



U.S. DEPARTMENT OF
ENERGY

Office of
Inspector General

Semiannual Report to Congress

for Period Ending
March 31, 2023

DOE-IG-0083

A MESSAGE FROM THE INSPECTOR GENERAL

Honorable Members of Congress,

The Infrastructure Investment and Jobs Act and the Inflation Reduction Act authorized an unprecedented amount of funding, established 71 new programs, and imposed many aggressive timelines on the Department of Energy. The largest of these new and enhanced programs is the Loan Program Office. The Loan Program Office managed approximately \$42 billion in total loan authority, largely from the American Reinvestment and Recovery Act of 2009. Recent legislation expanded the Department’s loan authority by \$385 billion. To put that amount into perspective, Wells Fargo, one of the Nation’s largest banks, serviced a \$342 billion commercial securitized loan portfolio in 2020.¹ Unlike any traditional lender, however, much of the Department’s loan portfolio is subject to a tight “use it or lose it” timetable. For example, the \$250 billion for Title XVII 1706 loan authority must be issued by September 30, 2026—just over 3 years from now.

Apart from the Loan Program Office, I am also concerned that as much as \$52 billion, or 83 percent, of Infrastructure Investment and Jobs Act funding will be disbursed via grants and cooperative agreements to third parties, such as states, local governments, and tribes. It is not clear whether the states, local governments, and tribes are equipped with sufficient staffing, are adequately trained, or have adequate internal control systems to protect these funds.

The speed at which these funds are moving, when combined with the fact that both the Department and the Office of Inspector General are underfunded for oversight, put these new and expanded programs at an increased risk for fraud, waste, and abuse.

During my recent testimony, I communicated to Congress that my office is substantially underfunded when compared to other Offices of Inspector General, and woefully underfunded to protect these new and enhanced programs. While I am pursuing more appropriate funding for my office, I am also committed to assisting the Department to identify and correct its deficits for oversight funding. For that reason, I am initiating inspections focused on this topic. Oversight simply cannot be conducted without specific funding reserved for audits, inspections, and evaluations, which are the primary tools used to determine if the money or services actually arrived as intended by Congress and were not stolen or wasted along the way.

In closing, in legislation such as the Fraud Reduction and Data Analytics Act of 2015 and the Payment Integrity Information Act of 2019, Congress has emphasized that data analytics should be utilized by Federal agencies to protect against the loss of Federal funds. The Pandemic Response Accountability Committee has proven the power of this tool and has already identified billions of dollars of likely fraud. Other Federal agencies are now adopting these lessons learned and developing or enhancing existing data analytics programs. The

¹ <https://www.wellsfargo.com/cib/commercial-real-estate/commercial-mortgage-servicing/> (last accessed April 27, 2023).

Department, however, has not yet made the investments necessary to develop a robust data analytics program, powered by using authoritative, program-level transactional data. I would encourage Congress to provide whatever support may be needed to assist the Department to utilize data analytics to better protect its unprecedented new funding and deliver that funding to Congress' stated purposes.



Teri L. Donaldson
Inspector General

TABLE OF CONTENTS

STATISTICAL HIGHLIGHTS

<i>Investigative Activities</i>	1
<i>Audit and Inspection Activities</i>	2

ACTIONS TAKEN BY DEPARTMENT MANAGEMENT IN RESPONSE TO OFFICE OF INSPECTOR GENERAL REPORTS AND INVESTIGATIONS	4
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TABLE OF PUBLISHED REPORTS

<i>The Office of Audits</i>	7
<i>The Office of Inspections, Intelligence Oversight, and Special Projects</i>	8
<i>The Office of Cyber Assessments and Data Analytics</i>	9

INVESTIGATIVE OUTCOMES

<i>Investigations Resulting in Reportable Outcomes</i>	10
<i>Investigations Involving Unauthorized Public Disclosure of Classified Information</i>	11
<i>Investigations Involving Senior Government Employees</i>	11

ADMINISTRATIVE REMEDIES	12
--------------------------------------	----

DATA ANALYTICS	12
-----------------------------	----

INCURRED COST AUDITS DIVISION	13
--	----

COOPERATION WITH THE OFFICE OF INSPECTOR GENERAL	13
---	----

REVIEWS CLOSED AND NOT DISCLOSED TO THE PUBLIC	19
---	----

LEGISLATIVE AND REGULATORY REVIEWS	19
---	----

CONGRESSIONAL TESTIMONY	19
--------------------------------------	----

PEER REVIEWS	20
---------------------------	----

SUMMARY OF SELECT ACTIVITIES	21
---	----

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT-RELATED REPORTING	31
---	----

SEMIANNUAL REPORTING REQUIREMENTS INDEX	32
--	----

ABOUT THE DEPARTMENT AND THE OFFICE OF INSPECTOR GENERAL	33
---	----

THE OFFICE OF INSPECTOR GENERAL HOTLINE CONTACT INFORMATION	33
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STATISTICAL HIGHLIGHTS

INVESTIGATIVE ACTIVITIES

Cases Open as of September 30, 2022	237
Cases Opened	55
Cases Closed	42
Cases Open as of March 31, 2023	250
Multi-Agency Joint Cases Opened During Period	10
Qui Tam ² Investigations Opened During Period	5
Total Open Qui Tam Investigations as of March 31, 2023	15
Total Investigative Reports ³ Issued During Period	2
Administrative Discipline and Other Management Actions	30
Suspensions/Debarments ⁴	14
Referrals for Suspension/Debarment ⁵	19
Total Persons ⁶ Referred to a Prosecuting Authority	19
Department of Justice Referrals	18
State/Local Referrals	1
Referrals Accepted for Prosecution ⁷	7
Total Indictments ⁸ /Criminal Informations	6
Indictments/Criminal Informations Resulting from Prior Period Referrals	1
Criminal Convictions	2
Pre-trial Diversions	0
Civil Actions	2
Dollars Recovered ⁹ (Fines, Settlements, Recoveries)	\$2,903,490.99

² For more information on Qui Tams, go to: <https://www.justice.gov/archives/jm/criminal-resource-manual-932-provisions-handling-qui-tam-suits-filed-under-false-claims-act>.

³ Investigative Reports issued by the Office of Investigations include Reports of Investigation and Investigative Reports to Management (IRM).

⁴ This number includes proposed debarments issued under the Federal Acquisition Regulation (FAR). We report proposed debarments under the FAR because those actions have the same effect as a debarment or a suspension in accordance with Title 48 Code of Federal Regulations § 9.405. Insofar as we are reporting these numbers to show the effect of Office of Inspector General (OIG) referrals, proposed debarment under the FAR presents a more complete picture. Please note, however, that proposed debarments under the FAR are not final actions.

⁵ This number reflects referrals for this reporting period. Suspensions/debarments reported may have been referred in prior reporting periods.

⁶ Persons is defined as an individual or an entity. For example, two co-owners and their business entity would be counted as three persons.

⁷ Some referrals accepted during the 6-month period were referred for prosecution during a previous reporting period.

⁸ Sealed indictments are included.

⁹ Some of the money collected was the result of investigations involving multiple agencies.

