER USE OF FUNDS

	TOTAL NUMBER	BETTER USE OF FUNDS
Reports issued before the reporting period that included recommendations for better use of funds for which decisions on dollars had not been made as of March 31, 2016: ¹	8	\$443,184,974
Reports issued during the reporting period that include recommendations for better use of funds (regardless of whether a decision on dollars has been made):	0	\$0
Reports that include recommendations for better use of funds for which a decision on dollars was made during the reporting period: ²	0	\$0
(i) Agreed to by management:	0	\$0
(ii) Not agreed to by management:	0	\$0
Reports that include recommendations for better use of funds for which decisions on dollars have not been made at the end of the reporting period:	8	\$443,184,974

QUESTIONED COSTS

	TOTAL NUMBER	QUESTIONED COSTS	UNSUPPORTED COSTS	TOTAL COSTS
Reports issued before the reporting period that included questioned and/or unsupported costs for which decisions on dollars had not been made as of March 31, 2016: ¹	35	\$1,290,582,975	\$12,226,071	\$1,302,809,046
Reports issued during the reporting period that include questioned or unsupported costs (regardless of whether a decision on dollars has been made):	6	\$603,675,371	\$0	\$603,675,371
Reports that include questioned and/or unsupported costs for which a decision on dollars was made during the reporting period: ²	11	\$863,014,146	\$7,053,511	\$870,067,657
(i) Value of disallowed costs:		\$1,614,209	\$0	\$1,614,209
(ii) Value of costs not disallowed:		\$861,399,937	\$7,053,511	\$868,453,448
Reports that include questioned and/or unsupported costs for which decisions on dollars have not been made at the end of the reporting period:	30	\$1,031,244,200	\$5,172,560	\$1,036,416,760

Definitions:

Better Use of Funds: Funds that could be used more efficiently by implementing recommended actions.

Management decision: Management's evaluation of the finding and recommendations included in the audit report and the issuance of a final decision by management concerning its response.

Questioned costs: A cost that is (1) unnecessary; (2) unreasonable; or (3) an alleged violation of law, regulation, contract, etc.

Unsupported costs: A cost that is not supported by adequate documentation.

¹Includes reports for which the Department may have made some decisions on dollars but not all issues within the report have been resolved.

²Does not include reports for which the Department has made decisions on some aspects of the report but not all.

POSITIVE OUTCOMES

During this reporting period, the Department took positive actions as a result of OIG work conducted during the current or previous periods.

The Department suspended and finalized multiple debarment actions against individuals and companies in response to information provided by the Office of Investigations. First, in a joint investigation with the Internal Revenue Service, a former Fermi National Accelerator Laboratory contractor employee was convicted on six counts of making false claims and sentenced to 21 months in prison and ordered to pay restitution in the amount of \$216,666. We notified the Fermi National Accelerator Laboratory leadership, which took action to debar the contractor employee for a period of 3 years. In another instance, a former subcontractor at the Sandia National Laboratory in California was debarred by the Department for 3 years for his conviction for theft of government property. Finally, the Department debarred, for a period of 3 years, two other contractor employees convicted on charges of theft of government property.

In response to OIG investigations, the Department recovered approximately \$586,819 during this reporting period. In one case, our investigation found that a Public Utility District had been overpaid between 2014 and early 2016 based on their ineligibility to receive discounts under the Bonneville Power Administration's Low Density Discount program. The Public Utility District agreed to reimburse the Department \$180,217 for the overpayments. In another case, a Small

Business Innovation Research (SBIR) grant recipient received \$300,000 for three SBIR Phase I awards. The recipient provided no deliverables during the grant's time frame, prompting the Department to issue three \$100,000 demand for payment letters to recover the grant funds. Finally, a proactive investigation initiated to determine the viability of Department solar projects resulted in the identification of a grant recipient that violated the terms of their grant by performing a majority of the work outside the United States, when the grant required at least 80% of the work would be completed within the United States. Based on the OIG investigation, the Department issued an Administrative Demand Letter to recover unallowable costs. The recipient agreed to reimburse the Department \$106,602.

The Department took multiple administrative disciplinary actions in response to investigative findings. Three contractor employees resigned or retired in lieu of disciplinary action, three Federal employees and one contractor employee were terminated or removed from employment, one Federal employee and three contractor employees were suspended from employment, and one Federal employee received a written counseling. In response to a referral issued by the OIG, Bonneville Power Administration (BPA) confirmed funds were mismanaged on numerous facility design and construction projects undertaken in the vicinity of Vancouver, WA. Insufficient controls were exercised over changes in the scope, schedule, and cost of these projects. BPA confirmed that the scope and funding on projects were increased without proper

approval. On one project, the project manager did not request additional funding until after the costs were already incurred. This resulted in unapproved spending of over \$2.8 million, a 105% increase in project costs. BPA internal audits made three recommendations to improve internal cost controls on construction projects.

The OIG Hotline received allegations that a National Nuclear Security Administration (NNSA) subcontractor improperly overcharged approximately \$470,000 in Workers' Compensations cost to various Department contractors. During a further internal audit review the NNSA identified a total of \$643,644 in questionable costs. A Settlement Agreement and Release was entered into among the contractors involved, wherein all questioned costs were repaid.

Subsequent to issuance of our Special Report on [*The Department of Energy's Continued Support of the Texas Clean Energy Project Under the Clean Coal Power Initiative \(OIG-SR-16-02, April 2016\)*](#), the Department terminated its \$1.7 billion cooperative agreement with Summit Texas Clean Energy LLC. Our special report had expressed concerns about the viability of the Texas Clean Energy Project to build a commercial power plant, given the Project's inability to obtain the required commercial debt and equity financing to move the Project forward. Although construction of the plant was originally planned for completion in June 2014, we had found that the Project remained in the definition phase and the Department had taken actions to increase its financial risk in the Project. As of February 2016, the Department had invested about \$116 million, or approximately one-third of its total commitment in the Project, without any

assurances that it would succeed. The Department had previously suspended the Project's funding in February 2016, after we had brought our concerns to its attention. After issuance of our report, the Department determined that sufficient progress had not been made with respect to obtaining financial commitments necessary to advance the project; leading to its decision to terminate the cooperative agreement.

In response to our report on [*Lawrence Livermore National Laboratory's Laser Inertial Fusion Energy Endeavor \(OAI-M-16-13, July 2016\)*](#), Lawrence Livermore National Laboratory updated its Cost Accounting Standards disclosure statement to adequately describe its accounting practices in compliance with Federal and Department of Energy requirements. The National Nuclear Security Administration's Office of Field Financial Management is currently reviewing the revised disclosure statement, with subsequent approval by the Livermore Field Office Contracting Officer. In one of our findings, we questioned approximately \$4 million for Laser Inertial Fusion Energy-specific activities classified as general and administrative costs that we determined did not meet the definition of general and administrative costs because they did not provide management and administrative support to the entire laboratory. The Contracting Officer is currently evaluating the allowability of those costs.

In response to our report on [*Corrective Action Program at the Waste Treatment and Immobilization Plant \(OAI-M-16-06, February 2016\)*](#), the Office of River Protection completed numerous surveillance reports documenting review of the two Quality Assurance Priority Level 1 findings and has performed a quality

assurance audit of Bechtel's actions to address these findings and an effectiveness review of Bechtel's Corrective Action Management and Quality Assurance Programs. The Office of River Protection is currently evaluating Bechtel's response to our audit findings for the thoroughness of the actions and responsiveness of the dates provided in the plan. Our report disclosed that Bechtel identified weaknesses in safety culture in 2014, including problems with following its own procedures, weaknesses in training, and concerns about management not valuing a rigorous corrective action program. Furthermore, the Department did not ensure that all technical issues and issues identified through self-assessments were entered into the corrective action program or that previous Bechtel initiatives to address corrective action program implementation problems were fully implemented or sustained.

In response to our report on [Procurement of Parts and Materials for the Waste Treatment and Immobilization Plant at the Hanford Site \(DOE-OIG-16-03, November 2015\)](#), the Office of River Protection Quality Assurance Division completed a triennial quality assurance program effectiveness audit in April 2016. Additionally, the Office of River Protection Contracting Officer directed Bechtel to develop a corrective action plan to specifically address the improvement recommendations. Bechtel transmitted the corrective action plan to the Office of River Protection in May 2016. Our report found that the Department of Energy and its contractor has not always effectively executed procurements and material management activities at the Office of River Protection. Specifically,

Bechtel did not always identify nonconforming items results from vendor errors in a timely manner, resolve issues with nonconforming items in a timely manner after they were identified, or recover the costs for resolving non-conformances from the vendors when the problems were the result of vendor errors.

In response to our report on [The Department of Energy's Participation in Energy Incentive Programs \(OAS-M-15-03, April 2015\)](#), the Hanford program office worked with its site contractors and the Bonneville Power Administration to develop a plan to improve the site participation in the available utility incentive program including emphasizing the importance of the energy efficiency incentive programs. Further, the program office noted that to date, incentives have been actively pursued, approved, and additional incentives are in review. Work to improve communication regarding Energy Incentives continues through *Energy Independence and Security Act* audits, articles in contractor newsletters, and fact sheets distributed to appropriate contacts.

Following the issuance of our report on [Management of the Startup of the Sodium-Bearing Waste Treatment Facility \(DOE-OIG-16-09, March 2016\)](#), the Deputy Secretary of Energy reaffirmed the importance of maintaining key performance parameters and technical goals on complex projects. The Deputy Secretary also revised the Department's policy on project management to include senior level oversight of high-risk projects and detailed plans for managing such projects until they transition to full operational status.

TABLE OF REPORTS

INVESTIGATIVE OUTCOMES

All of our investigations that result in a reportable outcome are disclosed to the public in our Semiannual Report. Reportable outcomes are defined as public and nonpublic reports, indictments, convictions, disciplinary actions, monetary recoveries, contractor debarments, and other similar results. The following reportable outcomes occurred during the period April 1, 2016, through September 30, 2016.

SUMMARY TITLE	PAGE
Settlement in Small Business Innovation Research Grant Fraud Investigation	25
Conspiracy to Commit Mail and Wire Fraud Conviction and Sentencing	25
Bonneville Power Administration Civil and Administrative Settlements	25
Non-Prosecution Agreement Settlement	26
Settlement in Securities Fraud Investigation	26
False Claims Civil Settlement Payment	26
Sentencing in Theft of Government Property Investigation	26
Recovery Act Grant Fraud Sentencing; Grant Recipient Suspended Pending Debarment	27
Theft of Government Property Guilty Plea, Sentencing, and Return of Stolen Property	27
Recovery Act Fraud Sentencing; Subcontractors Suspended with Debarment Pending	27
Theft of Government Property Sentencing and Investigative Report to Management Response Resulting in Debarment	28
Theft of Trade Secret Sentencing; Principal Investigator Suspended Pending Debarment	28
Employee Misconduct Guilty Plea and Sentencing	28
Grant Fraud Guilty Plea and Conviction	28
Guilty Verdict for Travel and Time and Attendance Fraud	29

SUMMARY TITLE	PAGE
Grant Fraud Guilty Plea and Debarment	29
Recovery Act Fraud Indictment and Guilty Plea	29
Employee Misconduct Results in Guilty Plea, Pretrial Diversion, and Termination of Federal Employment	29
False Claims Indictment and Guilty Plea	30
Guilty Plea and Information Filed in Bribery Investigation; Former Contractor Suspended Pending Debarment	30
Seven Individuals and Two Corporations Indicted in Small Business Concern Fraud Schemes	30
Indictment and Arrest of Former Oak Ridge National Laboratory Subcontractor Employee	30
Former Department Employee Indicted and Arrested for Government Purchase Card Fraud	31
Federal Grand Jury Indicts Former Contractor in Ponzi Scheme	31
Child Pornography Indictment	31
Former Department Subcontractor Issued Information; Pleaded Guilty to Conspiracy	31
Informations Filed for Former Government Contractors	32
Time and Attendance Fraud Criminal Information Filed	32
False Claims Information Filed Charging Former Department Grantee	32
Theft of Government Property Criminal Complaint Filed and Arrest Warrant Executed ; LANL Employee Terminated	32
Hanford Contractor Employee Arrest Warrant Executed	32
Arrest of Department Employee for Illegal Importation of Narcotics and Response to Investigative Report to Management	33
Property Theft Investigation Results in Contractor Resignation in Lieu of Termination	33
Recovery of Stolen Computers	33
Inappropriate Use of Government Computer Results in Employee Termination	33

SUMMARY TITLE	PAGE
Contract Fraud Administrative Recovery	34
Small Business Innovation Research Fraud Recovery	34
Investigation Results in Modification to Small Business Innovation Research Grant	34
Employee Termination in Theft of Government Property Investigation	34
Grant Fraud Investigation - Administrative Recovery	35
Two Former Small Business Innovation Research Grant Recipients Debarred	35
Former Department Contractor Employee Debarred in Conspiracy/False Claims Investigation	35
Former Contractor Employee Suspended and Debarred for Theft of Government Property	35
Multiple Suspensions resulting from Small Business Innovation Research Fraud	35
Suspension Letter Issued to Former Department Employee	36
Debarment Action in Theft of Government Property Investigation	36
Grant Fraud Management Response; Former Principal Investigator Suspended Pending Debarment	36
Misuse of Government Property Management Response	36
Theft of Government Property Management Response	37
Government Computer Misuse Management Response	37

AUDITS

The following identifies all audit reports issued between April 1, 2016, and September 30, 2016.

DATE ISSUED	REPORT TITLE	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Apr 1, 2016	Management and Oversight of Information Technology Contracts at the Department of Energy's Hanford Site (DOE-OIG-16-10)		\$183,500,000		38
Apr 4, 2016	Followup on Western Area Power Administration's Critical Asset Protection (DOE-OIG-16-11)				38
Apr 6, 2016	Western Federal Power System's Fiscal Year 2015 Financial Statement Audit (OAI-FS-16-07)				39
Apr 6, 2016	The Department of Energy's Office of Headquarters Procurement Services Contract Awards Made to Alaska Native Corporations (OAI-M-16-09)				39
Apr 12, 2016	Audit Coverage of Cost Allowability for National Security Technologies LLC During Fiscal Years 2012 Through 2014 Under Department of Energy Contract No. DE AC52 06NA25946 (OAI-V-16-07)				40
Apr 21, 2016	The Department of Energy's Improper Payment Reporting in the Fiscal Year 2015 Agency Financial Report (OAI-FS-16-08)				41
Apr 26, 2016	The Department of Energy's Continued Support of the Texas Clean Energy Project Under the Clean Coal Power Initiative (OIG-SR-16-02)				41
May 2, 2016	The Department of Energy's Energy Information Technology Services Federal Support Costs (DOE-OIG-16-12)				42
May 6, 2016	Management Letter on the Western Federal Power System's Fiscal Year 2015 Financial Statement Audit (OAI-FS-16-09)				43
May 16, 2016	Atmospheric Radiation Measurement Climate Research Facility (OAI-M-16-10)				43
May 25, 2016	The Department of Energy's Small Modular Reactor Licensing Technical Support Program (OAI-M-16-11)		\$483,675		44