STATISTICAL HIGHLIGHTS

AUDIT AND INSPECTION ACTIVITIES

Total Reports Issued	18
Office of Audits Reports	6
Office of Inspections, Intelligence Oversight, and Special Projects Reports	4
Office of Cyber Assessments and Data Analytics Reports	8

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, 2023	2	\$19,000,000
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	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	2	\$19,000,000
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 AND UNSUPPORTED COSTS

	TOTAL NUMBER	QUESTIONED COSTS	UNSUPPORTED COSTS	TOTAL COSTS
Reports issued before the reporting period that included questioned or unsupported costs for which decisions on dollars had not been made as of March 31, 2023	17	\$659,481,990	\$261,001,730	\$920,483,720
Reports issued during the reporting period that include questioned or unsupported costs (regardless of whether a decision on dollars has been made)	2	\$56,835,650	\$1,111,479	\$57,947,129
Reports that include questioned or unsupported costs for which a decision on dollars was made during the reporting period	6	\$8,538,333	\$1,111,479	\$9,649,812
(i) Value of disallowed costs		\$523,154	\$0	\$523,154
(ii) Value of costs not disallowed		\$8,015,179	\$1,111,479	\$9,126,658
Reports that include questioned or unsupported costs for which decisions on dollars have not been made at the end of the reporting period	13	\$707,779,307	\$261,001,730	\$968,781,037
Questioned Costs: A cost that is: (1) unnecessary; (2) unreasonable; (3) or an alleged violation of law, regulation, contract, etc. Unsupported Costs: A cost that is not supported by adequate documentation. Management Decision: Management’s evaluation of the finding and recommendations included in the audit and inspection report and the issuance of a final decision by management concerning its response.				

WHISTLEBLOWER ACTIVITIES

Whistleblower matters open as of October 1, 2022		62
Whistleblower matters opened this period		2
Whistleblower matters closed this period		3
Whistleblower matters closed via Investigative Reports	0	
Whistleblower matters closed via Letters	3	
Whistleblower matters open as of March 31, 2023		61

HOTLINE ACTIVITIES

Total Hotline calls, emails, letters, and other complaints (contacts)	2,397 ¹⁰
Hotline contacts resolved immediately/redirected/no further action	2,235
Hotline contacts predicated for evaluation	162
Total Hotline predications processed this reporting period	165 ¹¹
Hotline predications transferred to OIG Program Office	48
Hotline predications referred to Department management or other entity for information/action	59
Hotline predications closed based upon preliminary OIG activity and review	51
Hotline predications open at the end of the reporting period	4

¹⁰ This number refers to any contact that required Hotline staff review, including re-contacts for additional information and requests for disposition.

¹¹ This number includes seven predications carried over from the last semiannual reporting period.

ACTIONS TAKEN BY DEPARTMENT MANAGEMENT IN RESPONSE TO OFFICE OF INSPECTOR GENERAL REPORTS AND INVESTIGATIONS

During the reporting period from October 1, 2022, through March 31, 2023, the Department took positive actions resulting from OIG work conducted during the current or previous periods:

❖ **The Department of Energy's Unclassified Cybersecurity Program - 2022**

During the performance of our ongoing evaluation, we found that corrective actions had been taken to address some of the weaknesses identified during our prior year cybersecurity evaluations. As a result of actions taken by management, the OIG closed 23 of the 61 recommendations that addressed weaknesses in the Department's cybersecurity program, leaving 38 recommendations open. Our report also made 35 new recommendations, many of which were similar in type to the deficiencies identified in our previous reports. Corrective actions that were taken addressed OIG-identified weaknesses related to configuration management, system and services acquisition, contingency planning, security assessment and authorization, and protection of media.

❖ **Review of the Department's Insider Threat Analysis and Referral Center**

An OIG inspection found that the Department is not operating a single centralized insider threat Analysis and Referral Center (ARC). The ARC is responsible for gathering, integrating, and analyzing information to identify potential insider threat activity for referral and response. As a result of our inspection, the Secretary of Energy took immediate action to address one of our recommendations prior to publication of the report. The Secretary provided guidance to the Department in the form of designating the Department of Energy's Designated Senior Official for Insider Threat and updating Department Order 470.5, *Insider Threat Program*. (DOE-OIG-23-15; March 2023)

❖ **Termination of Contractor Employees at Y-12 Uranium Processing Facility**

As a result of an OIG investigation, four contractor employees were terminated by Bechtel National, Inc., the prime contractor of the Y-12 National Security Complex (Y-12) in Oak Ridge, Tennessee. The investigation determined that the employees falsified documentation to claim Extended Travel Duty (ETD) allowances to which they were not entitled. Multiple OIG investigations into various related violations further determined that the former contractor employees made misrepresentations regarding their homes of record and falsified monthly expenses to qualify for the maximum reimbursement amount of ETD allowances. The falsifications included ownership of property, the number of people living at the property, and claiming residence at a vacant property. As a result, the prime contractor will require the former employees to reimburse the overpaid amounts. This is an ongoing investigation.

- ❖ **Return of Funds Fraudulently Obtained by Contractor Employees at Y-12**

An OIG investigation at a Department contractor at Y-12 in Oak Ridge, Tennessee, Consolidated Nuclear Security, LLC (CNS), revealed that several of the employees had fraudulently obtained the travel incentive funds. To date, the investigation has determined that at least seven CNS contractor employees fraudulently received approximately \$320,607 in travel incentive payments. The OIG investigation further determined that these seven individuals falsely certified contractor eligibility forms and misrepresented their housing status to obtain traveler incentive pay. Additionally, at the time the OIG was conducting interviews with employees, CNS notified the OIG that 51 CNS contractor employees voluntarily terminated travel incentive payments to which they were not entitled. This is an ongoing investigation.

- ❖ **Debarment of Sandia Contractor Employee in Theft of Government Funds Investigation**

In response to an OIG referral, the National Nuclear Security Administration’s (NNSA) Office Partnership and Acquisition Services debarred a former Sandia National Laboratories (Sandia) contractor employee for a period of 8 years and 9 months. As previously reported in the March 31, 2019, September 30, 2021, and March 31, 2022, *Semiannual Report to Congress*, the former Sandia contractor employee pleaded guilty to two counts of Theft of Government Funds and two counts of Mail Fraud in the U.S. District Court for the District of New Mexico. The OIG investigation determined that the former Sandia contractor employee submitted false purchase card reconciliation descriptions for approximately \$150,000 in purchases for personal gain made on a Government-issued purchase card.

- ❖ **Management of Emergency Communication Systems at the Oak Ridge Reservation**

The OIG audit found the Wide Area Radio System, which is the primary communication system utilized by first responders across the Oak Ridge Reservation, was not subjected to required Federal cybersecurity risk management processes. We also found operational issues, such as inconsistent or inadequate coverage in certain locations. As a result of the audit report, the Department took action to ensure communication issues and appropriate mitigations are included in site-level planning documents, including identifying and documenting buildings and locations with potential communication systems issues. Management also took corrective actions to ensure that first responders are informed and prepared to respond to areas with potential radio coverage issues by providing additional training to first responders and updating protocols and policies to ensure responders know what actions to take in the event of loss of communication. As a result of addressing our recommendations, the safety of first responders at the Oak Ridge Reservation should be improved in the event of emergencies. (DOE-OIG-22-43; September 2022)

❖ **Allegations of Safety Concerns at the National Nuclear Security Administration Albuquerque Complex**

In response to the inspection report that substantiated allegations that Alutiiq Logistics & Maintenance Services failed to comply with contractual obligations regarding safety and health issues, NNSA promptly acted to issue the past due Contracting Performance Assessment Report for the February 2021 through January 2022 period of performance for Alutiiq Logistics & Maintenance Services, LLC. (DOE-OIG-23-03; November 2022)

❖ **Pacific Northwest National Laboratory Management of Controlled Substances**

In response to the inspection report, Pacific Northwest Site Office (PNSO) required Pacific Northwest National Laboratory (PNNL) through its fiscal year (FY) 2023 Performance Evaluation and Measurement Plan to create a lab-wide asset management process that provides a comprehensive and consistent framework for managing assets, including controlled substances. (DOE-OIG-23-02; October 2022)

❖ **Preparedness for Firefighting Response at Los Alamos National Laboratory**

As a result of the inspection report, management took action to create the Pre-Incident Plan (PIP) Program Project and develop a PIP program and review process procedure to improve emergency response capability and identify the required information necessary within a PIP. (DOE-OIG-19-23; April 2019)

TABLE OF PUBLISHED REPORTS

OFFICE OF AUDITS

The following list identifies all audit reports issued from October 1, 2022, through March 31, 2023.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS
Nov. 1, 2022	<i>Depleted Uranium Hexafluoride Conversion Operations</i> (DOE-OIG-23-04)	1	N/A	N/A	N/A
Nov. 22, 2022	<i>Management Challenges at the Department of Energy – Fiscal Year 2023</i> (DOE-OIG-23-08)	0	N/A	N/A	N/A
Nov. 22, 2022	<i>U1a Complex Enhancements Project</i> (DOE-OIG-23-09)	3	N/A	N/A	N/A
Nov. 28, 2022	<i>Performance Management Process at the Idaho National Laboratory</i> (DOE-OIG-23-10)	4	N/A	N/A	N/A
Mar. 6, 2023	<i>Audit Coverage in Office of Science Grants</i> (DOE-OIG-23-14)	5	N/A	\$56,835,650	N/A
Mar. 10, 2023	<i>Sandia National Laboratories' Verification of Certificates of Conformance for Nuclear Weapon and Weapon-Related Products</i> (DOE-OIG-23-16) This report may contain Controlled Unclassified Information and is not available for public viewing at this time.	2	N/A	N/A	N/A

OFFICE OF INSPECTIONS, INTELLIGENCE OVERSIGHT, AND SPECIAL PROJECTS

The following list identifies all related reports issued from October 1, 2022, through March 31, 2023.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS
Oct. 6, 2022	<i>Allegation Regarding Department of Energy Retaliation Against a Contractor</i> (DOE-OIG-23-01)	2	N/A	N/A	N/A
Oct. 18, 2022	<i>Pacific Northwest National Laboratory Management of Controlled Substances</i> (DOE-OIG-23-02)	1	N/A	N/A	N/A
Nov. 1, 2022	<i>Allegations of Safety Concerns at the National Nuclear Security Administration Albuquerque Complex</i> (DOE-OIG-23-03)	7	N/A	N/A	\$1,111,479
Mar. 6, 2023	<i>Review of the Department's Insider Threat Analysis and Referral Center</i> (DOE-OIG-23-15) This report contains Controlled Unclassified Information and is not available for public viewing.	6	N/A	N/A	N/A

OFFICE OF CYBER ASSESSMENTS AND DATA ANALYTICS

The following list identifies all related reports issued from October 1, 2022, through March 31, 2023.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS
Nov. 15, 2022	<i>The Department of Energy Nuclear Waste Fund's Fiscal Year 2022 Financial Statement Audit</i> (DOE-OIG-23-05)	0	N/A	N/A	N/A
Nov. 15, 2022	<i>The Department of Energy's Fiscal Year 2022 Consolidated Financial Statements</i> (DOE-OIG-23-06)	0	N/A	N/A	N/A
Nov. 16, 2022	<i>The Federal Energy Regulatory Commission's Fiscal Year 2022 Financial Statements</i> (DOE-OIG-23-07)	0	N/A	N/A	N/A
Nov. 28, 2022	<i>The Federal Energy Regulatory Commission's Unclassified Cybersecurity Program — 2022</i> (DOE-OIG-23-11)	0	N/A	N/A	N/A
Jan. 13, 2023	<i>Management Letter on The Federal Energy Regulatory Commission's Fiscal Year 2022 Financial Statements</i> (DOE-OIG-23-12)	4	N/A	N/A	N/A
Feb. 1, 2023	<i>Management Letter on The Department of Energy's Fiscal Year 2022 Consolidated Financial Statements</i> (DOE-OIG-23-13)	5	N/A	N/A	N/A
Mar. 20, 2023	<i>Management Letter on The Department of Energy's Unclassified Cybersecurity Program for Fiscal Year 2022</i> (DOE-OIG-23-17) This report contains Controlled Unclassified Information and is not available for public viewing.	45	N/A	N/A	N/A
Mar. 30, 2023	<i>Security over Cloud Computing Technologies at Select Department of Energy Locations</i> (DOE-OIG-23-18)	6	N/A	N/A	N/A

INVESTIGATIVE OUTCOMES

INVESTIGATIONS RESULTING IN REPORTABLE OUTCOMES

All OIG investigations that result in a reportable outcome are disclosed to the public in our *Semiannual Report to Congress*. The following table includes reportable outcomes during the period from October 1, 2022, through March 31, 2023.

SUMMARY TITLE
Sentencing and Administrative Actions in Grant Fraud Investigation
Sentencing in Weatherization Fraud Investigation
Sentencing and Debarment Referrals in False Claims and Child Exploitation Investigation
Sentencing and Debarment Referral in Theft of Government Property Investigation
Corporate Guilty Pleas and Suspensions in Labor Cost Mischarging Investigation
Sentencing in Grant Fraud Investigation
Conviction in Distribution of Child Pornography Case
Conviction in Child Exploitation Case
Indictment in Contractor Employee Misconduct/Coronavirus Aid, Relief, and Economic Security Act Investigation
Criminal Complaint, Summons in Lieu of Arrest, and Administrative Action Issued in Theft Investigation
Notice of Potential Violations Issued in Export Control Investigation
Settlement Agreement in Qui Tam Investigation
Restitution and Administrative Recovery in Time and Attendance Fraud Investigation
Civil Settlement in False Claims Investigation
Debarment in Theft of Illicit Sale of Government Property Investigation
Debarment in Theft of Government Funds Investigation
Debarment in Theft of Government Property Investigation
Debarment in Purchase Card Fraud Investigation
Debarment in Falsification of Timesheet Investigation
Debarment in Intent to Distribute Cocaine Investigation
Debarment in Destruction of Government Property Investigation
Suspension in Grant Fraud Investigation
Suspension in Time and Attendance Investigation
Debarment Referral in Destruction of Government Property Investigation
Debarment Referral in Entry by False Pretenses Investigation
Contractor Employee Termination in Timecard Fraud Investigation
Contractor Employee Terminations and Resignation in Timecard Fraud Investigation
Suspension From Duty in False Statement Investigation

SUMMARY TITLE
Process Review Initiated in Response to Per Diem Fraud Investigation
Criminal Restitution in Theft of Government Property Investigation
Y-12 Uranium Processing Facility Contractors Terminated
Return of Funds Fraudulently Obtained by Contractor Employees