DATE ISSUED	REPORT TITLE	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Jun 6, 2016	Audit Coverage of Cost Allowability for Iowa State University During Fiscal Years 2013 and 2014 Under Department of Energy Contract No. DE-AC02-07CH11358 (OAI-V-16-08)				44
Jun 10, 2016	Audit Coverage of Cost Allowability for URS CH2M Oak Ridge LLC During Fiscal Years 2011, 2012, and 2013 Under Department of Energy Contract No. DE-SC0004645 (OAI-V-16-09)		\$250,694,675		45
Jun 17, 2016	Implementation of the Department of Energy's CyberOne Initiative (OAI-L-16-11)				46
Jun 23, 2016	Management of Infrastructure at the Pantex Plant (OAI-M-16-12)				46
Jun 28, 2016	Audit Coverage of Cost Allowability for the University of California During Fiscal Years 2013 and 2014 Under Department of Energy Contract No. DE AC02 05CH11231 (OAI-V-16-10)		\$11,590,877		47
Jul 1, 2016	Followup on the Office of Science's Management of the Isotope Program (OAI-L-16-12)				48
Jul 7, 2016	Lawrence Livermore National Laboratory's Laser Inertial Fusion Energy Endeavor (OAI-M-16-13)		\$23,300,000		48
Jul 14, 2016	Enriched Uranium Operations at the Y-12 National Security Complex (DOE-OIG-16-13)				49
Jul 27, 2016	Battelle's Pacific Northwest National Laboratory Procurement Activities (OAI-M-16-14)				50
Jul 29, 2016	Audit Coverage of Cost Allowability for UT-Battelle LLC During Fiscal Year 2014 Under Department of Energy Contract No. DE-AC05-00OR22725 (OAI-V-16-11)		\$134,106,144		51
Aug 4, 2016	Management of Selected Department of Energy Contractors' Health and Post-Retirement Benefits (OAI-M-16-15)				52
Aug 4, 2016	Department of Energy's Implementation of Selected Controls as Defined in the Cybersecurity Act of 2015 (DOE-OIG-16-14)				52

DATE ISSUED	REPORT TITLE	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Aug 16, 2016	Audit Coverage of Cost Allowability for Nuclear Waste Partnership, LLC, During Fiscal Years 2013 and 2014 Under Department of Energy Contract No. DE-EM0001971 (OAI-V-16-12)				53
Aug 17, 2016	Followup on Sandia National Laboratories' Nuclear Weapons Safety Program (OAI-M-16-16)				54
Aug 18, 2016	National Nuclear Security Administration's Management of the B61-12 Life Extension Program (DOE-OIG-16-15)				55
Aug 29, 2016	Southwestern Federal Power System's Fiscal Year 2015 Financial Statement Audit (OAI-FS-16-10)				55
Sep 21, 2016	Audit Coverage of Cost Allowability for Honeywell Federal Manufacturing & Technologies LLC During Fiscal Years 2012 Through 2014 Under Department of Energy Contract No. DE-NA0000622 (OAI-V-16-13)				56
Sep 26, 2016	H-Canyon Processing at the Savannah River Site (OAI-L-16-14)				57
Sep 28, 2016	Followup Audit on Chronic Beryllium Disease Prevention Programs at Oak Ridge Sites (OAI-L-16-15)				57
Sep 29, 2016	Followup Audit of the Department's Continuity of Operations Planning (DOE-OIG-16-16)				58

INSPECTIONS

The following identifies all inspection reports issued between April 1, 2016, and September 30, 2016.

DATE ISSUED	REPORT TITLE	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
May 6, 2016	Review of Management and Accountability of Sealed Radioactive Sources Maintained at Department Sites (OAI-L-16-09)				60
May 18, 2016	Followup on the National Nuclear Security Administration’s Ability to Meet the Aircraft Requirements of the Joint Technical Operations Team (OAI-L-16-10)				60
Aug 2, 2016	Technetium-99 Incident at Los Alamos National Laboratory (OAI-L-16-13)				61
Sep 29, 2016	Disposition of Excess Government Weapons, Explosives, and Protective Force Equipment at the Lawrence Livermore National Laboratory and the Hanford Site (OAI-L-16-16)				62

RESULTS

LEGISLATIVE AND REGULATORY REVIEWS

The Inspector General Act of 1978, as amended, requires the OIG to review and comment upon legislation and regulations relating to Department programs and to make recommendations concerning the impact of such legislation or regulations on Departmental economy and efficiency. We reviewed two draft regulations during this reporting period.

INTERFERENCE WITH IG INDEPENDENCE

The Department did not interfere or restrict communications between our office and Congress nor put in place any budgetary constraints designed to limit the capabilities of our office.

RESISTANCE TO OVERSIGHT ACTIVITIES OR RESTRICTED/SIGNIFICANTLY DELAYED ACCESS

Access to documents the OIG believed necessary to perform work was not restricted during this period.

COMMENTS NOT PROVIDED WITHIN 60 DAYS

For the reporting period April 1, 2016, through September 30, 2016, the Department failed to provide comments on the following reports within 60 days.

DATE ISSUED	REPORT TITLE	LENGTH OF TIME TO RECEIVE COMMENTS
	<u>Audits/Inspections</u>	
Jul 14, 2016	Enriched Uranium Operations at the Y-12 National Security Complex (DOE-OIG-16-13)	154 days
N/A	Follow-up Audit of the Department's Heavy Water Inventory (Pending Issuance)	133 days
	<u>Investigative Matters¹</u>	
Nov 17, 2014	Suspension/debarment after allegations of false claims were substantiated (10-0122-I)	623 days
May 20, 2015	Suspension/debarment and administrative action following criminal non-prosecution agreement (13-0007-I)	457 days
Sep 10, 2015	Suspension/debarment following criminal conviction (13-0056-I)	350 days
Nov 4, 2015	Suspension/debarment following criminal conviction (14-0062-I)	231 days
Jan 27, 2016	Suspension/debarment following criminal conviction (15-0112-I)	76 days
Jan 29, 2016	Suspension/debarment and administrative recovery following criminal conviction (11-0087-I)	96 days
Mar 3, 2016	Suspension/debarment following criminal conviction (13-0036-I)	90 days
Mar 8, 2016	Administrative action following pretrial division agreement (16-0004-I)	128 days
May 13, 2016	Management controls and process improvement recommendations after theft of vehicle fleet cards (15-0050-I)	Pending more than 60 days
Jun 23, 2016	Suspension/debarment following criminal conviction (12-0015-I)	75 days
Jun 24, 2016	Suspension/debarment following criminal conviction (13-0051-I)	80 days
Jul 1, 2016	Administrative action following alleged ethics violations (16-0086-I)	Pending more than 60 days

DATE ISSUED	REPORT TITLE	LENGTH OF TIME TO RECEIVE COMMENTS
Jul 25, 2016	Administrative action following alleged conflict of interest (15-0107-I)	Pending more than 60 days
Jul 29, 2016	Suspension/debarment following allegations of theft of government property substantiated (14-0079-I)	Pending more than 60 days

¹Many of the reports under Investigative Matters relate to suspension and debarment actions or administrative actions. The suspension and debarment process typically takes longer than 60 days and administrative actions may take longer than 60 days to complete. In all instances where the Department response was pending at the end of the reporting period, the Department and Office of Inspector General have coordinated.

REPORTS LACKING MANAGEMENT DECISION

The Department has a system in place to track audit and inspection 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 as efficiently and expeditiously as possible. The following audit report is over six months old and no management decision had been made by the end of the reporting period. An explanation for the lack of management decision is described in the table below.

DATE ISSUED	REPORT TITLE	STATUS OF MANAGEMENT DECISION
Apr 10, 2011	Use of Non-Competitive Procurements to Obtain Services at the Savannah River Site (IG-0862)	The OIG has requested the Department temporarily delay submitting a Management Decision on the recommendations in this report, pending the outcome of an ongoing related review.

RECOMMENDATIONS NOT IMPLEMENTED

The following table identifies 79 reports with a total of 192¹ recommendations which were agreed to by the Department but have not been implemented as of September 30, 2016. The total potential cost savings associated with these reports is \$905,551,847. The OIG is committed to working with management to expeditiously address the management decision and corrective action process, recognizing that certain initiatives will require long-term, sustained, and concerted efforts. [Non-hyperlinked reports are not available on the OIG website.]

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Dec 20, 2005	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 (OAS-V-06-06)	1	\$2,032,805
Jan 16, 2007	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 (OAS-V-07-05)	1	\$2,836,181
Dec 17, 2007	Beryllium Surface Contamination at the Y-12 National Security Complex (IG-0783)	1	
Apr 11, 2008	The Department's Progress in Meeting Los Alamos National Laboratory Consent Order Milestones (IG-0793)	1	

¹Those recommendations that are not agreed to by management are not tracked by the Department as open/unimplemented recommendations. Since 2005, the Department has only failed to agree on 2 recommendations issued by the OIG.

² A single recommendation in our reports may often be addressed to multiple program elements. The total number of open recommendations will include any recommendation that has not been corrected by at least one of the program elements.

³ The Potential Monetary Benefits identified are representative of reports with open recommendations rather than individual recommendations. These amounts include funds that could be used more efficiently by implementing the recommended actions as well as other unresolved or questioned costs. Based on our experience, a significant portion of unresolved and questioned costs are ultimately determined to be allowable by contracting officials.

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS²	POTENTIAL MONETARY BENEFIT³
May 7, 2008	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation, under the Department of Energy Contract, DE-AC04-94AL85000 for Fiscal Year 2006 (OAS-V-08-09)	1	\$3,393,317
Nov 13, 2009	Management Controls over Selected Aspects of the Department of Energy's Human Reliability Program (OAS-M-10-01)	2	
Sep 22, 2010	The Department of Energy's Audit Resolution and Follow-up Process (IG-0840)	2	
Oct 5, 2010	Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Years 2007 AND 2008 under Department of Energy Contract NO. DE-AC04-94AL85000 (OAS-V-11-01)	1	
Apr 25, 2012	The Department of Energy's \$12.2 Billion Waste Treatment and Immobilization Plant- Quality Assurance of Black Cells Vessels (IG-0863)	1	
Nov 5, 2012	Allegations of Organizational Conflicts of Interest at Portsmouth and Oak Ridge (INS-O-13-01)	3	
Nov 8, 2012	The Department's Unclassified Cyber Security Program -2012 (IG-0877)	3	
Feb 20, 2013	Assessment of Audit Coverage of Cost Allowability Sandia Corporation during Fiscal Years 2009 and 2010 under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-13-07)	2	\$12,760,295
Apr 9, 2013	The Department of Energy's Use of the Environmental Management Waste Management Facility at the Oak Ridge Reservation (IG-0883)	2	\$14,400,000
Jun 24, 2013	Mitigation of Natural Disasters at Los Alamos National Laboratory (OAS-M-13-04)	1	
Sep 30, 2013	Department of Energy Quality Assurance: Design Control for the Waste Treatment and Immobilization Plant at the Hanford Site (IG-0894)	1	
Oct 24, 2013	The Department's Fleet Vehicles Sustainability Initiatives at Selected Locations (IG-0896)	3	
Oct 29, 2013	The Department of Energy's Unclassified Cyber Security Program -2013 (IG-0897)	1	
Jan 2, 2014	NNSA's Management of the \$245 Million Nuclear Materials Safeguards and Security Upgrades Project Phase II (IG-0901)	5	
Feb 14, 2014	The Technology Transfer and Commercialization Efforts at the Department of Energy's National Laboratories (OAS-M-14-02)	3	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Apr 3, 2014	Office of Energy Efficiency and Renewable Energy's Integrated Resource and Information System (IRIS) Project (IG-0905)	1	674,774
Apr 15, 2014	The Department of Energy's Management and Use of Mobile Computing Devices and Services (IG-0908)	2	
Apr 23, 2014	Assessment of Audit Coverage of the Cost Allowability for Sandia Corporation under Department of Energy Contract DE-AC04-94-AL-85000, for Fiscal Years 2011 and 2012 (OAS-V-14-10)	2	5,741,818
May 22, 2014	Cost and Schedule of the Mixed Oxide Fuel Fabrication Facility at the Savannah River Site (IG-0911)	3	
Jun 26, 2014	The Department of Energy's Implementation of Voice over Internet Protocol Telecommunications Networks (IG-0915)	2	
Aug 6, 2014	Management of the National Nuclear Security Administration's Biosafety Laboratories (IG-0917)	2	
Sep 19, 2014	The Department of Energy's Management of Cloud Computing Activities (IG-0918)	1	
Sep 24, 2014	Assessment of Audit Coverage of Cost Allowability for Bechtel Jacobs Company, LLC under Department of Energy Contract No. DE-AC05-98OR22700 during Fiscal Year 2011 (OAS-V-14-17)	1	160,007,744
Oct 22, 2014	The Department of Energy's Unclassified Cybersecurity Program – 2014 (IG-0925)	2	
Oct 30, 2014	Follow-up on the Department of Energy's Management of Information Technology Hardware (IG-0926)	2	
Nov 12, 2014	Follow-up Audit of Contractor Intergovernmental Personnel Act Assignments (IG-0928)	2	\$3,000,000
Dec 16, 2014	Follow-up on the Los Alamos National Laboratory Hydrodynamic Test Program (IG-0930)	2	
Jan 23, 2015	The Department of Energy's Management of High-Risk Excess Facilities (DOE/IG-0931)	2	
May 21, 2015	The Department of Energy's Management of Spare Parts at Selected Sites (DOE/IG-0936)	1	
Jun 10, 2015	Allegations Related to the Energy Information Administration's Reporting Process (DOE/IG-0940)	2	
Jun 12, 2015	Southwestern Federal Power System's Fiscal Year 2014 Financial Statement Audit (OAS-FS-15-11)	2	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS²	POTENTIAL MONETARY BENEFIT³
Jun 22, 2015	The Department of Energy's Implementation of the Pilot Program for Agreements for Commercializing Technology (OAS-M-15-04)	1	
Jul 10, 2015	The National Nuclear Security Administration's Management of Support Service Contracts (OAS-M-15-05)	1	
Jul 16, 2015	Follow-up on Nuclear Safety: Safety Basis and Quality Assurance at the Los Alamos National Laboratory (DOE/IG-0941)	3	
Jul 30, 2015	Selected Recipients of Maryland Weatherization Assistance Program Funds (DOE/IG-0942)	6	
Jul 31, 2015	Subcontract Administration at Selected Department of Energy Management and Operating Contractors (OAS-M-15-07)	2	
Aug 3, 2015	Allegations Regarding Information Technology Procurement at Bonneville Power Administration (DOE/IG-0943)	1	
Aug 18, 2015	Follow-up Audit of Nanoscale Materials Safety at the Department's Laboratories (OAS-M-15-08)	1	
Aug 28, 2015	Security Improvements at the Y-12 National Security Complex (DOE/IG-0944)	2	
Sep 3, 2015	The Department of Energy's Management of Electronic Mail Records (DOE/IG-0945)	3	
Sep 9, 2015	Assessment of Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-15-03)	2	\$2,569,251
Sep 30, 2015	Assessment of Audit Coverage of Cost Allowability for Babcock and Wilcox Technical Services Y-12, LLC, During Fiscal Years 2013 and 2014 Through June 30, 2014, Under Department of Energy Contract No. DE-AC05-00OR22800 (OAS-V-15-05)	1	\$1,999,765
Oct 22, 2015	Office of Science's Bioenergy Research Centers (OAI-M-16-01)	1	
Nov 3, 2015	The Department of Energy's Unclassified Cybersecurity Program – 2015 (DOE-OIG-16-01)	3	
Nov 4, 2015	The Department of Energy's Cybersecurity Risk Management Framework (DOE-OIG-16-02)	2	
Nov 10, 2015	Audit Coverage of Cost Allowability for DM Petroleum Operations Company During October 1, 2011, Through March 31, 2014, Under Department of Energy Contract No. DE-AC96-03P092207 (OAI-V-16-02)	2	\$87,896,201

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Nov 17, 2015	Procurement of Parts and Materials for the Waste Treatment and Immobilization Plant at the Hanford Site (DOE-OIG-16-03)	5	
Dec 7, 2015	Issues Management at the Los Alamos Field Office (OAI-M-16-02)	4	
Dec 18, 2015	The Office of Fossil Energy's Regional Carbon Sequestration Partnerships Initiative (OAI-M-16-03)	1	\$5,048,000
Dec 18, 2015	The National Nuclear Security Administration's Network Vision Initiative (DOE-OIG-16-05)	3	
Jan 7, 2016	Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2015 (OAI-FS-16-05) Full Report Not Publically Available – Official Use Only	2	
Jan 8, 2016	Bonneville Power Administration's Real Property Services (OAI-M-16-04)	3	
Jan 15, 2016	Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2015 (OAI-FS-16-06)	15	
Feb 1, 2016	Corrective Action Program at the Waste Treatment and Immobilization Plant (OAI-M-16-06)	3	
Feb 25, 2016	Issues Management at the Los Alamos National Laboratory (DOE-OIG-16-07)	4	
Mar 1, 2016	The Department of Energy's Audit Resolution and Followup Process (DOE-OIG-16-08)	3	
Mar 21, 2016	Procurement Administration and Human Reliability Program Revocations Within the Office of Secure Transportation (OAI-M-16-07)	1	
Mar 31, 2016	Management of the Solar Energy Technologies Office's Technology to Market Program (OAI-M-16-08)	4	
Apr 1, 2016	Management and Oversight of Information Technology Contracts at the Department of Energy's Hanford Site (DOE-OIG-16-10)	5	\$183,500,000
Apr 4, 2016	Followup on Western Area Power Administration's Critical Asset Production (DOE-OIG-16-11)	2	
Apr 6, 2016	The Department of Energy's Office of Headquarters Procurement Services Contract Awards Made to Alaska Native Corporations (OAI-M-16-09)	1	
Apr 26, 2016	The Department of Energy's Continued Support of the Texas Clean Energy Project Under the Clean Coal Power Initiative (OIG-SR-16-02)	3	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
May 2, 2016	The Department of Energy's Energy Information Technology Services Federal Support Costs (DOE-OIG-16-12)	7	
May 6, 2016	Management Letter on the Western Federal Power System's Fiscal Year 2015 Financial Statement Audit (OAI-FS-16-09)	5	
May 16, 2016	Atmospheric Radiation Measurement Climate Research Facility (OAI-M-16-10)	1	
Jun 10, 2016	Audit Coverage of Cost Allowability for URS CH2M Oak Ridge LLC During Fiscal Years 2011, 2012, and 2013 Under Department of Energy Contract No. DE-SC0004645 (OAI-V-16-09)	3	\$250,694,675
Jun 28, 2016	Audit Coverage of Cost Allowability for the University of California During Fiscal Years 2013 and 2014 Under Department of Energy Contract No. DE-AC02-05CH11231 (OAI-V-16-10)	1	\$11,590,877
Jul 7, 2016	Lawrence Livermore National Laboratory's Laser Inertial Fusion Energy Endeavor (OAI-M-16-13)	4	\$23,300,000
Jul 14, 2016	Enriched Uranium Operations at the Y-12 National Security Complex (DOE-OIG-16-13)	1	
Jul 27, 2016	Battelle's Pacific Northwest National Laboratory Procurement Activities (OAI-M-16-14)	4	
Jul 29, 2016	Audit Coverage of Cost Allowability for UT-Battelle LLC During Fiscal Year 2014 Under Department of Energy Contract No. DE-AC05-00OR22725 (OAI-V-16-11)	1	\$134,106,144
Aug 4, 2016	Management of Selected Department of Energy Contractors' Health and Post-Retirement Benefits (OAI-M-16-15)	3	
Aug 17, 2016	Followup on Sandia National Laboratories' Nuclear Weapons Safety Program (OAI-M-16-16)	1	
Aug 18, 2016	National Nuclear Security Administration's Management of the B61-12 Life Extension Program (DOE-OIG-16-15)	3	
Sep 29, 2016	Followup Audit of the Department's Continuity of Operations Planning (DOE-OIG-16-16)	4	
Total Open Recommendations		192	\$905,551,847

PEER REVIEWS

PEER REVIEWS CONDUCTED BY OIG APRIL 1, 2016 – SEPTEMBER 30, 2016			
TYPE OF REVIEW	DATE OF PEER REVIEW	OIG REVIEWED	OUTSTANDING RECOMMENDATIONS
Audits	None this reporting period		
Inspections	None this reporting period		
Investigations	None this reporting period		

PEER REVIEWS CONDUCTED OF OIG APRIL 1, 2016 – SEPTEMBER 30, 2016				
TYPE OF REVIEW	DATE OF PEER REVIEW	REVIEWING OIG	FREQUENCY REQUIREMENT	OUTSTANDING RECOMMENDATIONS
Audits	October 2015	U.S. Department of Defense	At least once every 3 years	None - Pass
Inspections	None this reporting period			
Investigations	None this reporting period			

SUMMARIES

INVESTIGATIVE OUTCOMES

Settlement in Small Business Innovation Research Grant Fraud Investigation

The U.S. Attorney's Office for the District of Massachusetts announced a settlement agreement of \$2.25 million to resolve violations of the False Claims Act by a Small Business Innovation Research grant recipient. Of this amount, \$257,941 will be returned directly to the Department. The investigation determined that a grant recipient received 15 Small Business Innovation Research awards from multiple agencies and allowed employees to charge labor hours to the awards, even when the hours did not correspond with actual time and effort by the employees. It was also determined that the employees were directed to alter timesheets in order to maximize charges to each grant. This was a joint investigation involving multiple Federal agencies.

Conspiracy to Commit Mail and Wire Fraud Conviction and Sentencing

Two individuals acting as individual sureties for bonding companies that issued bonds for Department and other Federal agency contracts were sentenced in the U.S. District Court for the Southern District of Florida for Conspiracy to Commit Mail Fraud and Wire Fraud. One individual was sentenced to 30 months imprisonment followed by a 2-year term of supervised release, and ordered to forfeit \$1.1 million worth of assets. The second individual was sentenced to time served plus 1-year house arrest, followed by a 2-year term of supervised release, and ordered to forfeit \$130,173 worth of assets. A restitution hearing is set for October 14, 2016. The investigation revealed that, from June 2008 through June 2013, the individuals and their co-conspirators obtained payments for issuing bonds for Department and other Federal agency contracts that were supported by materially false and fraudulent representations of collateral involving land or cash held in banks. Over 10 Federal agencies reimbursed numerous contractors more than \$4.3 million in bond fees for these fraudulent instruments. This is an ongoing, joint investigation with Environmental Protection Agency OIG.

Bonneville Power Administration Civil and Administrative Settlements

The U.S. Attorney's Office for the District of Oregon, on behalf of the U.S. Department of Justice and Bonneville Power Administration (BPA), entered into a settlement agreement totaling \$862,203 with Public Utility District #1 (PUD) of Skamania County, Washington, a BPA Low Density Discount Program recipient. PUD entered into a settlement agreement with the DOJ to resolve a qui tam complaint involving false claims made by PUD to BPA for power discounts. The investigation determined that PUD was ineligible to receive the full discount offered through the Low Density Discount Program. Per the settlement agreement, PUD will pay \$725,236 for false claims made between 2008 and 2013 and an additional \$136,967 for relator attorney fees. PUD entered into a separate extended payment agreement with BPA and agreed to provide \$180,217 in reimbursements to settle overpayments received from 2014 to early 2016.

Non-Prosecution Agreement Settlement

The OIG was notified that a current Hanford Site prime contractor reimbursed the Department \$470,698 to satisfy the terms of a Non-Prosecution Agreement previously arranged with the U.S. Attorney's Office for the Eastern District of Washington. The investigation determined that between October 1, 2003, and December 16, 2008, former contractor employees and other former Hanford Site employees routinely submitted timecards falsely claiming, and receiving pay for, hours they had not worked. The investigation has resulted in 11 guilty pleas, an \$18.2 million global settlement with a former Hanford Site prime contractor, and \$115,000 in global settlements with four former Hanford Site managers and supervisors.

Settlement in Securities Fraud Investigation

Two former executives of a battery manufacturer and grant recipient of the Department agreed to pay penalties of \$100,000 and \$50,000, respectively. The penalties were part of a civil settlement reached with the Securities and Exchange Commission (SEC) after their investigation revealed the company overstated its revenues and assets. The information used by the SEC to seek out the penalties was pursuant to a sharing order executed between the Department and the SEC. This is an ongoing joint investigation with the Federal Bureau of Investigation and SEC, and the criminal portion of the investigation has been coordinated with the U.S. Attorney's Office for the Southern District of New York.

False Claims Civil Settlement Payment

The U.S. Attorney's Office for the Northern District of California received one of two \$45,000 payments from a settlement agreement with a former Principal Investigator for Lawrence Livermore National Laboratory (LLNL). The investigation determined the former LLNL employee resold developed radars back to LLNL through a third party company. The former LLNL employee agreed to pay \$90,000 to resolve the matter. The investigation also determined the former LLNL employee charged personal travel, including rock climbing trips and mountaineering courses, to LLNL projects. The second \$45,000 payment is scheduled to be paid in October 2016.

Sentencing in Theft of Government Property Investigation;

A former Argonne National Laboratory (ANL) contractor employee was sentenced in the Northern District of Illinois to 30 months' incarceration and 2 years' supervised release and was ordered to pay \$510,974 in restitution to the Department. After sentencing, an Investigative Report to Management was issued to the Director of the Office of Acquisition Management, Contract and Financial Assistance, Policy Division, recommending suspension and/or debarment of the former Department contractor employee. Our investigation determined that from October 2010 until January 2015, the former contractor employee stole \$510,973 of machine components, tungsten steel, and copper from ANL. As a result of this theft, the former contractor employee caused damage to the machine components in which tungsten steel had been contained, rendering the machines inoperable. The U.S. Attorney's Office for the Northern District of Illinois combined our investigation with an investigation of embezzlement from the union representing technicians who worked at ANL and filed a single-count Information against the former contractor employee on July 9, 2015. The former contractor

employee subsequently pleaded guilty to the single-count Information for embezzling \$64,263 in union funds. As part of the guilty plea, the former contractor employee stipulated to having committed theft of Government property from ANL of approximately \$510,973 of machine components, tungsten steel, and copper.

Recovery Act Grant Fraud Sentencing; Grant Recipient Suspended Pending Debarment

After pleading guilty to one count of Major Fraud Against the Government in the U.S. District Court for the Central District of Illinois, a former Department grant recipient was sentenced to 15 months' incarceration and 3 years' supervised release and was ordered to pay \$383,318 in restitution to the Department. Subsequent to the sentencing, an Investigative Report to Management was issued to the Department's suspension and debarment official, which resulted in the suspension and proposed debarment of the former Department grant recipient. The investigation determined that between March 2010 and February 2012, the grantee submitted false and fraudulent documentation to improperly obtain \$380,000 in grant funds. The documentation consisted of fraudulent invoices created by the grantee, actual invoices from vendors that were not paid, and fraudulently prepared checks reflecting payments that were never made. The investigation further determined that the grantee used at least \$200,000 of improperly obtained funds on personal unapproved expenses, to include gambling. This is a joint investigation with the Federal Bureau of Investigation.

Theft of Government Property Guilty Plea, Sentencing, and Return of Stolen Property

A former Sandia National Laboratories contractor employee pleaded guilty to two counts of Receiving Stolen Property in the Second Judicial District Court of New Mexico. The contractor-employee was subsequently sentenced to 5 years' probation, ordered to pay \$180 in fines, and ordered to surrender additional stolen Government property to the OIG. Subsequent to the sentencing, an Investigative Report to Management was issued to the Deputy Associate Administrator for the National Nuclear Security Administration Office of Acquisition and Project Management and the Sandia Field Office Manager recommending suspension and/or debarment of the contractor employee and notification to the appropriate security clearance personnel. The investigation determined that the subject received stolen metal fabrication equipment prior to the Sandia National Laboratories Fabrication Plant ceasing operation in 2008. The stolen equipment, valued at \$43,000, was subsequently used by the former Sandia employee to operate a personally owned business.

Recovery Act Fraud Sentencing; Subcontractors Suspended with Debarment Pending

Two former Department subcontractors were sentenced in the Eastern District of Virginia. The former subcontractors were each sentenced to 2 years' probation and were ordered to perform 120 hours of community service. The individuals pleaded guilty to one count each of Making False Statements and agreed to pay restitution in the amount of \$108,000 to the Department and \$12,788 to a third party. The investigation determined that the former subcontractors purchased construction equipment using Recovery Act funds, sold the equipment without Department consent, and used the proceeds for personal benefit. The two subcontractors and their company were suspended with debarment action pending. This is a joint investigation with the Commonwealth of Virginia Office of Inspector General.

Theft of Government Property Sentencing and Investigative Report to Management Response Resulting in Debarment

A former Sandia National Laboratory contractor employee was sentenced in the Northern District of California to 2 years' probation and was ordered to perform 120 hours of community service and pay a \$4,100 fine. The former contractor employee was subsequently debarred from Government contracting for 3 years by the Department's suspension and debarment official. The former employee was found guilty of one count of Theft of Government Property after the investigation determined that the former contractor employee stole a computer valued at over \$4,000.

Theft of Trade Secret Sentencing; Principal Investigator Suspended Pending Debarment

A former Principal Investigator (PI) on a Department cooperative agreement was sentenced in the United States District Court in Greensboro, North Carolina, to 12 months and 1 day of incarceration and 3 years' supervised release, and was ordered to pay a \$10,000 fine. The former PI was suspended pending debarment after pleading guilty to one count of Possessing a Trade Secret for proprietary manufacturing information pertaining to Government-funded, metal-oxide field effect transistor technology with an estimated value of \$61.7 million. The investigation determined that the former PI stole from their employer proprietary and sensitive manufacturing information and devices valued in excess of \$100 million. The Department has approximately \$21.9 million in contracts with the victim company for deliverables similar to those that were stolen. This is a joint investigation with the Federal Bureau of Investigation.

Employee Misconduct Guilty Plea and Sentencing

A former Department GS-15 employee pleaded guilty in the District of Columbia Superior Court to a single count of Solicitation of Prostitution. The former employee was given a 1-year deferred sentence, ordered to complete 100 hours of community service, and ordered to pay \$250 to an anti-human trafficking organization. The investigation determined that the former employee used a Government computer and telephone on multiple occasions during work hours to solicit prostitutes.

Grant Fraud Guilty Plea and Conviction

A former chief executive officer (CEO) of a nonprofit organization receiving Department grant funds pleaded guilty and was subsequently convicted in the U.S. District Court of Minnesota on charges of Conspiracy to Commit Theft Concerning Programs Receiving Federal Funds, Mail Fraud, Wire Fraud, and Theft Concerning Programs Receiving Federal Funds. The investigation determined that the former chief executive officer diverted at least \$250,000 in grant funds to personal expenses, including the purchase of automobiles, airline tickets, hotel stays, rental cars, a Caribbean cruise, and payment to a family member of the former CEO \$140,000 for work not performed. This is a joint investigation with the Federal Bureau of Investigation, Internal Revenue Service Criminal Investigation Division, and Department of Health and Human Services OIG.

Guilty Verdict for Travel and Time and Attendance Fraud

A former Office of Secure Transportation employee was found guilty on a total of 23 counts, including Wire Fraud, False Claims, and a False Statement in the U.S. District Court for the Eastern District of Tennessee. The investigation determined that the former Office of Secure Transportation employee submitted numerous fraudulent travel vouchers totaling approximately \$22,000 and fraudulent time and attendance documents totaling approximately \$67,000, for work not performed.

Grant Fraud Guilty Plea and Debarment

Former Lawrence Livermore National Laboratory physicist pled guilty to one count of Mail Fraud in the U.S. District Court for the Northern District of California. Subsequent to the plea, an Investigative Report to Management was issued to the Director for the Department's Office of Acquisition and Project Management, who debarred the former physicist for 10 years. The investigation determined that the physicist claimed to have created a Superconducting Quantum Interference Device (SQUID) amplifiers and measured the physical attributes of these SQUID amplifiers using a liquid helium dilution refrigerator. The functionality of the SQUID amplifiers is pertinent to quantum computing. The investigation found the physicist falsely reported the physical attributes of the SQUID amplifiers to the scientists at the Intelligence Advanced Research Projects Activity, an agency within the Office of the Director of National Intelligence. This is a joint investigation with the Office of the Intelligence Community Inspector General.