INVESTIGATIONS INVOLVING UNAUTHORIZED PUBLIC DISCLOSURE OF CLASSIFIED INFORMATION

Pursuant to the requirement of Section 6718 of the National Defense Authorization Act, during the reporting period from October 1, 2022, through March 31, 2023, the work of the Office of Investigations included the following reports:

The number of investigations opened regarding an unauthorized public disclosure of classified information	None
The number of investigations completed regarding an unauthorized public disclosure of classified information	None
Of the number of such completed investigations identified under subparagraph (B), the number referred to the Attorney General for criminal investigation	N/A

INVESTIGATIONS INVOLVING SENIOR GOVERNMENT EMPLOYEES

During the reporting period from October 1, 2022, through March 31, 2023, the following investigations that involved a senior Government employee at the GS-15 level or above were conducted by the Office of Investigations:

FACTS AND CIRCUMSTANCES	STATUS AND DISPOSITION	REFERRED TO THE DEPARTMENT OF JUSTICE	DEPARTMENT OF JUSTICE DECLINATION
Allegation of violation of post-employment restrictions by a former Senior Executive Service (SES) employee.	Closed; unsubstantiated.	Yes	Nov. 4, 2022
Allegation of financial conflict of interest by an SES employee.	Closed; unsubstantiated.	Yes	Jan. 21, 2022

FACTS AND CIRCUMSTANCES	STATUS AND DISPOSITION	REFERRED TO THE DEPARTMENT OF JUSTICE	DEPARTMENT OF JUSTICE DECLINATION
Allegation of misuse of position for private gain by two SES and GS-15 employees.	Closed; unsubstantiated.	Yes	Dec. 6, 2021
Allegation of violation of post-employment restrictions by a former SES employee.	Closed; unsubstantiated.	Yes	Jan. 30, 2023

ADMINISTRATIVE REMEDIES DIVISION

SUSPENSION AND DEBARMENT

The OIG refers matters to suspension and debarment authorities as part of our mission to ensure the program and operational integrity of the Department. These referrals also protect the rest of the Government. A suspended or debarred party is not eligible to engage in new procurement or non-procurement transactions. The exclusions, therefore, prevent participation in new contracts, grants, cooperative agreements, loan guarantees, and other transactions. The OIG’s suspension and debarment practice provides forward-looking protection to complement the other remedies our work supports. We made 13 such referrals during this reporting period, compared to 10 referrals during the previous reporting period.

ETHICS

During this reporting period, the OIG continued to provide ethics counseling services under the delegation we received in January 2022. This reporting period involved, for example, the review of more than 260 annual or new entrant Confidential Financial Disclosures.

DATA ANALYTICS

The Department’s contractors manage Government-owned facilities and conduct much of the Department’s mission. Because the Department and the OIG have broad access to these Government-owned facilities and systems, the use of data analytics should be increasing at a substantial rate. The OIG’s Data Analytics Division has quickly established its leadership role in this critical area and was a vital team member working on 34 audits, inspections, and investigations in FY 2022. In the first half of FY 2023, the Division supported 17 such matters.

The Data Analytics Division is also driving innovation by conducting risk assessments and analyses. In FY 2022, the Division designed and conducted 10 risk-assessments related to areas such as the Coronavirus Aid, Relief, and Economic Security Act, Small Business Innovative Research (SBIR) grants, subcontracts, collusion, and contractor overtime. In the first half of FY 2023, the Division continued this work, with emphasis on working with the Department and its management and operating (M&O) contractors to further our access to required authoritative data.

Direct read-only access, provisioned through timely and secure data flows is the most effective and efficient way to use data analytics to identify fraud, waste, and abuse. Improved, prioritized access to authoritative data will enhance the performance of analyses focused on identifying and reducing fraud, waste, and abuse by Federal employees and contractors. Moving forward, the OIG's Data Analytics Division will continue to perform analyses of the highest areas of risk within the Department; implement risk models to identify adverse trends and fraud, waste, and abuse; and support mitigation of risk via audits, inspections, and investigations.

INCURRED COST AUDITS DIVISION

In FY 2022, the OIG established the Incurred Cost Audit Division within the Office of Audits to provide oversight of the billions of dollars in expenses incurred by the Department's M&O contractors annually. The Division conducts and arranges for fully independent incurred cost audits to determine the allowability, allocability, and reasonableness of the costs claimed by the M&O contractors in their annual cost submissions. During the reporting period, the newly established Incurred Cost Audits Division continued with its multiyear implementation plan by completing necessary changes with Department and M&O officials, hiring staff, and commencing audits at nearly all M&O contractors.

COOPERATION WITH THE OFFICE OF INSPECTOR GENERAL

INTERFERENCE WITH INSPECTOR GENERAL INDEPENDENCE

During the reporting period from October 1, 2022, through March 31, 2023, the Department neither interfered with OIG independence nor denied funding to OIG activities.

RESISTANCE TO OVERSIGHT ACTIVITIES OR RESTRICTED/SIGNIFICANTLY DELAYED ACCESS

During the reporting period from October 1, 2022, through March 31, 2023, the OIG experienced substantial delays in receiving important information from contractors at five Department sites. The OIG has elevated the matter within the Department.

MANAGEMENT DECISION STATUS

No revised management decisions were made during the reporting period from October 1, 2022, through March 31, 2023. Regarding audit and inspection reports issued during prior reporting periods, none lacked a management decision or received a management decision during the current reporting period.

NNSA HAS DECLINED TO FOLLOW OIG RECOMMENDATIONS

During the reporting period from October 1, 2022, through March 31, 2023, the OIG disagreed with the management decision for the following reports:

DATE ISSUED	REPORT TITLE	STATUS
July 22, 2021	<p><i>Protective Force Program at a Select National Nuclear Security Administration Site (DOE-OIG-21-33)</i> This report contains Official Use Only information and is not available for public viewing.</p>	<p>Protective force contractors are responsible for security at highly sensitive NNSA sites. The OIG reported that the protective force at a particular NNSA site is not maintaining any post assignment sheets or log sheets that would allow NNSA to determine whether all security posts were actually manned, by whom, and for what period of time. The OIG made two recommendations on this subject, which have been declined by NNSA. At present, the protective force is only maintaining records of the intended schedule, even though the protective force has acknowledged that the intended schedule may not reflect actual post assignments.</p>
Dec. 21, 2021	<p><i>Subcontract Administration at the Kansas City National Security Campus (DOE-OIG-22-15)</i></p>	<p>The OIG recommended that NNSA direct the contractor to ensure that subcontracts are properly classified consistent with the FAR. Improper classification of contracts as “fixed price” contracts may result in large volumes of subcontract payments going unaudited. NNSA has declined the recommendation and taken a legal position inconsistent with the FAR definition of “fixed price” and inconsistent with Government Accountability Office and OIG findings.</p>

DATE ISSUED	REPORT TITLE	STATUS
Dec. 21, 2021	<i>Sandia National Laboratories Subcontract Closeout Process</i> (DOE-OIG-22-16)	The OIG recommended that NNSA direct the contractor to ensure that subcontracts are properly classified consistent with the FAR. Improper classification of contracts as “fixed price” contracts may result in large volumes of subcontract payments going unaudited. NNSA has declined the recommendation and taken a legal position inconsistent with the FAR definition of “fixed price” and inconsistent with Government Accountability Office and OIG findings.