Recovery Act Fraud Indictment and Guilty Plea

A Federal Grand Jury in the Northern District of Florida indicted the former chief executive officer and former grant coordinator of a Department grant recipient on one count of Conspiracy to Defraud the United States and one count of Theft of Government Property. The former grant coordinator subsequently pleaded guilty. The investigation determined that the two former grantee employees submitted a series of fraudulent checks and invoices in order to receive approximately \$2.23 million in Recovery Act grant funds administered through the Department's State Energy Program formula grants. The grant funds were subsequently used for personal expenses, such as a New York City penthouse condo and suite rental at Lincoln Financial Field in Philadelphia. This is an ongoing joint investigation with the United States Secret Service.

Employee Misconduct Results in Guilty Plea, Pretrial Diversion, and Termination of Federal Employment

A former Department employee pleaded guilty to one count of misdemeanor Insurance Fraud in the District of Columbia Superior Court. Pursuant to a pretrial diversion agreement, the employee agreed to not be arrested or violate any law or court order for 6 months and to perform 48 hours of community service. If the terms of the agreement are met, the charges will be dismissed at the end of the agreement period. The employee was arrested after making a false claim to an insurance company and receiving payment for an item claimed to have been lost or stolen. After sentencing, the former employee was terminated by the Department.

False Claims Indictment and Guilty Plea

A former Department management and operating contractor employee at the Y-12 National Nuclear Security Complex was indicted and pleaded guilty to one count of False Claims in the U.S. District Court for the Eastern District of Tennessee. Subsequent to the guilty plea, an Investigative Report to Management was issued to the Manager of National Nuclear Security Administration's Production Office recommending they determine if administrative action was warranted against a management and operating contractor employee at the Y-12 National Nuclear Security Complex and determine whether appropriate security clearance personnel should be notified. The contractor employee resigned in lieu of termination. The investigation determined that the former contractor employee received relocation expenses by submitting false documentation concerning residence location and moving expenses. This is an ongoing joint investigation with the Tennessee Valley Authority OIG.

Guilty Plea and Information Filed in Bribery Investigation; Former Contractor Suspended Pending Debarment

A former Department contractor pleaded guilty to violations of Conspiracy and Bribery in the U.S. District Court for the District of Maryland. In a separate filing, the U.S. Attorney's Office for the District of Maryland also filed a single-count Information charging an additional prospective Department contractor with Bribery. An Investigative Report to Management was issued to the Department's Office of Acquisition Management who subsequently suspended and proposed debarment of the Department contractor, its affiliated company, and three executives of the contractor company. The investigation determined that the former contractor paid bribes and made false statements to secure and maintain a contract with the Department. This is an ongoing, joint investigation with the Federal Bureau of Investigation.

Seven Individuals and Two Corporations Indicted in Small Business Concern Fraud Schemes

A Federal Grand Jury in the District of South Carolina indicted seven owners and employees and two corporations in a multi-entity fraudulent Small Business Concern (SBC) fraud scheme. The 20 count indictment includes charges of Conspiracy to Defraud the United States, False Statements, Major Fraud against the Government, Wire Fraud, and Misprision of a Felony. The investigation determined the defendants conspired to use figurehead SBCs not controlled by individuals eligible for small business set aside awards to obtain set aside contracts, including two Department subcontracts and one Department funded other-agency contract. The co-conspirators also converted money from the SBCs for their own personal use. The indictment includes provisions seeking forfeiture against all defendants. The investigation is a joint investigation with multiple agencies including the United States Department of Agriculture OIG, Defense Criminal Investigative Service, and Small Business Administration OIG.

Indictment and Arrest of Former Oak Ridge National Laboratory Subcontractor Employee

A former subcontractor employee at the Oak Ridge National Laboratory was arrested pursuant to a previously sealed indictment handed down on May 7, 2016, by a Grand Jury for the U.S. District Court for the Eastern District of Tennessee. The indictment charged the former subcontractor with one count of Conspiracy to Defraud the Government, three counts of Wire Fraud, and two counts of Money Laundering. The investigation involves alleged criminal acts

surrounding the post-cleaning waste storage and disposal operations of a metal cleaning and plating business. This is an ongoing joint investigation with the Environmental Protection Agency-Criminal Investigation Division, Internal Revenue Service Criminal Investigation, Tennessee Valley Authority OIG, Defense Criminal Investigative Service, and Federal Bureau of Investigation.

Former Department Employee Indicted and Arrested for Government Purchase Card Fraud

A Western Area Power Administration (WAPA) Department employee was arrested after a Federal Grand Jury in the District of Colorado indicted the former employee on seven counts of Wire Fraud and four counts of Theft of Government Property. The investigation determined that the former WAPA employee fraudulently used a Government Purchase Card to obtain property worth over \$26,700 for personal benefit while employed at WAPA. The former WAPA employee was terminated by WAPA for making unauthorized purchases on a Government Purchase Card.

Federal Grand Jury Indicts Former Contractor in Ponzi Scheme

A Federal Grand Jury in the District of South Carolina indicted a former contractor employee on one count of Wire Fraud. The investigation determined that the former contractor employee at the Savannah River Site operated a pyramid scheme from approximately 2006 to 2014. Instead of investing the money received from Savannah River Site employees and others, the former contractor used investors' money to make monthly payments to prior investors. The former contractor employee also used investors' money to purchase personal items such as an all-terrain vehicle and to pay private school tuition for the former contractor employee's children. From 2006 to 2014, the former contractor employee collected over \$700,000 from more than 10 victims.

Child Pornography Indictment

A Lawrence Livermore National Laboratory contractor employee was indicted in the Eastern District of California for Attempted Exploitation of Children. The investigation determined that the contractor employee videotaped a minor family member in an indecent manner without their knowledge or consent. The employee has been suspended from employment pending the outcome of the criminal investigation and is currently incarcerated awaiting trial. This is an ongoing joint investigation with the Federal Bureau of Investigation and was coordinated with the U.S. Attorney's Office for the Eastern District of California.

Former Department Subcontractor Issued Information; Pleaded Guilty to Conspiracy

A former subcontractor manager of a former waste transportation subcontractor entered into a plea agreement resulting from an Information filed in the United States District Court for the Eastern District of Tennessee. The former subcontractor manager pleaded guilty to a charge of Conspiracy to Defraud the Government after the investigation revealed the former subcontractor manager used fraudulent invoices to launder payments to the relative of a former President of the Department's environmental clean-up contractor and conspired to commit tax evasion. This is an ongoing investigation with the Internal Revenue Service Criminal Investigation Division and the FBI.

Informations Filed for Former Government Contractors

The U.S. Attorney's Office for the District of South Carolina filed three single-count Informations on three former Department contractors for providing gratuities and making false statements. Two of the defendants are banned from doing business directly with the Department or a Department contractor during their 18-month-long diversion programs. Pretrial Diversion Agreements were previously accepted for 3 individuals who provided gratuities to government contractors to obtain government contracts. This joint investigation with the Federal Bureau of Investigation continues.

Time and Attendance Fraud Criminal Information Filed

The District Attorney's Office from the First Judicial District of Colorado advised that a Criminal Information was filed charging a former National Renewable Energy Laboratory contractor employee with one count of Theft. The investigation determined that the former contractor employee submitted numerous falsified time and attendance documents to National Renewable Energy Laboratory claiming approximately \$50,000 for work that was not performed. This case is being prosecuted by the District Attorney's Office of Jefferson County, Colorado.

False Claims Information Filed Charging Former Department Grantee

A former Department grantee receiving funds under the Recovery Act was charged in a single-count Information by the U.S. Attorney's Office for the Western District of Pennsylvania. The Information charges the former grantee with submitting false claims pursuant to the Department award. The investigation determined that the former grantee did not perform the work under the contract and ultimately converted over \$5.7 million to personal use. This is an ongoing investigation with the Department of Justice Civil Division and the U.S. Attorney's Office for the Western District of Pennsylvania.

Theft of Government Property Criminal Complaint Filed and Arrest Warrant Executed; LANL Employee Terminated

In response to a criminal complaint filed in the Los Alamos Magistrate Court, State of New Mexico and the issuance of an arrest warrant, a Los Alamos National Laboratory (LANL) employee was arrested for Larceny. To date, the investigation has determined the LANL employee stole copper fittings and tubing from LANL and sold the items at a local metal recycling facility. This is an ongoing, joint investigation with the Los Alamos Police Department. LANL subsequently terminated the employee's employment.

Hanford Contractor Employee Arrest Warrant Executed

A Hanford contractor supervisory employee was arrested and charged in the Benton County Superior Court with felony Communication with a Minor for Immoral Purposes. The Homeland Security Investigations (HSI) Task Force/Kennewick Police Department (KPD) investigation determined that from November 2015 through January 2016, the contractor employee allegedly exchanged sexually explicit photos during Department work hours with an undercover HSI Task Force/KPD officer posing as a 13-year-old female. Furthermore, the contractor employee attempted to arrange meetings for sexual activities with the undercover agent. We

will continue to provide assistance with the ongoing HSI Task Force/KPD led investigation and coordinate appropriate administrative actions with Department and contractor personnel.

Arrest of Department Employee for Illegal Importation of Narcotics and Response to Investigative Report to Management

OIG agents joined agents from several Federal law enforcement agencies in the arrest of a GS-15 Department employee charged with Possession with Intent to Distribute Controlled Substances and Transportation of a Controlled Substance. After the arrest, the team of agents executed a search warrant at the employee's residence and discovered numerous types of suspected controlled substances, prescription narcotics, and hazardous chemicals. OIG informed the Office of Security of the arrest, and the employee's facility access was suspended pending criminal proceedings. Additionally, an Investigative Report to Management was issued to the Office of Science recommending the Office determine whether administrative action is warranted against the employee pending criminal proceedings. In response to the Investigative Report to Management, the employee was placed on administrative leave and follow-on actions are pending. This is an ongoing investigation with several Federal law enforcement agencies.

Property Theft Investigation Results in Contractor Resignation in Lieu of Termination

A Lawrence Livermore National Laboratory (LLNL) contractor employee resigned in lieu of termination during a Theft of Government Property investigation. Our investigation determined that the LLNL contractor employee stole at least 42,782 pounds of copper wire and tubing from LLNL and sold it for \$117,380. LLNL sent a Letter of Intent to Dismiss and, in response, the contractor employee resigned. An Investigative Report to Management was issued to the Director for the National Nuclear Security Administration Office of Acquisition and Project Management recommending that they determine whether to suspend and/or debar the former Department contractor employee. This is an ongoing investigation prosecuted by the U.S. Attorney's Office for the Northern District of California.

Recovery of Stolen Computers

Proactive investigative efforts resulted in the OIG recovering several Government-owned Apple information technology (IT) devices, worth approximately \$7,500, that were reported as stolen from Department laboratories. This is an ongoing investigation and is being coordinated with the Alameda County District Attorney's Office.

Inappropriate Use of Government Computer Results in Employee Termination

An Investigative Report to Management was issued to the Administrator, Southeastern Power Administration (SEPA), making two recommendations for corrective action. The investigation revealed a SEPA employee was viewing inappropriate content on a Government-owned computer, and due to a lack of a monitoring procedure, the lapse in time from the action to the discovery caused data to be lost. The OIG recommended SEPA put protocols in place to better monitor network usage for inappropriate activities by employees and to better educate its employees regarding proper notification procedures to the OIG. Subsequent to the issuance of the Investigative Report to Management, SEPA terminated the employee's employment.

Contract Fraud Administrative Recovery

An Investigative Report to Management was issued to the Director of the West Valley Demonstration Project (West Valley) recommending the Director determine whether the former West Valley prime contractor overbilled the Department for long-term contractor per diem reimbursements to which it was not entitled and take appropriate action to recover any overbilled amount. In response, the Department's contracting officer issued a letter to the Chief Financial Officer of the site's prime contractor requesting repayment of \$132,720 in disallowed costs for overbillings of long-term per diem expenses paid to a subcontractor. West Valley repaid the Department \$132,720 in disallowed costs. In addition to these costs identified in the Investigative Report to Management, the contractor conducted an internal review which identified an additional \$20,977 in long-term subcontractor per diem expenses that were also repaid to the Department. The investigation determined that the former West Valley prime contractor paid long-term contractor per diem to the employees of a radiological remediation subcontractor in violation of contract terms, and received a total of \$1,803,926 for the payments after invoicing the Department.

Small Business Innovation Research Fraud Recovery

In response to an Investigative Report to Management, the Department ordered a grant recipient to return \$300,000 to the Department. This repayment is the result of an OIG investigation that revealed the grant recipient provided no deliverables to the Department on three Phase 1 Small Business Innovation Research grants and refused to provide a final report detailing its activities related to the grants. This was a joint investigation with the National Aeronautics and Space Administration OIG.

Investigation Results in Modification to Small Business Innovation Research Grant

During the course of an OIG investigation, the Department notified the OIG that a Small Business Innovation Research grant recipient's Phase 2 award would be modified. The change ensures more accountability and oversight by the Department during the period of award providing more control in financial reimbursement to the grantee. The investigation determined that during the Phase 1 period of performance, funds were not used by the grantee as agreed upon in the initial proposal as well as the financial assistance award. This is an ongoing investigation with multiple Federal agencies and was coordinated with the U.S. Attorney's Office in the Western District of New York.

Employee Termination in Theft of Government Property Investigation

An Idaho Operations Office employee was terminated for theft of Government property. During the course of the investigation, the former Federal employee admitted to stealing numerous Government-purchased gift cards designated for use as employee recognition awards and using them for personal gain. The employee also admitted to forging documents to obtain additional gift cards fraudulently. The investigation is being prosecuted by the Bonneville County Prosecuting Attorney's Office.

Grant Fraud Investigation Administrative Recovery

A Solar America Initiative grant recipient agreed to pay the Department \$106,602 for unallowable costs charged to the grant. The Office of Energy Efficiency and Renewable Energy issued an administrative demand letter to a grant recipient for unallowable costs related to the Solar America grant. Our investigation resulted in Department management learning that the grantee conducted a majority of the grant work in Israel despite a grant requirement that 80 percent of the work be completed in the United States. The grant included Recovery Act funds.

Two Former Small Business Innovation Research Grant Recipients Debarred

Two Florida scientists and two associated companies were debarred from Government contracting for a period of 15 years. The investigation determined the scientists obtained \$10.5 million in grants, \$200,000 of which was from the Department, through the Small Business Innovation Research Program by submitting proposals with stolen identities in order to create false endorsements of and for their proposed contracts. One scientist was sentenced to 15 years of incarceration and the other was sentenced to 13 years. In addition, the scientists were ordered to pay \$10.6 million in restitution.

Former Department Contractor Employee Debarred in Conspiracy/False Claims Investigation

In response to an Investigative Report to Management, a former Department contractor employee was debarred from Government contracting for a period of 3 years. The former contractor employee was indicted in the U.S. District Court for the Northern District of Illinois and found guilty of Conspiracy and six counts of False Claims for filing fraudulent tax forms. The former contractor employee was sentenced to 21 months' incarceration and was ordered to pay \$216,666 in restitution. This was an investigation by the Internal Revenue Service with assistance provided by the OIG.

Former Contractor Employee Suspended and Debarred for Theft of Government Property

In response to an Investigative Report to Management, the Office of Policy suspended and subsequently debarred a former Lawrence Berkeley National Laboratory (LBNL) employee from Government for a period of 3 years. The investigation determined that the former LBNL employee appropriated Government property and subsequently sold it on eBay for personal gain. The former LBNL employee subsequently pleaded "no contest" to one misdemeanor charge of Petty Theft in Alameda County, California. The employee consequently received a deferred judgment of 1 year and was ordered to pay \$1,292 restitution and a \$250 court fee.