129 RECOMMENDATIONS ACCEPTED BUT NOT YET IMPLEMENTED

The following table identifies 44 reports with a total of 129 recommendations, which were agreed to by the Department but have not been implemented as of March 31, 2023. The total potential cost savings associated with these reports is \$877,728.579.

DATE ISSUED	REPORT TITLE	OPEN RECS	POTENTIAL MONETARY BENEFIT
Dec. 17, 2007	<u>Beryllium Surface Contamination at the Y-12 National Security Complex</u> (IG-0783)	1	
Nov. 13, 2009	<u>Management Controls over Selected Aspects of the Department of Energy's Human Reliability Program</u> (OAS-M-10-01)	2	
June 24, 2013	<u>Mitigation of Natural Disasters at Los Alamos National Laboratory</u> (OAS-M-13-04)	4	
Feb. 14, 2014	<u>The Technology Transfer and Commercialization Efforts at the Department of Energy's National Laboratories</u> (OAS-M-14-02)	3	
June 22, 2015	<u>The Department of Energy's Implementation of the Pilot Program for Agreements for Commercializing Technology</u> (OAS-M-15-04)	1	
July 10, 2015	<u>The National Nuclear Security Administration's Management of Support Service Contracts</u> (OAS-M-15-05)	1	
Apr. 26, 2017	<u>Department of Energy's West Valley Demonstration Project</u> (DOE-OIG-17-05)	5	
Oct. 31, 2018	<u>The Department of Energy's Funds Distribution System 2.0</u> (DOE-OIG-19-03)	5	

Department of Energy Office of Inspector General
October 1, 2022 – March 31, 2023

DATE ISSUED	REPORT TITLE	OPEN RECS	POTENTIAL MONETARY BENEFIT
June 10, 2019	<u>The Department of Energy's Management of the ActioNet Information Technology Support Contract (DOE-OIG-19-35)</u>	4	\$294,000,000
Dec. 19, 2019	<u>Audit Coverage of Cost Allowability for Honeywell Federal Manufacturing & Technologies, LLC from October 1, 2014, to September 30, 2015, Under Department of Energy Contract No. DE-NA0000622, and from October 1, 2015, to September 30, 2017, Under Department of Energy Contract No. DE-NA0002839 (DOE-OIG-20-18)</u>	1	
Dec. 26, 2019	<u>Audit Coverage of Cost Allowability for Los Alamos National Laboratory from October 1, 2013, to September 30, 2016, Under the Department of Energy Contract No. DE-AC52-06NA25396 (DOE-OIG-20-20)</u>	1	\$8,458,966
June 1, 2020	<u>The Strategic Petroleum Reserve's Modernization Program (DOE-OIG-20-43)</u>	1-2	
June 8, 2020	<u>The Department of Energy's Management of Cleanup at the Paducah Site's C-400 Complex (DOE-OIG-20-44)</u>	1	
July 6, 2020	<u>The Department of Energy's Federal Employee Substance Abuse Testing Program (DOE-OIG-20-46)</u>	1, 3	
July 13, 2020	<u>Audit Coverage of Cost Allowability for Sandia Corporation, from October 1, 2015, through April 30, 2017, under the Department of Energy Contract No. DE-AC04-94AL85000 (DOE-OIG-20-48)</u>	1-3	Rec 1: \$6,755,738 Rec 2: \$4,237,024 Rec 3: \$409,648,103
July 13, 2020	<u>Audit Coverage of Cost Allowability for Nuclear Waste Partnership, LLC, from October 1, 2014, to September 30, 2017, under the Department of Energy Contract No. DE-EM0001971 (DOE-OIG-20-49)</u>	1	\$31,760,414
July 20, 2020	<u>The Department of Energy's Storage and Disposition of Explosives Material at Selected Sites (DOE-OIG-20-50)</u>	1-2	
July 20, 2020	<u>Small Business Subcontracting Requirements for Prime Contractors at the Hanford Site (DOE-OIG-20-51)</u>	3	\$63,800,000
Sept. 30, 2020	<u>Tank Waste Management at the Hanford Site (DOE-OIG-20-57)</u>	2	
Dec. 14, 2020	<u>Contingency Planning Efforts for Information Technology Mission Support Systems at Selected Department of Energy Locations (DOE-OIG-21-08)</u>	1-2	

DATE ISSUED	REPORT TITLE	OPEN RECS	POTENTIAL MONETARY BENEFIT
Feb. 1, 2021	<u>The Department of Energy's Wildland Fire Prevention Efforts at the Los Alamos National Laboratory</u> (DOE-OIG-21-13)	1-5	
Apr. 9, 2021	<u>Fiscal Year 2016 Evaluation of Incurred Cost Coverage at the Pacific Northwest National Laboratory</u> (DOE-OIG-21-23)	3-4	
Apr. 9, 2021	<u>Fiscal Year 2018 Evaluation of Incurred Cost Coverage at Sandia National Laboratories</u> (DOE-OIG-21-25)	4	
July 22, 2021	<u>Protective Force Program at a Select National Nuclear Security Administration Site</u> (DOE-OIG-21-33)	3	
Nov. 10, 2021	<u>Management of a Department Energy Site Cybersecurity Program</u> (DOE-OIG-22-05)	9-11	
Dec. 7, 2021	<u>Allegations of Quality Assurance Irregularities in the National Spherical Torus Experiment Upgrade Recovery Project</u> (DOE-OIG-22-13)	3	
Dec. 21, 2021	<u>Subcontract Administration at the Kansas City National Security Campus</u> (DOE-OIG-22-15)	1-2, 8	Rec 1: \$139,529
Dec. 21, 2021	<u>Sandia National Laboratories Subcontract Closeout Process</u> (DOE-OIG-22-16)	2	\$2,093,155
Jan. 3, 2022	<u>Management Letter on the Department of Energy's Fiscal Year 2021 Consolidated Financial Statement Audit</u> (DOE-OIG-22-19)	2	
Feb. 8, 2022	<u>Los Alamos National Laboratory Steam Plant Energy Savings Performance Contract – Phase One</u> (DOE-OIG-22-26)	2	
June 24, 2022	<u>The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2021 Agency Financial Report</u> (DOE-OIG-22-37)	1	
Sept. 21, 2022	<u>The Management of Emergency Communication Systems at the Oak Ridge Reservation</u> (DOE-OIG-22-43) This report contains Official Use Only information and is not available for public viewing.	1-4, 6	
Sept. 27, 2022	<u>Followup on the Department of Energy's Implementation of the Geospatial Data Act of 2018</u> (DOE-OIG-22-44)	1, 3	
Oct. 18, 2022	<u>Pacific Northwest National Laboratory Management of Controlled Substances</u> (DOE-OIG-23-02)	1	