Multiple Suspensions resulting from Small Business Innovation Research Fraud

Three individuals and their six associated companies were suspended from doing business with the Government for making false statements, false claims, wire fraud, conspiracy, and money laundering for their role in obtaining 30 Small Business Innovation Research grants totaling more than \$8 million from multiple Federal agencies, including \$5 million from the Department. The individuals and companies will be precluded from directly or indirectly receiving any benefits from Federal grants or contracts pending the completion of ongoing legal proceedings. This is an ongoing joint investigation with several partner agencies and is being coordinated with the U.S. Attorney's Office for the Western District of New York.

Suspension Letter Issued to Former Department Employee

In response to an Investigative Report to Management, a former Office of River Protection (ORP) Property Management Specialist was suspended from award of any Government contracts and assistance agreements with debarment action pending. The investigation determined that the former ORP employee misused their position to forge official Government property transfer documents in order to fraudulently obtain Government-owned computers and equipment valued at approximately \$31,700 through the General Services Administration's excess property program. This case was prosecuted in the Benton County Superior Court in Washington, where the former employee pleaded guilty to Felony Forgery and Misdemeanor Theft.

Debarment Action in Theft of Government Property Investigation

In response to an Investigative Report to Management, a former Lawrence Livermore National Laboratory (LLNL) contractor employee was debarred from Government contracting for a period of 3 years. The former contractor employee was sentenced to 5 years' probation, was ordered to pay restitution to the Department, and was permanently banned from LLNL after pleading guilty to one felony count of Grand Theft. The investigation determined that the former contractor employee stole approximately \$58,000 worth of optical devices, toner cartridges, and computer accessories from LLNL and subsequently sold them on eBay. The OIG previously recovered some of the stolen LLNL property from the former contractor employee's residence.

Grant Fraud Management Response; Former Principal Investigator Suspended Pending Debarment

In response to an Investigative Report to Management, the Department disallowed a portion of a Small Business Innovation Research grant issued a suspension and proposed debarment order. The investigation determined that a former Principal Investigator (PI) received several duplicate SBIR grants from multiple Federal agencies. As reported in our last semiannual report, the former PI was sentenced in the U.S. District Court for the Central District of California and ordered to pay \$99,999 in restitution to the Department, \$199,999 in fines to the Government, and a \$100 special assessment. The Court also ordered the former PI to serve probation for a period of 2 years and perform 250 hours of community service. This is a joint investigation with National Aeronautics and Space Administration OIG, Internal Revenue Service Criminal Investigation Division, and the Defense Criminal Investigative Service.

Misuse of Government Property Management Response

In response to an Investigative Report to Management, the Southwestern Power Administration (SWPA) took actions to review policies, procedures, and guidelines for SWPA fleet cards and provided face-to-face training to all SWPA employees on proper use of fleet and purchase cards; this training is to be conducted annually. SWPA further advised they would be performing monthly internal audits of all fleet, travel, and purchase cards. The investigation determined that a SWPA employee accepted a gift from an individual outside of the Government, SWPA fleet cards were improperly utilized by individuals, and SWPA lacked policies and procedures relating to the use of the fleet cards.

Theft of Government Property Management Response

In response to an Investigative Report to Management, the Bonneville Power Administration (BPA) advised they would take action and implement policy and procedures for physical safeguards and security of BPA fleet cards, focusing on loss prevention and theft detection. Additionally, BPA will provide training to BPA employees of policies and procedures associated with BPA fleet cards. This investigation determined that two private citizens burglarized two BPA facilities, stole two BPA fleet cards, and made numerous fraudulent purchases. The investigation determined that BPA lacked policies and procedures for physical safeguards and security of BPA fleet cards.

Government Computer Misuse Management Response

In response to an Investigative Report to Management, the Federal Energy Regulatory Commission (FERC) agreed to update FERC's computer logon warning banner to include more robust language pertaining to employees' privacy by adopting the Department's banner, and will enforce the use of FERC's "Rules of Behavior" agreement with employees outlining expectations and privacy issues while using Government systems. The investigation revealed the Banner displayed on FERC-issued Government devices does not clearly and unambiguously state users have no reasonable expectation of privacy when using FERC systems.

AUDIT REPORTS

Management and Oversight of Information Technology Contracts at the Department of Energy's Hanford Site

The Department's Hanford Site (Hanford) supported the Manhattan Project and Cold War through the production of plutonium. The weapons production processes resulted in the creation of solid and liquid wastes that pose a risk to the local environment. To help remediate the environmental risks, the Richland Operations Office and the Office of River Protection oversee the cleanup work completed by seven prime contractors. In 2009, the Richland Operations Office awarded Mission Support Alliance, LLC (MSA), the Hanford Mission Support Contract to provide support services to the Department and its contractors. As part of this contract, MSA noncompetitively awarded the information technology (IT) support services work to its affiliate, Lockheed Martin Services, Inc. (LMSI).

We received a complaint expressing concerns with the Department's oversight of IT functions at Hanford. Our review largely substantiated that there were a number of problems related to the management and oversight of the IT contracts at Hanford. While we did not substantiate an allegation regarding a conflict of interest, we determined that several MSA executives also held senior executive positions within Lockheed Martin Corporation and, as such, had inappropriately taken actions on excluded activities that resulted in the appearance of a conflict of interest. We identified weaknesses related to contract awards and work scope, time and material task orders, and affiliate fee or profit.

The identified weaknesses occurred, at least in part, because MSA had not fully executed the Mission Support Contract in accordance with its terms. In addition, the Richland Operations Office had not promptly acted to compel involved contractors to comply with requirements. We also observed that Richland Operations Office and MSA officials had not ensured that incurred cost audits were conducted in accordance with Federal requirements, a key component of an effective monitoring and oversight program.

As a result, contracts may have been awarded that were not in the best interest of the Government and that the Department may have paid higher costs than were necessary and allowable. The Department also may be paying unallowable costs related to inappropriate profit in an affiliate arrangement. (DOE-OIG-16-10)

Followup on Western Area Power Administration's Critical Asset Protection

The Department's Western Area Power Administration (Western) markets and transmits electrical power across 15 states to wholesale customers. It maintains an extensive infrastructure, including electrical substations, high-voltage transmission lines and towers, and power system control centers. Western is subject to security requirements established by the Department, the North American Electric Reliability Corporation (NERC), and the Department of Homeland Security. A 2003 Office of Inspector General audit report noted that Western's risk assessments were inadequate, and a 2010 OIG report found that Western had not completed required risk assessments and security measure performance testing, and had not implemented

physical security enhancements recommended in completed risk assessments. During this followup audit, we found that, although Western had initiated efforts to improve physical security and protection of its critical assets, significant issues still exist and issues identified in our 2010 report remain unaddressed. Specifically, we found that Western had not always established adequate physical security measures and practices for its critical assets, addressed physical security measures recommended in prior risk assessments, and conducted performance testing to ensure that security measures for physical assets were performing as designed.

The issues we identified occurred in large part because Western had not placed sufficient emphasis on physical security. We also found that Western lacked specific policies and procedures for maintaining security equipment, controlling access keys, implementing risk assessment recommendations, and conducting performance tests.

Protecting critical infrastructure is essential to the Nation's security and economic vitality. The consequence of tampering with or destroying equipment in substation yards and control buildings could cause significant disruption in the functioning of Government and business, potentially producing a cascading effect far beyond the physical location of the incident. (DOE-OIG-16-11)

Western Federal Power System's Fiscal Year 2015 Financial Statement Audit

This report presents the results of the independent certified public accountants' audit of the Western Federal Power System's (Western) combined balance sheets, as of September 30, 2015 and 2014, and the related combined statements of changes in capitalization, revenues and expenses, and cash flows for the years then ended.

To fulfill our audit responsibilities, we contracted with the independent public accounting firm of KPMG LLP (KPMG) to conduct the audit, subject to our review. KPMG is responsible for expressing an opinion on Western's financial statements and reporting on applicable internal controls and compliance with laws and regulations.

KPMG concluded that the combined financial statements present fairly, in all material respects, the respective financial position of Western as of September 30, 2015 and 2014, and the results of its operations and its cash flow for the years then ended, in conformity with United States generally accepted accounting principles. (OAI-FS-16-07)

The Department of Energy's Office of Headquarters Procurement Services Contract Awards Made to Alaska Native Corporations

Alaska Native Corporations (ANC) were created to settle land claims with Alaskan natives and foster economic development. The Small Business Administration's (SBA) 8(a) Business Development Program (8(a) Program) helps eligible small disadvantaged businesses compete in the marketplace by offering a broad scope of assistance. Since legislation passed in 1986 allowing ANCs and their subsidiary firms to participate in the 8(a) Program, Congress has extended special procurement advantages to ANCs, including the ability to receive sole source

contracts of unlimited value and own majority interest in an unlimited number of subsidiaries at any one time under the 8(a) Program. In 2012, the Department entered into a *Partnership Agreement* with SBA that delegated SBA's contract execution functions to the Department and established basic procedures for expediting the award of 8(a) Program contracts.

Our audit of 12 sole source contracts awarded by Headquarters Procurement Services to ANC firms under SBA's 8(a) Program, of which 11 contracts exceeded the simplified acquisition threshold, revealed that Headquarters Procurement Services had not always effectively managed contract awards made to ANC firms. We found that Headquarters Procurement Services (1) could not demonstrate that it had requested SBA's required 8(a) Program eligibility determination for 3 of the 11 ANC sole source contracts that exceeded the simplified acquisition threshold; (2) had not always monitored ANC firms' compliance with the limitations on the subcontracting provision in contracts awarded under the 8(a) Program; and (3) had awarded to an ANC subsidiary firm a \$58 million sole source contract that appeared to conflict with the 8(a) Program's intent to prohibit follow-on contract awards.

Headquarters Procurement Services' inability to demonstrate that procurement officials had requested SBA's approval of ANC awards under the 8(a) Program occurred because it did not adequately maintain documents and complete files. In addition, ANC contractors' compliance with subcontracting limitations were not adequately monitored because Headquarters Procurement Services did not ensure that the responsibilities outlined in the Department's *Partnership Agreement* with SBA were communicated to procurement officials awarding and managing ANC contracts. Regarding the questioned 8(a) Program sole source follow-on contract, Headquarters Procurement Services had not followed SBA and FAR requirements to determine whether the principal nature of the work performed under the contract had significantly changed from the work performed under the previous contract.

Weaknesses in the Headquarters Procurement Services procurement process increased the risk of contracts being awarded to ANC firms that were not eligible to receive the award under the 8(a) Program. The Department plays a significant role in offering business development opportunities to ANC firms and other small businesses under SBA's 8(a) Program. To meet the goals of the 8(a) Program, it is important that the Department's procurement officials are aware of their responsibilities under the Department's *Partnership Agreement* with SBA. Although our audit focused on awards to ANC firms, the weaknesses we found could also affect awards made by the Department to other small businesses under the 8(a) Program. (OAI-M-16-09)

[Audit Coverage of Cost Allowability for National Security Technologies LLC During Fiscal Years 2012 Through 2014 Under Department of Energy Contract No. DE AC52 06NA25946](#)

National Security Technologies LLC (NSTec) has managed and operated the Nevada National Security Site for the National Nuclear Security Administration Nevada Field Office under contract with the Department since July 1, 2006. During FYs 2012 through 2014, NSTec incurred and claimed costs totaling approximately \$1.5 billion.

NSTec is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. A Cooperative Audit Strategy places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by contractors.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by NSTec's Internal Audit for FYs 2012 through 2014 could not be relied upon. We did not identify any material internal control weaknesses with the cost allowability audits, which generally met the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. During its FYs 2012 through 2014 audits of cost allowability, Internal Audit identified \$292,650 in questioned costs, all of which had been resolved. Further, we found that NSTec had conducted or ensured that audits of subcontractors were conducted when costs incurred were a factor in determining the amount payable to a subcontractor.

In addition, our Inspection report titled [Concerns with Consulting Contract Administration at Various Department Sites \(DOE/IG-0889, June 2013\)](#) identified questioned costs totaling \$20,923 and internal control weaknesses at the Nevada National Security Site related to payments made on invoices that lacked detail necessary to support that the agreed-to services had been provided. We found that all of the questioned costs and the internal control weaknesses had been resolved. (OAI-V-16-07)

[The Department of Energy's Improper Payment Reporting in the Fiscal Year 2015 Agency Financial Report](#)

This report presents the results of an audit of the Department's Improper Payment Reporting in the FY 2015 Agency Financial Report. To fulfill our audit responsibilities, we contracted with the independent public accounting firm of KPMG LLP (KPMG) to express an opinion on whether the Department met the Office of Management and Budget's criteria for compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). KPMG expressed the opinion that the Department complied with all requirements of IPERIA. (OAI-FS-16-08)

[The Department of Energy's Continued Support of the Texas Clean Energy Project Under the Clean Coal Power Initiative](#)

The Department's Clean Coal Power Initiative is a partnership with industry to demonstrate advanced coal-based technologies, with the goal of accelerating commercial deployment of promising technologies to ensure the nation has clean, reliable, and affordable electricity. In January 2010, the Department awarded a \$1.7 billion cooperative agreement under the Initiative for the Texas Clean Energy Project, which was estimated to cost \$1.9 billion. The Department's share of the Project costs was \$350 million, including approximately \$216 million in Recovery Act funding. The Department later increased its commitment to \$450 million. The remaining costs were to be provided by the awardee, Summit Texas Clean Energy LLC

(Summit). The Project objective was to demonstrate the integration of a commercial power generation plant with carbon dioxide capture, transport, and geologic sequestration. The first phase of the Project, originally scheduled for completion in December 2010, was to make decisions on the technology, schedule, and cost baselines sufficient to allow Summit to secure commitments for the remaining commercial debt and equity financing needed to complete the Project. Upon securing the additional financing, the Project would move to the subsequent phases of design, construction, and demonstration/operations. As of February 2016, the Project remained in the first phase, and the Department had reimbursed Summit approximately \$116 million in project costs, or approximately one-third of its total commitment.

Due to Summit's inability to obtain the required commercial debt and equity project financing and the adverse effect of changing energy markets on the demand for coal-based power plants, we are concerned about the viability of the Project and the Department's continued involvement. Although construction of the plant was originally planned for completion in June 2014, the Project remains in the project definition phase. Additionally, we found that the Department had taken actions that increased its financial risk in the Project. Specifically, it accelerated disbursements of Recovery Act funds and allowed Summit to shift project costs from the phase 2 design; resulting in higher reimbursements than were originally intended during the first phase. As of February 2016, the Department had invested about \$116 million in the Project without assurances that it would succeed.

In the absence of commercial debt and equity financing, Summit will be unable to contribute its share of costs and move forward with the Project. To date, we noted significant project delays had occurred due to Summit's inability to secure private financing. The inability to secure commercial debt and equity financing may be due, in part, to adverse market conditions. Over the course of the Project, the Department has taken actions that increased its financial risk without assurances that the Project would succeed. In particular, the Department provided multiple extensions to the period of performance for the project definition phase, extending it by more than 5 years. Furthermore, the Department accelerated the use of Recovery Act funds and reduced Summit's Project cost-share requirement to help it with liquidity needs, both of which put more taxpayer funds at risk if the Project does not move forward. The Department additionally shifted about \$90 million in Federal funds earmarked for detailed engineering activities in phase 2 to the project definition phase. (OIG-SR-16-02)

The Department of Energy's Energy Information Technology Services Federal Support Costs

The Department's Energy Information Technology Services (EITS) shared services program, formerly known as the Department of Energy's Common Operating Environment, was based, in part, on a Secretarial initiative to implement a single, integrated information technology (IT) infrastructure across the Department's Federal environment. In an effort to increase efficiency and purchasing power and reduce overall expenditures, the Chief Information Officer was tasked with consolidating Federal IT support services and providing standard desktop, electronic mail, and related services. At the time of our review, EITS provided shared services to approximately 9,000 users across the Department at a cost of approximately \$158 million for FYs 2013 and 2014.

We contracted the independent public accounting firm of KPMG LLP (KPMG) to conduct an audit to determine whether EITS Federal support costs were reasonable and were managed effectively. Although KPMG was unable to conclude whether the EITS Federal support costs were reasonable, KPMG found that EITS officials had not always managed costs effectively.

Although KPMG also observed a number of positive aspects regarding management of the EITS program, without improvements the Department may be unable to ensure that the EITS program is managed effectively, ensuring that the costs of services provided are appropriately identified, the quality of services provided to customers are maximized, and the costs of services are fully recovered. Therefore, KPMG made recommendations in the report that, if fully implemented, should assist the Department with improving its EITS shared service program. (DOE-IG-16-12)

Management Letter on the Western Federal Power System’s Fiscal Year 2015 Financial Statement Audit

KPMG LLP (KPMG), our contract auditors, planned and performed an audit of the combined financial statements of the Western Federal Power System (the System) as of and for the year ended September 30, 2015. During the audit, KPMG noted certain matters involving internal control and other operational matters that are presented in the management letter prepared by KPMG. The letter contains four new findings and one repeat finding that were issued during the course of the System’s FY 2015 Financial Statement Audit. (OAI-FS-16-09)

Atmospheric Radiation Measurement Climate Research Facility

The Department’s Office of Science (Science) supports the Atmospheric Radiation Measurement (ARM) Climate Research Facility. The ARM Facility was established in 1989 to provide strategically located observatories for studying the Earth’s climate. It supports the Department’s climate mission by providing comprehensive sets of observations in diverse climatic regimes and the associated data infrastructure to support the research community. Nine national laboratories manage aspects of the ARM Facility, which had a budget of about \$67 million for FY 2015.

During our audit, nothing material came to our attention to indicate that Science’s management of the ARM Facility was not generally effective. However, we determined that the ARM Facility did not always obtain climate data sets from external users of its sites for inclusion in the Archive. Moreover, final technical reports of the external projects were not always obtained and, when reports were acquired, they were not always shared with other researchers and the public through the Department’s repository at the Office of Scientific and Technical Information (OSTI). We concluded that the ARM Facility’s policy and procedures did not go far enough to secure data and final reports from external users. Furthermore, although the ARM Facility had procedures to send final reports to OSTI, personnel did not always follow the procedure.

We also found that the ARM Facility had not fully addressed external recommendations to establish an offsite backup of the Archive. Our review of documents and discussions with ARM

Facility management determined that their focus was the short-term concern of creating an off-site backup, rather than the future needs of the program. They did not fully consider the alternatives to creating and mailing tape backups, such as automating the backups through interconnected databases.

Failure to obtain data and final technical reports from the external users could hinder the achievement of the ARM Facility mission to improve climate and earth system research modeling by providing timely data to the climate research community. Furthermore, the lack of a complete off-site backup of the Archive could lead to the loss of critical and irreplaceable climate observations should a catastrophic event happen at ORNL. (OAI-M-16-10)

The Department of Energy's Small Modular Reactor Licensing Technical Support Program

Commercializing and deploying small modular reactors (SMR) has been a high priority of the Department's Office of Nuclear Energy SMR Licensing Technical Support Program (SMR Program). The mission of the SMR Program is to support design certification and licensing with industry partners to promote commercializing and deploying SMRs. The SMR Program, which began in 2011, has a budget of \$452 million from which the Department awarded two major cost-shared cooperative agreements. The primary purpose of these awards was to achieve design certification by the Nuclear Regulatory Commission.

During our audit, nothing material came to our attention to indicate that the SMR Program was not being managed effectively and efficiently. We did, however, determine that in certain instances, the Department reimbursed its award recipients for unallowable costs, including rent payments, relocation, travel, and labor costs totaling \$483,675.

Improper costs and associated reimbursements occurred because the Department's invoice review process was not sufficient. While the Department does not have a specific policy for reviewing financial assistance award invoices, it elected to follow its Acquisition Guide for Reviewing and Approving Contract Invoices. However, the Department's review did not discover the questionable costs we identified and was vulnerable to improper payments. It should also be noted that during our review, after we identified questionable costs, management quickly took action to correct some of these costs. (OAI-M-16-11)

Audit Coverage of Cost Allowability for Iowa State University During Fiscal Years 2013 and 2014 Under Department of Energy Contract No. DE-AC02-07CH11358

Since 1947, Iowa State University (ISU) has managed and operated the Ames Laboratory (Ames) under contract with the Department. During FYs 2013 and 2014, ISU expended and claimed \$83,601,772.

ISU is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. The Department's Cooperative Audit Strategy places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by contractors.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by Internal Audit could not be relied upon. We did not identify any material control weaknesses with the cost allowability audits, which generally met the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors. Internal Audit identified \$775 in questioned costs during its audits of FY 2013 and 2014 costs, all of which had been resolved. At the time of our review, ISU had not conducted any subcontract audits but did schedule an audit of one subcontract. Finally, nothing came to our attention to indicate that questioned costs and internal control weaknesses affecting allowable costs that were identified in audits and reviews had not been adequately resolved. We identified no other audits or reviews that reported questioned costs or internal control weaknesses affecting the allowability of costs claimed for FYs 2013 and 2014.

In response to our previous report Assessment of Audit Coverage of Cost Allowability for Ames Laboratory during FYs 2009 through 2012 under Department of Energy Contract No. DE-AC02-07CH11358 (OAS-V-14-07, January 2014) ISU established a policy for auditing cost-type subcontracts using a risk methodology in July 2014 that generally addressed our previous subcontract audit concerns. However, we noted areas that could be strengthened as the practices evolve under this new policy. Specifically, we found that the subcontract audit policy did not establish a risk methodology for determining whether to perform interim audits of cost-type subcontracts, but rather relied on sampling subcontractor invoices during the annual cost allowability audit performed by Internal Audit. (OAI-V-16-08)

[Audit Coverage of Cost Allowability for URS|CH2M Oak Ridge LLC During Fiscal Years 2011, 2012, and 2013 Under Department of Energy Contract No. DE-SC0004645](#)

The East Tennessee Technology Park (ETTP), formerly the Oak Ridge Gaseous Diffusion Plant, began operations during World War II as part of the Manhattan Project. As the mission of the Department changed, operations at the plant ceased and the Department began a massive environmental remediation effort. In 2011, the Department contracted with URS|CH2M Oak Ridge LLC (UCOR) for the completion of the decontamination and demolition and environmental remediation of ETTP under a Cost-Plus-Award-Fee contract that included performance based incentives.

UCOR is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. A Cooperative Audit Strategy places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by contractors.

Based on our assessment, no material concern came to our attention to indicate that the allowable cost-related audit work performed by UCOR's Internal Audit could not be relied upon. We did not identify any material internal control weaknesses with cost allowability audits, which generally met the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors (IIA Standards). UCOR's Internal Audit questioned \$404,252 of the costs incurred and claimed during FYs 2011 through 2013, of which

\$112,613 had not been resolved. Therefore, we are questioning this amount. In addition, we identified certain weaknesses that need to be addressed to ensure that only allowable costs are claimed and reimbursed to the contractor.

Although we ultimately determined that we could rely on Internal Audit's work, we found instances where Internal Audit's work papers did not contain sufficient documentation to support their conclusions. We also found instances where the conclusions reported by Internal Audit were not accurate. After discussing our concerns with Internal Audit, we were provided additional documentation to support their conclusions for all costs except for \$4,929 in relocation costs. Internal Audit did not provide sufficient documentation to reach a conclusion regarding these costs; therefore, we are questioning them. (OAI-V-16-09)

Implementation of the Department of Energy's CyberOne Initiative

In FY 2013, the Department's Deputy Secretary included CyberOne as a new Working Capital Fund (WCF) business line in the Department's budget request. The CyberOne business line is a financial management tool that funds the implementation of the Department's Identity, Credential, and Access Management (ICAM) initiative and the Joint Cybersecurity Coordination Center (JC3). The Office of the Chief Information Officer (OCIO) is responsible for the development and management of both ICAM and JC3. According to a Department official, ICAM's goal is to introduce a common, standardized, and trusted basis for digital identity, access management, and control services across the Department and Federal Government. The OCIO developed JC3 with the goal of enhancing incident response and situational awareness across the Department.

CyberOne was budgeted to collect \$40 million per year from the Department's program offices to enable continued implementation of ICAM and JC3. The Deputy Secretary directed that all items proposed for CyberOne funding be supported by a proposal detailing the services that would be offered and their associated costs. Although not funded until FY 2014, the WCF provided approximately \$60 million for CyberOne-related expenditures through FY 2015. We initiated this audit to determine whether the CyberOne line of business was appropriately planned and managed.

Opportunities exist to improve the transparency of the CyberOne line of business to customers. However, nothing came to our attention during our review that would indicate that the JC3 program was not being managed according to Department requirements. Further, the Department is currently addressing issues pertaining to the ICAM initiative identified in our prior report on [*The Department of Energy's Implementation of Homeland Security Presidential Directive-12 \(DOE/IG-0860, February 2012\)*](#). (OAI-L-16-11)

Management of Infrastructure at the Pantex Plant

The Department's National Nuclear Security Administration's (NNSA) Pantex Plant mission includes the manufacture of specialty explosives, fabrication, and testing of high explosive components, pit requalification and surveillance, and other activities. The NNSA Production Office has the oversight responsibility for the work performed by Consolidated Nuclear Security

LLC, the management and operating contractor at Pantex and NNSA's Y-12 National Security Complex.

Pantex maintains 608 facilities, including 53 mission-critical facilities, which are primarily used to perform scientific, production, environmental restoration, or stockpile stewardship, and without which, operations would be disrupted or placed at risk. According to Pantex officials, reduced maintenance budgets have created a large backlog of repairs needed to sustain the facilities and infrastructure. In addition, FY 2015 and out-year budgets continue to underfund Pantex requirements for infrastructure management. For example, Pantex required \$228.9 million to fund infrastructure in FY 2015, but NNSA funded only \$133.3 million. According to the July 2013 Ten-Year Site Plan, these funding constraints have caused Pantex to focus resources on maintaining mission-critical facilities at the expense of the balance of plant facilities.

Although Pantex identified and determined the condition of its infrastructure, systems, and structures that were in need of repair, replacement, or demolition/disposal, its maintenance backlog reporting was inconsistent with Department Guide 433.1-1A, Nuclear Facility Maintenance Management Program Guide for Use with DOE O 433.1B. This resulted in a significant underreporting of its maintenance backlog. Department Guide 433.1-1A defines backlogged maintenance as "work that is requested, but not complete (including periodic maintenance past its due date)." However, we determined that the majority of the requested maintenance tasks at Pantex, although captured in the maintenance system, were not reported to NNSA management via performance metric reporting. In the absence of complete backlog information, NNSA management does not have a true indicator of the site infrastructure's overall condition. (OAI-M-16-12)

[Audit Coverage of Cost Allowability for the University of California During Fiscal Years 2013 and 2014 Under Department of Energy Contract No. DE AC02 05CH11231](#)

The University of California (University) has managed and operated Lawrence Berkeley National Laboratory (LBNL) under contract with the Department and its predecessors since 1943. During FYs 2013 and 2014, the University incurred and claimed \$1,564,917,499.

The University is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. The Department's Cooperative Audit Strategy places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by contractors.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by Internal Audit for FYs 2013 and 2014 could not be relied upon. We did not identify any material internal control weaknesses with the cost allowability audits, which generally met the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors. Internal Audit identified \$12,900 in

questioned costs as part of its allowable cost audits and other reviews, all of which have been resolved or reimbursed to the Department.

Further, we found that the University generally arranged for audits of subcontractors when costs incurred were a factor in determining the amount payable to a subcontractor. The subcontract audits did not identify any questioned costs. However, we identified two subcontracts that incurred costs during FYs 2013 and 2014 that had not been audited. The two subcontracts incurred total costs of \$11,590,877. LBNL has arranged to have Internal Audit perform one of the subcontract audits, which accounts for more than 98 percent of the unresolved costs. LBNL is also working with the second subcontractor to ascertain the status of its Single Audit Act audit of FY ending June 30, 2014. However, we consider \$11,590,877 as unresolved pending audit. (OAI-V-16-10)

Followup on the Office of Science's Management of the Isotope Program

For over 50 years, the Department has been at the forefront of developing and producing stable and radioactive isotope products that are now used worldwide for hundreds of research, biomedical, security, and industrial applications that benefit society, including heart imaging, cancer therapy, smoke and explosive detectors, and oil exploration. The Department's Isotope Development and Production for Research and Applications Program, managed by the Office of Science's (Science) Office of Nuclear Physics, produces isotopes where there is no U.S. private sector production capability or other production capacity is insufficient to meet U.S. needs.

We last reviewed the Program in 2005, when it was managed by the Office of Nuclear Energy, and issued an audit report on [*Management of the Department's Isotope Program \(DOE/IG-0709, November 2005\)*](#). Our report made recommendations designed to help management revitalize the Program and permit it to better address the research community's needs.

Nothing came to our attention to indicate that Science's management of the Program was not generally effective. We found that Program officials had addressed the issues identified in our prior report. For example, Program officials revised pricing policies to make isotopes more affordable to the research community; invested in production facility infrastructure to refurbish aging equipment; and expanded production capabilities using funds received from the Recovery Act. We also found that Program officials were forecasting to meet supply and demand for isotopes within the constraints of the Program's limited resources; revenues from sales and related services adequately covered production costs; and sufficient balances were being maintained in the revolving fund to pay for critical program operations and mission needs. However, we identified opportunities to improve controls in the areas of stable isotope leases and helium-3 (He-3) inventory. (OAI-L-16-12)

Lawrence Livermore National Laboratory's Laser Inertial Fusion Energy Endeavor

One of the missions of the Department's Lawrence Livermore National Laboratory (LLNL) is to strengthen the security of the United States through the development and application of world-class science and technology. In January 2014, LLNL's Independent Audit and Ethics Department reported that from FY 2008 through March 2013, LLNL expended nearly \$60

million, mainly from indirect and discretionary funding sources, to initiate a series of projects to determine whether a Laser Inertial Fusion Energy (LIFE) power plant was feasible. In FY 2011, the Department's National Nuclear Security Administration directed LLNL not to expend Inertial Confinement Fusion program funds for LIFE activities. In a letter sent to the Livermore Field Office Contracting Officer in May 2012, LLNL declared that no Inertial Confinement Fusion funds had been used on LIFE, and that LIFE activities had been funded through indirect pools such as Laboratory Directed Research and Development (LDRD), General and Administrative (G&A), and Program Management Charge.

While G&A expenditures for LIFE ended in FY 2013, LLNL continued to work on approved LIFE LDRD projects that had a 3-year scope ending in FY 2015. We did not find any evidence that LLNL continued to fund LIFE activities after FY 2015. However, we questioned approximately \$23.3 million of LLNL's expenditures for LIFE activities from FYs 2008 through 2013. Specifically, we determined that LLNL incurred G&A costs for independent research and development (R&D) activities outside its LDRD program, which is expressly unallowable under the terms of its management and operating contract. LLNL's management and operating contract only allows independent R&D expenditures through its LDRD program, which has congressionally mandated cost limitations. In addition, LLNL incurred G&A costs for LIFE activities that we determined did not meet the definition of G&A costs and are therefore questionable.

Due to inadequate controls and oversight, LLNL incurred approximately \$23.3 million in questionable costs, including \$1.6 million in cost questioned as expressly unallowable R&D, \$17.7 million in "reduction to practice" costs questioned as potential R&D charges, and \$4 million of questionable charges to G&A because they were not for the management and administrative support of the laboratory. Without stringent controls and oversight over the authorization of activities to be included in the G&A pool, the risk of questionable G&A charges is increased. (OAI-M-16-13)

Enriched Uranium Operations at the Y-12 National Security Complex

The Y-12 National Security Complex (Y-12) performs critical elements of the National Nuclear Security Administration (NNSA) mission to ensure the safety, reliability, and performance of the Nation's nuclear weapons deterrent. Y-12's enriched uranium processing capability is housed in multiple facilities: the 9212 complex and the 9215 complex. The structures were built decades ago and do not meet modern nuclear facility design requirements. Production equipment is also aged and has experienced maintenance and reliability issues.