DATE ISSUED	REPORT TITLE	OPEN RECS	POTENTIAL MONETARY BENEFIT
Nov. 1, 2022	<u>Allegations of Safety Concerns at the National Nuclear Security Administration Albuquerque Complex</u> (DOE-OIG-23-03)	1, 5	
Nov. 1, 2022	<u>Depleted Uranium Hexafluoride Conversion Operations</u> (DOE-OIG-23-04)	1	
Nov. 22, 2022	<u>U1a Complex Enhancements Project</u> (DOE-OIG-23-09)	2-3	
Nov. 28, 2022	<u>Performance Management Process at the Idaho National Laboratory</u> (DOE-OIG-23-10)	1-4	
Feb. 1, 2023	<u>Management Letter on The Department of Energy's Fiscal Year 2022 Consolidated Financial Statements</u> (DOE-OIG-23-13)	2-6	
Mar. 6, 2023	<u>Audit Coverage in Office of Science Grants</u> (DOE-OIG-23-14)	1-5	Rec 1: \$56,835,650
Mar. 6, 2023	<u>Review of the Department's Insider Threat Analysis and Referral Center</u> (DOE-OIG-23-15) This report contains Controlled Unclassified Information and is not available for public viewing.	1-6	
Mar. 10, 2023	<u>Sandia National Laboratories' Verification of Certificates of Conformance for Nuclear Weapon and Weapon-Related Products</u> (DOE-OIG-23-16) This report may contain Controlled Unclassified Information and is not available for public viewing at this time.	1-2	
Mar. 20, 2023	<u>Management Letter on The Department of Energy's Unclassified Cybersecurity Program for Fiscal Year 2022</u> (DOE-OIG-23-17) This report contains Controlled Unclassified Information and is not available for public viewing.	1a, 2a-c, 3a-4a, 7a-8a, 9a-c, 10a, 11a-b, 12a-c, 13a-14a, 15a-b, 16a-b, 17a-b, 18a-b, 19a-c, 20a-b, 21a-b, 22a-b, 23a-d, 24a-b, 25a	
Mar. 30, 2023	<u>Security over Cloud Computing Technologies at Select Department of Energy Locations</u> (DOE-OIG-23-18)	1-5	

Total Open Recommendations

129

\$877,728,579¹²

¹² This number underrepresents the potential monetary impact of the recommendations. The Council of the Inspectors General on Integrity and Efficiency is currently examining metrics associated with monetary impact calculations.

REVIEWS CLOSED AND NOT DISCLOSED TO THE PUBLIC

The OIG did not issue any reports that were undisclosed to the public for the reporting period October 1, 2022, through March 31, 2023.

LEGISLATIVE AND REGULATORY REVIEWS

Most of the legislative reviews occurring during this period took place at the request of the Council of the Inspectors General on Integrity and Efficiency's Legislation Committee. The OIG gave substantive input on several legislative proposals, including the legislative priorities for the OIG community.

CONGRESSIONAL TESTIMONY

On March 29, 2023, Inspector General Teri Donaldson appeared before the House of Representatives' Committee on Energy and Commerce's Subcommittee on Oversight and Investigations for a hearing addressing oversight risks from recent legislation. Inspector General Donaldson appeared at this hearing along with Inspectors General from the Environmental Protection Agency, the Department of Commerce, as well as a representative from the Government Accountability Office. Inspector General Donaldson's testimony focused on risk arising from the Infrastructure Investment and Jobs Act, Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022, the Inflation Reduction Act, and appropriations provisions related to the 2023 Consolidated Appropriations Act's Puerto Rico Energy Resilience Fund. Her testimony emphasized the risks inherent in new programs: fast-moving money, awards to other levels of Government, and a lack of proper funding for oversight—in particular, funding for the Department of Energy OIG.

PEER REVIEWS

PEER REVIEWS CONDUCTED BY DEPARTMENT OF ENERGY OIG OCTOBER 1, 2022 – MARCH 31, 2023			
TYPE OF REVIEW	DATE OF PEER REVIEW	OIG REVIEWED	OUTSTANDING RECOMMENDATIONS
Audit	None	N/A	N/A
Inspection	Oct. 2022	U.S. Department of Health and Human Services	None – Pass
Investigation	None	N/A	N/A

PEER REVIEWS CONDUCTED BY OTHER OIGS OCTOBER 1, 2022 – MARCH 31, 2023				
TYPE OF REVIEW	DATE OF PEER REVIEW	REVIEWING OIG	FREQUENCY REQUIREMENT	OUTSTANDING RECOMMENDATIONS
Audit	None	N/A	At least once every 3 years	N/A
Inspection	Oct. 2022	U.S. Department of State	At least once every 3 years	None – Pass
Investigation	Oct. 2022	Federal Deposit Insurance Corporation	N/A	None – Pass

SUMMARY OF SELECT ACTIVITIES

Notice of Potential Violations Issued in Export Control Investigation

In response to an OIG request, a notice of potential violation was issued to the Director of the Russian State Atomic Energy Corporation (ROSATOM) for the unauthorized access of U.S.-origin nuclear technical data located in Ukraine at the Zaporizhzhia Nuclear Power Plant (ZNPP). In 1990, the Department began the Ukraine Nuclear Fuel Qualification Project, which sought to diversify Ukraine's nuclear fuel supply and introduce American-developed nuclear fuel technology to its aging Soviet-era nuclear power plants. The U.S. Government allocated over \$70 million to this project through various grants and contracts. In 2004 and thereafter, the Department authorized the transfer of proprietary information and technology belonging to several U.S.-based companies to Ukraine. NNSA regulates this information and technology. In February 2022, the Russian Federation invaded Ukraine and illegally occupied the ZNPP. Since that time, employees of ROSATOM have been forcibly accessing the export-controlled technology. These actions constitute a violation of U.S. law and are subject to civil and criminal enforcement.

Sentencing and Administrative Actions in Grant Fraud Investigation

The owner of a scientific research company, a former Department grantee, was sentenced to 42 months in prison, restitution in the amount of \$1,548,255, an assessment fee of \$300, and 3 years of supervised release. The U.S. District Court Judge also ordered the forfeiture of 11 seized accounts, real property, and a money judgement of \$1,548,000. Additionally, a co-owner of the scientific research company, which had received approximately \$1.2 billion in Department SBIR and Small Business Technology Transfer (STTR) grant awards, and three other scientific research companies, was debarred from any Federal contracts, subcontracts, assistance agreements, or subcontracts requiring Government approval for a period of 3 years. As previously reported in the September 30, 2020, March 31, 2021, September 30, 2021, March 31, 2022, and September 30, 2022, *Semiannual Report to Congress*, the investigation determined that the owner received approximately \$500,000 in Kentucky State matching funds, in addition to Department SBIR/STTR funding, and the company provided false information in its Department proposals and subsequent close-out documents. The owner was found guilty by a jury in the U.S. District Court for the Eastern District of Kentucky on one count of Conspiracy to Commit Wire Fraud, one count of Wire Fraud, and one count of Money Laundering. This is an ongoing joint investigation with the Environmental Protection Agency OIG and the Defense Criminal Investigative Service. The Department of Justice (DOJ) press release for the owner's sentencing can be found [here](#).

Corporate Guilty Pleas and Suspensions in Labor Cost Mischarging Investigation

Two former subcontractor corporations to the Department's Savannah River National Laboratory pleaded guilty in the U.S. District Court for the District of South Carolina to a Criminal Information, including one count of False Claims in violation of Title 18, United States Code § 287, after waiving indictment and arraignment and pleading guilty. The OIG investigation determined that the companies submitted false labor charges of approximately \$998,619 for payment to the Department. The two former subcontractor

corporations were also suspended from receiving any new Federal contracts as a direct result of the criminal investigation. This is an ongoing joint investigation with other Federal law enforcement organizations.