Due to the condition of the buildings and equipment, serious concerns about the future reliability of the facilities have been raised by NNSA and the Defense Nuclear Facilities Safety Board. As a result, NNSA originally planned to construct the Uranium Processing Facility (UPF) to house all enriched uranium operations (EUO) at Y-12. The UPF was planned to be operational in 2018; however, Y-12 reported that full operations are now not likely to occur until 2025. Given the concerns regarding Y-12's current enriched uranium capability, we performed this audit to determine whether current EUO facilities at Y-12 will meet NNSA

mission needs until new facilities are available. In particular, we focused our audit on the 9212 and 9215 facilities.

We found that Y-12 may not be able to continue to meet NNSA mission needs in its existing, aging facilities. For example, because the 9212 complex has reached the end of its life, Y-12 plans to move some 9212 complex operations into the 9215 complex, which is also old and in need of upgrades. However, both the 9212 and 9215 complexes have significant and steadily increasing deferred maintenance. The deferred amounts continued to increase due to competing budget priorities and because Y-12 did not request funding for all identified maintenance work.

Y-12 completed the Nuclear Facility Risk Reduction Project in January 2015, which included several upgrades to the 9212 complex. Also, NNSA told us that it would discontinue operating the facilities if it was determined that they were unsafe. We recognize that actions have been taken, and we acknowledge management's assertion. However, given that circumstances have changed since NNSA developed its initial plans and UPF's history of schedule slippages, in our opinion, it would be prudent to perform further analyses to determine whether additional actions are warranted to address the timeframe until EUO are transitioned out of the current facilities. As such, we made several recommendations designed to strengthen Y-12's planning for future EUO. (DOE-OIG-16-13)

Battelle's Pacific Northwest National Laboratory Procurement Activities

Since 1965, Battelle Memorial Institute (Battelle) has operated the Pacific Northwest National Laboratory, which performs research in the areas of environmental protection and cleanup, energy resources, and national security. The Department's Pacific Northwest Site Office manages Battelle under a performance-based management and operating contract. To achieve the Department's mission, Battelle procures services and equipment through subcontracts. For FY 2015, Battelle had over \$318 million (33 percent of laboratory funding) in subcontracts.

The Department Acquisition Regulation specifies that purchasing systems and methods must be well-defined, consistently applied, and follow the appropriate purchasing practices. Furthermore, Federal regulations require that management and operating contractors maintain effective systems of management controls for both administrative and programmatic functions, such as procurements. Some of these controls are outlined in Battelle's acquisition guidelines and in Federal regulations. The controls include contract thresholds relating to various contract requirements, such as records retention, Department notification, and management review. These controls are in place to ensure that costs incurred are in compliance with regulations and are for the intended purposes of the contract, and that resources are safeguarded against waste, loss, mismanagement, or misappropriation. Battelle documents all procurement activities in either official hard copy or paperless files. We initiated this audit to determine whether Battelle effectively managed its procurement activities. This audit is part of a planned series of audits focusing on management and operating contractor subcontract administration.

Our audit identified instances in which Battelle did not effectively manage its procurement activities. In particular, we found the following: paperless procurement files were not always reliable in that the paperless system did not record the origination, approvals, changes, and review of changes to documents; paperless procurement files did not always contain the necessary documentation to support contracting decisions; Battelle split procurements into multiple awards, which appeared to allow Contracts Specialists to award procurements that exceeded their authority; and contracts did not always receive the appropriate level of review and approval when they were modified.

The issues we identified were due to weaknesses in Battelle's policies and procedures as well as inconsistent implementation of the policies and procedures by Battelle procurement officials. Policies and procedures did not provide guidance for maintaining required documents in the official procurement file or sufficient management review of accuracy and completeness in the files. They also proved insufficient in preventing or detecting split purchases under Purchase Orders. (OAI-M-16-14)

Audit Coverage of Cost Allowability for UT-Battelle LLC During Fiscal Year 2014 Under Department of Energy Contract No. DE-AC05-00OR22725

Since 2000, UT-Battelle LLC (UT-Battelle) has managed and operated the Oak Ridge National Laboratory under a contract with the Department. Oak Ridge National Laboratory is part of the Office of Science and supports the Department's national missions of scientific discovery, clean energy, and security technologies through leadership in four major areas: neutron science, high-performance computing, materials research, and nuclear technology. During FY 2014, UT-Battelle expended and claimed \$1,350,109,646.

UT-Battelle is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. The Department's Cooperative Audit Strategy places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by contractors.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by UT-Battelle's Internal Audit could not be relied upon. We did not identify any material internal control weaknesses with the cost allowability audits, which generally met the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. During its FY 2014 audits, UT-Battelle's Internal Audit identified questioned costs totaling \$602, all of which have been resolved. Thus, we are not questioning any costs associated with these audits. Also, the contracting officer determined that UT-Battelle had generally addressed subcontract audit strategy concerns and had resolved costs previously determined to be questionable or pending audit for years prior to FY 2014. However, we identified a total of \$134,106,144 in subcontract costs incurred through FY 2014 that we consider unresolved pending audit. (OAI-V-16-11)

Management of Selected Department of Energy Contractors' Health and Post-Retirement Benefits

The Department relies on contractors to perform a substantial part of its mission and reimburses its contractors for employee labor and benefit costs incurred. Employee benefits are a significant portion of contractor costs. In FY 2013, the Department spent approximately \$3.3 billion on contractor employee benefits, and that amount is expected to grow to \$4 billion by FY 2019.

According to Department officials, a number of activities are conducted to evaluate contractors' health and post-retirement benefit costs. Contractors submit annual reports to the Department regarding management of these costs. Department Order 350.1, Contractor Human Resource Management Programs, was established, in part, to improve the cost effectiveness of contractor human resource management programs. The current version of the Order directs Department and National Nuclear Security Administration (NNSA) officials to ensure that health and post-retirement benefits are reasonable based on the results of a benefit value study and a cost study.

During our audit, we found that three of the four contractors in our review prepared cost studies that did not completely follow Department guidance for complying with Department Order 350.1 or with associated contract requirements. The fourth contractor did not complete a cost study because NNSA was unable to incorporate the current version of Department Order 350.1 into the contract. In addition, one of the four contractors did not follow Department guidance for preparing its benefit value study, while a second contractor was not required to take appropriate corrective action in response to its study.

The issues with the required contractor cost studies occurred because the Department and NNSA did not ensure that complete health and post-retirement cost studies were prepared to assist with evaluating whether contractor employee benefit costs were reasonable. We found that the sites' Contracting Officers either did not include or did not enforce key elements of Department Order 350.1 or the associated contract clauses and Department guidance in contracts. Because contractors had not fully completed their cost studies in accordance with Department requirements or guidance and some sites also had issues with their benefit value studies, we could not determine if contractor health and post-retirement benefit costs were cost effective and reasonable for the sites we audited. (OAI-M-16-15)

Department of Energy's Implementation of Selected Controls as Defined in the Cybersecurity Act of 2015

The mission of the Department is to help ensure the Nation's security and prosperity by addressing energy, environmental, and national security challenges. The Department, including its contractors, relies on a variety of information resources and technology systems. The Cybersecurity Act of 2015 (Act) required the Office of Inspector General to report on various aspects of the Department's national security systems and information systems containing personally identifiable information. This report summarizes the results of our review.

We found that the Department had generally developed and implemented controls related to a number of the areas covered by the Act. However, based on the information reported by the Department, we also noted areas highlighted by the Act where the Department had not fully implemented certain types of controls.

As noted in our report, the Department had generally developed policies and procedures related to logical access controls over its national security systems and systems containing personally identifiable information. In addition, we determined that the Department operated a decentralized program for managing software licenses and had not established detailed policies and procedures to guide the program. Rather, programs and sites maintained a range of independent capabilities related to software inventory management. Furthermore, although we noted that mixed capabilities existed related to forensic and data exfiltration capabilities, we noted limited to no capabilities within the Department related to digital rights management. (DOE-OIG-16-14)

[Audit Coverage of Cost Allowability for Nuclear Waste Partnership, LLC, During Fiscal Years 2013 and 2014 Under Department of Energy Contract No. DE-EM0001971](#)

Nuclear Waste Partnership, LLC (NWP) has managed and operated the Waste Isolation Pilot Plant (WIPP) under a contract with the Department since October 1, 2012. WIPP is part of the Department's Office of Environmental Management and was built to safely dispose of the Nation's defense-related transuranic radioactive waste. During FYs 2013 and 2014, NWP incurred and claimed costs totaling \$312,783,680.

NWP is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. The Department's Cooperative Audit Strategy places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by the contractors.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by NWP's Internal Audit for FYs 2013 and 2014 could not be relied upon. We did not identify any material internal control weaknesses with the cost allowability audits, which generally met the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors. Furthermore, while NWP's Internal Audit did not perform individual audits of each subcontractor due to staffing limitations, it performed statistical sampling of all subcontractor purchase order transactions in its testing of allowable costs. NWP's Internal Audit also performed sample testing of purchase order transactions for all subcontractors with incurred costs over \$1 million. We did not identify any material internal control weaknesses with audit coverage of subcontractor costs. During FYs 2013 and 2014, NWP's Internal Audit identified \$392,468 in questioned costs, all of which had been resolved.

In our prior report, *Assessment of Audit Coverage for Washington TRU Solutions, LLC, Under Department of Energy Contract DE-AC29-01AL66444 for FY 2012 (OAS-V-14-13, August 2014)*,

we noted that \$11,899 in questioned FY 2010 costs related to an ongoing investigation were still unresolved. We found that these questioned costs had since been resolved. (OAI-V-16-12)

Followup Audit on Sandia National Laboratories' Nuclear Weapons Safety Program

As part of its nuclear explosive and weapon surety program, the National Nuclear Security Administration (NNSA) is required to incorporate design features that minimize the possibility of accidental or inadvertent nuclear explosive detonation. According to Sandia, weapon systems have deviations from an ideal nuclear safety design and/or implementation. These deviations, termed “nuclear safety soft spots,” can be associated with nuclear safety-related design or implementation attributes, or with the technical basis underlying these attributes based on Sandia’s principle-based approach to assured nuclear safety design.

In July 2008, the Office of Inspector General reported that Sandia’s Safety Assessment had identified 23 high priority nuclear weapons safety issues, now called nuclear safety soft spots, for which there were either no plans to resolve the issues or plans were incomplete ([Sandia National Laboratories Nuclear Weapons Safety Program, DOE/IG-0799](#)). We also found that Sandia management had not resolved disagreements between Sandia’s Surety Assessment, Engineering, and Analysis Center and Weapon Systems Engineering on the need to address the identified soft spots. In addition, Sandia did not have a formal tracking system to identify actions taken, or planned, to address the soft spots or provide the rationale for opting not to address them.

Our followup audit on Sandia’s management of weapons safety issues determined that Sandia officials had taken action to improve the management of nuclear weapons safety soft spots. In particular, Sandia had developed a process for tracking all soft spots using general engineering documents that contain the agreed-upon prioritized soft spots and their dispositions for each weapon system. In addition, Sandia had formalized its process to resolve disagreements related to nuclear weapons safety. We also found that Sandia management had considered soft spots in the design and development activities for the B61-12 Life Extension Program and W88 Alteration 370 and had plans to mitigate or eliminate a number of the soft spots associated with the legacy B61 and W88 systems. Sandia continues to work on addressing soft spots by gaining new knowledge through studies, tests, and analyses.

However, we also noted an issue that warrants management’s attention. We found that Sandia had not fully implemented its formal tracking system for soft spots. This occurred primarily because the project that Sandia established in 2011 to improve the formal tracking system has languished for several years without a defined scope or firm completion date. As a result, the information that is needed to make informed decisions about safety improvements in future weapon refurbishment programs may not be readily accessible to Sandia management and weapon system engineers in the formal tracking system. In addition, concerns about employee turnover and the resulting loss of institutional knowledge further highlight the importance of maintaining this information for stockpile management activities. (OAI-M-16-16)

National Nuclear Security Administration’s Management of the B61-12 Life Extension Program

The primary mission of the National Nuclear Security Administration’s (NNSA) Defense Programs is to ensure the safety, reliability, and performance of the Nation’s nuclear weapons stockpile. One of the oldest nuclear weapon systems in the stockpile is the B61. NNSA has raised serious concerns regarding its future reliability. To address these concerns, in 2012, the Nuclear Weapons Council approved the refurbishment of the B61 through a life extension program (LEP), which extends the bomb’s life 20 years and consolidates several existing modifications of the B61 into one modification. The current total estimated cost for the B61-12 LEP is \$8.1 billion, with a First Production Unit by March 2020.

To help ensure delivery of the updated weapon within cost and schedule, NNSA Defense Programs identified the B61-12 LEP as a pilot program through which it sought to change its approach to LEP management. This added several enhanced project management tools to the suite of tools already required for the management of nuclear weapon refurbishments, and the B61-12 LEP has overcome significant challenges in implementing several of these tools. While these accomplishments are noteworthy, we also identified issues within the tools that, in our view, if not corrected, could make it more difficult for the B61-12 LEP to proactively ensure that its mission and functions are properly executed. Specifically, we found program management issues in the following significant areas: master and site schedules, risk management, quality assurance, and technically justifiable management reserves.

We believe without further improvement to its project management tools, it will be difficult for the program to proactively manage the costs, schedule, and risks of the B61-12 LEP to ensure it can deliver the First Production Unit within cost and meet its critical national security schedule. In addition, there is uncertainty whether the original cost estimate for the B61-12 LEP contains sufficient management reserve to allow the program to respond to the numerous risks identified in the program. Finally, not having documented assurance that unresolved significant finding investigations are a part of weapons design input significantly reduces management’s ability to ensure that redesigned nuclear weapon components have addressed prior safety and reliability concerns. (DOE-OIG-16-15)

Southwestern Federal Power System’s Fiscal Year 2015 Financial Statement Audit

This report presents the results of the independent certified public accountants’ audit of the Southwestern Federal Power System’s (SWFPS) combined balance sheets, as of September 30, 2015 and 2014, and the related combined statements of changes in capitalization, revenues and expenses, and cash flows for the years then ended.

To fulfill the Office of Inspector General’s audit responsibilities, we contracted with the independent public accounting firm of KPMG LLP to conduct the audit, subject to our review. KPMG LLP concluded that the combined financial statements present fairly, in all material respects, the respective financial position of SWFPS as of September 30, 2015 and 2014, and the results of its operations and its cash flow for the years then ended, in conformity with United States generally accepted accounting principles.

As part of this review, the auditors also considered SWFPS's internal control over financial reporting and tested for compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the determination of financial statement amounts. The audit identified one significant deficiency in internal control over financial reporting: an internal control deficiency over accrued expenses was identified where goods and services were not properly accrued for. (OAI-FS-16-10)

Audit Coverage of Cost Allowability for Honeywell Federal Manufacturing & Technologies LLC During Fiscal Years 2012 Through 2014 Under Department of Energy Contract No. DE-NA0000622

Honeywell Federal Manufacturing & Technologies LLC (Honeywell) has managed and operated the National Security Campus, formerly known as the Kansas City Plant, for the National Nuclear Security Administration Kansas City Field Office under contract with the Department of Energy since October 2010. The National Security Campus is responsible for manufacturing and procuring nonnuclear components for nuclear weapons, including electronic, mechanical, and engineered material components, and it also supports the national laboratories, universities, and U.S. industry. During FYs 2012 through 2014, Honeywell incurred and claimed costs totaling approximately \$2 billion.

Honeywell is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. The Department's Cooperative Audit Strategy makes efficient use of available audit resources while ensuring that the Department's contractors claim only allowable costs. This strategy places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by contractors.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by Honeywell's Internal Audit for FYs 2012 through 2014 could not be relied upon. We did not identify any material internal control weaknesses with the cost allowability audits, which generally met the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. During its FYs 2012 through 2014 audits of cost allowability, Internal Audit identified \$289,110 in questioned costs, all of which had been resolved. Further, we found that Internal Audit had conducted 12 audits of subcontractors totaling \$830,929 and identified \$7,070 in questioned costs, all of which had been resolved.

In addition, our report on *Assessment of Audit Coverage of Cost Allowability for Honeywell Federal Manufacturing & Technologies, LLC for the period October 1, 2008 thru September 30, 2011 under Department of Energy Contract Nos. DE-AC04-01AL66850 and DE-NA0000622 (OAS-V-13-09, April 2013)* questioned costs totaling \$31,429,218 related to unaudited subcontract costs, of which \$5,148,928 has been sent to the Defense Contract Audit Agency to be audited but is still pending audit and therefore is still unresolved. (OAI-V-16-13)

H-Canyon Processing at the Savannah River Site

The Department's Office of Environmental Management (Environmental Management) has management responsibility for the safe operations of the H-Canyon plant at the Savannah River Site in Aiken, South Carolina. H-Canyon, built in the 1950s to support the nuclear weapons program, is currently used to process nuclear materials, including aluminum-clad domestic and foreign research reactor spent nuclear fuel. The recovered enriched uranium is then down blended into low enriched uranium for eventual use in commercial power reactors. The HB-Line facility, built atop the canyon in the 1980s to produce plutonium as a power source for deep space exploration, is now used to convert excess plutonium into an oxide for the Mixed Oxide Fuel Fabrication Facility or for final disposition. H-Canyon is the nation's only hardened nuclear chemical separations plant still in operation, and HB-Line is the only processing facility of its kind within the Department. To ensure that H-Canyon remains available for fissile materials disposition, Congress required that the Department continue H-Canyon operations, maintain a high state of readiness, and provide the associated necessary technical staff.

During our audit, we found that the Department had not developed a long-term strategy to use H-Canyon to support multiple programmatic missions. While Environmental Management manages the operation of the H-Canyon complex, the facilities are considered resources for other program offices such as the National Nuclear Security Administration, the Office of Science, and the Office of Nuclear Energy. However, we were informed by Environmental Management officials at the Headquarters and site level that there was no overall Department strategy for H-Canyon operations. A Headquarters Environmental Management official stated that this was because the program offices that drive their respective missions continually evaluate where H-Canyon can support their missions. However, we noted that the Department had not fully integrated potential candidate materials from all programs into planning future H-Canyon operations.

While the Department is working on infrastructure and maintenance to support the near-term missions of H-Canyon, the Department did not know how long it could continue to operate the 60-year-old H-Canyon complex. According to an Environmental Management analysis, H-Canyon has been minimally funded with only marginal investment in maintenance due to budget challenges.

During the course of the audit, we learned that the Department had initiated actions to evaluate future H-Canyon operations at both the Headquarters and site levels. (OAI-L-16-14)

Followup Audit on Chronic Beryllium Disease Prevention Programs at Oak Ridge Sites

Department sites in Oak Ridge, Tennessee, have a long history of beryllium use due to the element's broad application in nuclear weapons and reactor operations and processes. Beryllium processing has been an important part of the mission of the Y-12 National Security Complex (Y-12) since the 1950s, and Y-12 continues to conduct beryllium operations. While the Oak Ridge National Laboratory (ORNL) and the East Tennessee Technology Park no longer perform beryllium operations, they continue to maintain buildings in which beryllium contamination has been detected from legacy beryllium activities. According to the

Department, exposure to beryllium can cause beryllium sensitization or chronic beryllium disease, an often debilitating, and sometimes fatal, lung condition. Further, the Department has recognized the possibility that beryllium remains in buildings, as well as on equipment and other surfaces. Thus, to help ensure that worker exposure to beryllium is limited, the contractors operating Y-12, ORNL, and the East Tennessee Technology Park are required to implement Chronic Beryllium Disease Prevention Programs (CBDPPs) that comply with Federal regulations.

We previously conducted audits of beryllium controls at ORNL and Y-12 that concluded that the potential for employee exposure to beryllium was not minimized. As such, we initiated a followup audit to determine whether our recommendations during our prior audits were successfully implemented and whether the CBDPPs at Oak Ridge sites are managed effectively.

Although we did not identify any material weaknesses with the CBDPPs at Oak Ridge sites, we noted that implementation of some corrective actions from our previous reports were either initially ineffective or incomplete. Additionally, we noted that two Oak Ridge sites had lapses in required periodic beryllium training. (OAI-L-16-15)

Followup Audit of the Department's Continuity of Operations Planning

Continuity of Operations (COOP) is an effort within individual executive departments and agencies to ensure that essential functions can be performed during and after emergency events that disrupt normal activities. National Security Presidential Directive 51, National Continuity Policy, and Federal Continuity Directive 1, Federal Executive Branch National Continuity Program and Requirements, require that organizations develop and document a COOP plan and supporting procedures so that, when implemented, the plan and procedures provide for the continued performance of an organization's essential functions under all circumstances. Because the Department is responsible for some of the Nation's most critical and sensitive activities, such as designing, producing, and maintaining the nation's nuclear weapons, it is imperative that it is able to perform these essential functions across a broad spectrum of events, including emergencies related to natural disasters and pandemics.

In January 2011, our prior audit on [Improvements Needed in the Department's Emergency Preparedness and Continuity of Operations Planning \(DOE/IG-0845\)](#) found that many Department elements had not submitted updated COOP plans, some site offices had not added the COOP Contractor Requirements Document to their management and operating (M&O) contracts, and the COOP plans for some program and field elements did not give full consideration to requirements contained in the Department's continuity directive.

This audit identified continued weaknesses in the management of COOP programs at Headquarters program and staff offices (program elements), field elements, and at the Department's M&O and facility management contractors. While some progress had been made in adding the COOP Contractor Requirements Document to M&O contracts, several previously identified issues had not been resolved. In addition, our review of the pandemic section of the Department's April 2013 Continuity of Operations Plan disclosed that, while

providing guidance to Department program and field elements, it did not establish pandemic planning procedures that addressed how the Department would respond to a pandemic event in the Washington, DC, metropolitan area.

The COOP issues we identified occurred, in part, because the Department failed to properly identify the resources necessary to maintain a functional COOP program. Department officials at Headquarters program and field offices stated that constraints in resources and the lack of priority placed on the COOP program led to the continued weaknesses we identified. We also noted a lack of coordination and collaboration among Headquarters staff offices in developing a pandemic plan for Headquarters. Department elements and contractors that have not yet developed a COOP plan or whose plans are outdated or incomplete could hinder the Department's ability to meet its mission essential functions related to national security during a continuity event. (DOE-OIG-16-16)

INSPECTION REPORTS

[Review of Management and Accountability of Sealed Radioactive Sources Maintained at Department Sites](#)

The Department facilities use sealed radioactive sources for medical and scientific testing and calibration of radiation detection instrumentation. A sealed source is radioactive material that is enclosed in a capsule or bonded to a nonradioactive material in order to prevent leakage or escape of radioactive material. Title 10 of the Code of Federal Regulations (CFR) Part 835, *Occupational Radiation Protection*, establishes criteria for managing a radiation protection program, including requirements for controlling and protecting sealed sources. In 2002, we issued a report titled [Inspection of the Accountability and Control of Sealed Radioactive Sources at Selected Department of Energy Sites \(DOE/IG-0544, March 12, 2002\)](#), which identified several examples of lack of adherence to either CFR requirements or local site requirements and procedures. Specifically, the identified examples included a sealed source that had not been leak tested or inventoried since May 2000, missing documentation, and a source custodian who had not taken refresher radiation safety training, as required. We initiated this inspection as a followup to our prior report to determine whether the sealed sources at the Los Alamos National Laboratory (LANL) and Pacific Northwest National Laboratory (PNNL) are managed in a safe and secure manner.

Nothing came to our attention to indicate that LANL and PNNL were not properly managing sealed sources that we selected for review. Both sites had controls in place to manage and account for sealed sources included in our review. Although we identified some administrative errors, we found that the errors were not material to the safe and secure management of the sealed sources. When these errors were brought to management's attention, they immediately resolved the issues. (OAI-L-16-09)

[Followup on the National Nuclear Security Administration's Ability to Meet the Aircraft Requirements of the Joint Technical Operations Team](#)

The Department's National Nuclear Security Administration (NNSA) is responsible for enhancing national security through the military application of nuclear science. NNSA works to reduce global danger from weapons of mass destruction and responds to nuclear and radiological emergencies in the United States and abroad. NNSA's Joint Technical Operations Team (JTOT) provides scientific and technical support to the lead Federal agency during all aspects of a nuclear or radiological weapon of mass destruction terrorist incident. The JTOT's response areas include, but are not limited to, foreign nuclear weapons, improvised nuclear devices, radiological dispersal devices, and recapture and recovery.

In our June 2003 inspection report on [National Nuclear Security Administration's Ability to Meet the Aircraft Requirements of the Joint Technical Operations Team \(DOE/IG-0605\)](#), we found that NNSA was not prepared to meet its aircraft requirements for JTOT missions and there was no contingency planning for those occasions when NNSA aircraft were not available for JTOT missions.

Our inspection determined that NNSA had taken corrective actions in conjunction with Presidential Policy Directive 25 (PPD-25) Domestic Guidelines, dated January 17, 2014, that addressed the recommendations noted in our 2003 report. In the 2003 report, we recommended that NNSA develop a formal written agreement with the Department of Defense (DOD) detailing the specific JTOT aircraft support responsibilities and establish contingency plans for JTOT aviation support when NNSA aircraft are not available. Specifically, since our 2003 report, NNSA entered into several signed Memorandums of Agreement (MOAs) and Memorandums of Understanding within NNSA and with the DOD. The purpose of these memorandums is to increase readiness response to emergencies and to provide clarification on the roles and responsibilities of both the NNSA and DOD with respect to aviation support. PPD-25 and the NNSA–DOD MOA outline the contingency plans to ensure aviation support when NNSA aircraft are not available. (OAI-L-16-10)

Technetium-99 Incident at Los Alamos National Laboratory

The National Nuclear Security Administration (NNSA) Los Alamos National Laboratory (LANL) operates the Los Alamos Neutron Science Center (LANSCE). LANSCE is a Department of Energy national user facility, hosting scientists from universities, industry, national laboratories, and other research facilities. NNSA's Los Alamos Field Office is responsible for administering the LANL contract and managing Federal activities.

On August 20, 2012, a radiological incident occurred at the LANSCE Lujan Center, in which 27 workers, their offices, and/or their personal items were exposed to technetium-99, with some of the radiological material tracked off-site. After the incident, LANL worked with the Office of Emergency Response (Emergency Response) Radiological Assistance Program Teams to survey, assess, and decontaminate affected property and ensure that off-site contamination was characterized and remediated. LANL officials concluded the technetium-99 contamination level did not present a health risk. In October 2012, an NNSA Federal Accident Investigation Board (Investigation Board) reported weaknesses in the control and containment of radioactive materials and published 14 Judgments of Need (recommendations) to minimize a recurrence. In addition, Emergency Response reviewed Headquarters-level activities and operations during emergency and recovery phases of the incident and incorporated recommendations to improve the response process in an After Action Report. We initiated this inspection to determine if NNSA and LANL had taken corrective actions to address the recommendations made by the Investigation Board and Emergency Response concerning the technetium-99 incident at LANSCE.

We found that NNSA and LANL had developed and implemented corrective actions that addressed all except one of the Investigation Board and Emergency Response recommendations. LANL and the Los Alamos Field Office actions closed the 14 Investigation Board recommendations, while Emergency Response actions addressed 9 out of 10 recommendations from the After Action Report. The Office of Emergency Operations has a plan to address the remaining recommendation through an update of Department Order 151.1C, Comprehensive Emergency Management System, dated November 2, 2005. (OAI-L-16-13)

Disposition of Excess Government Weapons, Explosives, and Protective Force Equipment at Lawrence Livermore National Laboratory and the Hanford Site

Lawrence Livermore National Laboratory (Livermore) is managed and operated by Lawrence Livermore National Security for the Department's National Nuclear Security Administration (NNSA). NNSA's Livermore Field Office oversees contractor operations. The Hanford Site (Hanford) is a Department cleanup site managed by the Office of Environmental Management (Environmental Management). Richland Operations Office oversees the Hanford cleanup for Environmental Management. Hanford's mission of environmental cleanup involves managing the legacy of plutonium production for the nation's defense program.

Both Livermore and Hanford have armed Protective Forces because their missions require that they maintain sensitive property and high risk personal property, such as firearms, explosives, and equipment. Both property types must be identified at acquisition and be controlled through disposition. Livermore and Hanford must declare property that is no longer needed as excess property and reuse or dispose of it. In September 2012, Livermore's security level was downgraded to Special Nuclear Material (SNM) Category III due to the removal of Category I/II inventories of SNM. This led to reducing Protective Force staff, as well as sensitive property/high risk personal property such as firearms and Protective Force equipment. Hanford also had prior security changes.

During our audit, nothing came to our attention to indicate that Hanford or Livermore had improperly disposed of its excess firearms, or that Hanford had improperly disposed of its explosives and Protective Force equipment. We also noted that Livermore had not exceeded any explosives. However, according to Livermore officials, Livermore destroyed potentially usable Protective Force equipment based on economic decisions. (OAI-L-16-16)

SEMIANNUAL REPORTING REQUIREMENTS INDEX

The following identifies the sections of this report that address each of the reporting requirements prescribed by the Inspector General Act of 1978, as amended.

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5(a)(4)	Matters Referred to Prosecutive Authorities	25-37
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5(a)(10)	Previous Audit Reports Issued with No Management Decision Made by End of This Reporting Period	17
5(a)(11)	Significant Revised Management Decisions	N/A
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The following identifies the information that addresses the requests by the Committees on Homeland Security and Governmental Affairs and the Judiciary.

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ABOUT THE DEPARTMENT AND OIG

The U.S. Department of Energy is headquartered in Washington, DC and currently operates the Energy Information Administration, the National Nuclear Security Administration, 21 preeminent research laboratories and facilities, four power marketing administrations, nine field offices, and 10 Program Offices which help manage the Department's mission with more than 15,000 employees. The Department is the Nation's top sponsor of research and development and has won more Nobel Prizes and research and development awards than any other private sector organization and twice as many as all other Federal agencies combined. The mission of the Department is to ensure America's security and prosperity by addressing its energy, environmental and nuclear challenges through transformative science and technology solutions.

The OIG's mission is to strengthen the integrity, economy and efficiency of the Department's programs and operations. The OIG has the authority to inquire into all Department programs and activities as well as the related activities of persons or parties associated with Department grants, contracts, or other agreements. As part of its independent status, the OIG provides the Secretary with an impartial set of "eyes and ears" to evaluate management practices. With approximately 280 employees, the organization strives to be a highly effective organization that promotes positive change.

OIG HOTLINE CONTACTS

Contact the OIG Hotline if you suspect fraud, waste or abuse involving Department programs or by a Department employee, contractor or grant recipient.

Contact Information:

- Complaint Form: <http://energy.gov/ig/office-inspector-general>
- Toll Free Telephone Number: 1-800-541-1625
- Washington DC Metro Telephone Number: 202-586-4073
- Email Address: ighotline@hq.doe.gov
- Physical Address: U.S. Department of Energy
1000 Independence Ave, SW
Washington, DC 20585

FEEDBACK

The contents of this Semiannual Report to Congress comply with the requirements of the Inspector General Act of 1978, as amended. If you have any suggestions for making the report more responsive, please provide the following information by clicking the “submit email” button below:

- Name
- Telephone Number
- Comments/Suggestions/Feedback