Sentencing and Debarment Referrals in False Claims and Child Exploitation Investigation

A former subcontractor to Sandia was sentenced in the U.S. District Court for the District of New Mexico to 41 months incarceration, 5 years of supervised release, ordered to pay \$70,125 in restitution to the Department, assessed \$22,900 in special assessments, and assessed a fine of \$173,478. The OIG also issued Debarment Referrals to the NNSA's Office of Partnership and Acquisition Services requesting a determination as to whether debarment actions are warranted against the former Sandia subcontractor and the subcontractor's company, which were previously suspended. As previously reported in the March 31, 2020, March 31, 2022, and September 30, 2022, *Semiannual Report to Congress*, the former subcontractor pleaded guilty to 28 counts of False Claims and one count of Possession of Visual Depictions of Minors Engaged in Sexually Explicit Conduct, in the same district. The OIG investigation found that the former subcontractor submitted false claims to Sandia for air particle count monitoring and cleaning services not performed. During the course of the investigation, a search warrant was executed on the former subcontractor's business, which led to the discovery of a large cache of child pornography stored on devices owned by the former subcontractor. The OIG investigation also determined that from July 2015 through February 2017, the former subcontractor submitted false claims to Sandia for air particle count monitoring and cleaning services not performed.

Sentencing in Weatherization Fraud Investigation

A Department grant recipient, the owner and chief executive officer of a not-for-profit organization that received Department Weatherization Assistance Program funds through the State of Illinois Department of Commerce and Economic Opportunity (DCEO), was sentenced in the U.S. District Court for the Northern District of Illinois to 6 months of home incarceration, 3 years of probation, and ordered to pay \$170,700 in restitution and \$100 in assessment fees. As previously reported in the September 30, 2020, September 30, 2021, and March 31, 2022, *Semiannual Report to Congress*, the grant recipient pleaded guilty in the same district to one count of Wire Fraud, and the Department's Office of Acquisition and Project Management issued a Notice of Suspension. The OIG investigation revealed that the grant recipient submitted multiple misrepresentations to the DCEO to obtain three grants, including two grants funded with Department funds. The grant recipient also made false statements to the DCEO in the form of grantee status reports, claiming grant funds were being spent in accordance with previously approved budgets when in fact substantial quantities of the grant funds had been fraudulently converted for personal use. The investigation found that the former subcontractor fraudulently converted \$261,476 from multiple DCEO grants by making materially false statements, some of which were done using an interstate wire communication. This was a joint investigation with the Federal Bureau of Investigation.

Sentencing and Debarment Referral in Theft of Government Property Investigation

A former WAPA vendor was sentenced in the U.S. District Court for the District of Colorado to 36 months of probation, a \$100 special assessment, and was ordered to pay restitution to WAPA in the amount of \$87,516. The vendor was also referred to the Department for debarment action. As previously reported in the March 31, 2020, September 30, 2020, March 31, 2021, September 30, 2021, March 31, 2022, and September 30, 2022, *Semiannual Report to Congress*, the OIG investigation determined that numerous Department vendors participated in a fictitious billing scheme, conspiring with a Department contractor employee tasked with inventory management duties at a Department-owned warehouse. The warehouse employee submitted fictitious purchase orders to the vendor companies to order goods for the warehouse. Most of the goods ordered from the vendor companies were never actually received by the warehouse, and the proceeds from the purchases were stolen by the warehouse employee and vendors involved in the scheme. This is an ongoing investigation with various Federal agencies.

Sentencing in Grant Fraud Investigation

A Department grant recipient, a former professor at the University of Kansas, was sentenced in the U.S. District Court for the District of Kansas to time served, 2 years of supervised release, and was ordered to pay a \$100 assessment. As previously reported in the March 31, 2020, September 30, 2020, and September 30, 2022, *Semiannual Report to Congress*, the OIG investigation found that the grant recipient created a scheme to defraud the Government by failing to disclose on grant proposals to the Department an existing affiliation with, and contractual obligations to, a Chinese university. The grant recipient also failed to disclose this conflict of interest to the University of Kansas. As a result, the grant recipient was able to improperly obtain funds derived from numerous Federal grants, including funding from the Department and the National Science Foundation. A DOJ press release from the conviction can be found [here](#).

Indictment in Contractor Employee Misconduct/Coronavirus Aid, Relief, and Economic Security Act Investigation

A Department contractor employee was indicted by a Grand Jury in the U.S. District Court for the District of South Carolina on one count of Wire Fraud. The OIG investigation determined that the contractor employee fraudulently applied for and received an Economic Injury Disaster Loan in the amount of \$25,000. The contractor employee admitted to reporting fraudulent revenue and cost of goods on the online application, which was submitted using a Department-issued computer and network. The employee used the money to fund personal travel and to pay for personal expenses. This is an ongoing investigation.

Criminal Complaint, Summons in Lieu of Arrest, and Administrative Action Issued in Theft Investigation

A former Department employee, a member of the Senior Executive Service serving as a Deputy Assistant Secretary in the Office of Nuclear Energy, was charged by Criminal Complaint by the Hennepin County Attorney's Office in Minnesota with a felony count of Theft of Movable Property Without Consent. The former employee was issued a Summons (Notice of Hearing) in lieu of arrest that same day. The OIG investigation determined that

the former employee, while on personal travel, took luggage belonging to another passenger and departed the airport. The former employee subsequently converted the luggage to their personal use while on official Department travel. The former employee admitted to being in possession of the bag, but not its contents, and agreed to return the bag. The former employee was initially placed on administrative leave and was then terminated from the Department. This is a joint investigation with the Minneapolis State Police.

Settlement Agreement in Qui Tam Investigation

A Department SBIR/STTR grant recipient entered into a Settlement Agreement in which the company agreed to pay \$411,050 to the Department in restitution. At the time of the settlement, the grantee had been awarded four SBIR/STTR awards from the Department worth nearly \$5 million. The investigation stemmed from a Qui Tam action filed by a former employee at the grant recipient company, which alleged that the grantee submitted false claims on Department awards to obtain funds for labor costs of employees for time they spent working on private commercial projects. The investigation determined that the president of the grantee company directed employees to charge time worked on private projects against Department awards and draw down remaining funds from those awards. The Department also issued an Administrative Compliance Agreement to the company requiring the company to implement a Contractor Responsibility Program. This was a joint investigation with the U.S. Attorney's Office for the Western District of Pennsylvania.

Restitution and Administrative Recovery in Time and Attendance Fraud Investigation

In response to an OIG investigation, a former contractor employee at ORNL entered into an agreement to pay \$14,184.98 restitution to the ORNL contractor employer. The ORNL contractor notified the OIG that \$25,853, the total amount of questioned cost associated with the former contractor employee, was repaid to the Department. As previously reported in the March 31, 2021, *Semiannual Report to Congress*, the OIG investigation determined that from January 2017 through October 2017, the former contractor employee falsely claimed to have worked approximately 285 hours for an estimated amount of \$25,853. The former contractor was indicted, arrested, and terminated from employment.

Civil Settlement in False Claims Investigation

The DOJ entered into a Civil Settlement Agreement with a former Department subcontractor to resolve a Federal Civil Complaint previously filed against the subcontractor for making false claims to NNSA. In accordance with the Agreement, the subcontractor agreed to pay the Government \$302,500. The OIG investigation determined that NNSA's prime contractor allowed the subcontractor to process and receive payment for thousands of invoices, totaling more than \$6.4 million, for materials that were neither necessary nor delivered to NNSA. As previously reported in the March 31, 2019, September 30, 2019, and March 31, 2022, *Semiannual Report to Congress*, the OIG investigation determined that the prime contractor, MOX Services LLC, allowed Wise Services Inc., the subcontractor, to process and receive payment for thousands of invoices,

totaling more than \$6.4 million, for materials that were neither necessary nor delivered to NNSA. Relatedly, the subcontractor's senior representative for this contract provided kickbacks to select prime contractor officials in exchange for favorable treatment. The DOJ press release can be found [here](#).

Debarment in Theft of Government Funds Investigation

In response to an OIG recommendation, NNSA's Office of Partnership and Acquisition Services debarred a former NNSA contractor employee of the Kansas City National Security Campus (KCNSC) from Government contracting for 3 years. As previously reported in the September 30, 2021, and March 31, 2022, *Semiannual Report to Congress*, the former employee was terminated by KNSC and pleaded guilty to one count of Theft of Government Funds in the U.S. District Court for the Western District of Missouri. The OIG investigation found that the former employee falsified numerous timecards from August 2019 through May 2020, claiming 667 hours on the employee's timesheet for work the employee did not perform, which resulted in a loss of approximately \$30,164. As a result of the improperly recorded hours, NNSA was reimbursed the employee's fully burdened wage rate of \$85,175.

Debarment in Theft of Illicit Sale of Government Property Investigation

In response to an OIG recommendation, NNSA's Office Partnership and Acquisition Services debarred a former Los Alamos National Laboratory (LANL) contractor employee for a period of 4 years. As previously reported in the September 30, 2019, *Semiannual Report to Congress*, the OIG investigation determined that the contractor employee took multiple pieces of Government property from LANL without authorization and sold the items on eBay. Over 300 pieces of Government-owned property were recovered from the contractor employee's residence.

Debarment in Theft of Government Property Investigation

As a result of an OIG Investigation, NNSA's Office of Partnership and Acquisition Services debarred a former contractor employee to the NNSA's former Albuquerque Complex (AC) from receiving Federal funds or contracts for a period of 3 years. As previously reported in the March 31, 2021, *Semiannual Report to Congress*, the contractor employee admitted to stealing several drones and accessory items from the AC. The OIG recovered the stolen property, valued at approximately \$100,000.

Debarment in Purchase Card Fraud Investigation

In response to an OIG referral, NNSA's Office of Partnership and Acquisition Services debarred a former Sandia contractor employee for a period of 8 years and 9 months. As previously reported in the March 31, 2019, September 30, 2021, and March 31, 2022, *Semiannual Report to Congress*, the former Sandia contractor employee pleaded guilty to two counts of Theft of Government Funds and two counts of Mail Fraud in the U.S. District Court for the District of New Mexico. The OIG investigation determined that the former Sandia contractor employee submitted false purchase card reconciliation descriptions for approximately \$150,000 in purchases for personal gain made on a Government-issued purchase card.

Debarment in Falsification of Timesheet Investigation

As a result of an OIG investigation, NNSA's Office of Partnership and Acquisition Services debarred a former Security Police Officer at Y-12 from receiving Federal funds or contracts for a period of 1 year. As previously reported in the September 30, 2021, and September 30, 2022, *Semiannual Report to Congress*, the former officer pleaded guilty to one count of Felony Theft exceeding \$10,000. The former employee pleaded guilty in the 7th Judicial District of Tennessee, and was sentenced to 3 years of supervised probation and ordered to pay \$33,907.74 in restitution, along with \$656.00 in court costs. The OIG investigation determined that from July 2017 through August 2020, the former officer falsely claimed approximately 650 hours of overtime not worked and claimed full time hours while on leave.

Debarment in Intent to Distribute Cocaine Investigation

A former Savannah River Site Employee was debarred from receiving Federal funds or contracts for a period of 3 years. As previously reported in the September 30, 2020, March 31, 2021, September 30, 2021, and March 31, 2022, *Semiannual Report to Congress*, the former employee pleaded guilty in the U.S. District Court for the District of South Carolina to one count of Possession of a Controlled Substance with the Intent to Distribute, and was sentenced to time served, 10 months of home confinement, supervised release for 3 years with special conditions, and 100 hours of community service, with a \$100 special assessment.

Debarment in Destruction of Government Property Investigation

In response to an IRM, NNSA's Deputy Associate Administrator for Partnership and Acquisition Services debarred a former Lawrence Livermore National Laboratory (LLNL) contractor employee for 1 year. The former contractor resigned after being issued a 2-week Notice of Investigatory Leave Letter as a result of an OIG investigation into the destruction of several Sensitive Compartmented Information Facility (SCIF) badges that belonged to the Principal Associate Director for LLNL's Global Security. As previously reported in the September 30, 2022, *Semiannual Report to Congress*, during an OIG interview, the LLNL employee admitted to bending and damaging the Director's SCIF badge. The Director reported her badge being defective on several occasions from December 2020 through July 2022. Due to the labor hours and cost of equipment it took to identify the subject, the estimated loss to the Government is \$40,000. This is an ongoing investigation.

Suspension in Grant Fraud Investigation

In response to an OIG investigation, the U.S. Army suspended a Department grantee and company from receiving Federal funds or contracts. As previously reported in the September 30, 2022, *Semiannual Report to Congress*, the District Attorney's Office for Salt Lake County, Utah, filed a six-count Information charging a Department STTR grant recipient with one count each of Misuse of Public Money, Unlawful Dealing of Property by a Fiduciary, Communications Fraud, Theft, Theft by Deception, and Pattern of Unlawful Activity. The OIG investigation determined the grantee billed the Department and the U.S.

Army for fringe benefits that were never paid to employees. The loss to the Government was approximately \$367,805. This is an ongoing joint investigation with the U.S. Army Criminal Investigations Command Major Procurement Fraud Unit.

Suspension in Time and Attendance Investigation

The Department's Office of Management and Acquisition suspended a former contractor employee at PNNL from conducting business with the Federal Government for a period pending the completion of legal or any debarment proceedings that may ensue. As previously reported in the September 30, 2020, March 31, 2021, and September 30, 2021, and September 30, 2022, *Semiannual Report to Congress*, the former employee pleaded guilty to Theft in the Third Degree in the Benton County District Court of Washington and was sentenced to a suspended sentence of 364 days in prison, 2 years of supervised probation, and ordered to pay restitution in the amount of \$22,753.03, as well as \$700 in court costs. The OIG investigation found that the former contractor employee falsely claimed hours that were not worked. During an OIG interview, the former contractor employee admitted to intentionally falsifying timecards, leaving work early without taking leave, arriving to work late, and teleworking without evidence of completing work activities.

Debarment Referral in Destruction of Government Property Investigation

The OIG issued a Debarment Referral to NNSA's Deputy Associate Administrator for Partnership and Acquisition services and Acting Senior Procurement Executive recommending consideration for the debarment of a former LLNL contractor employee. As previously reported in the September 30, 2022, *Semiannual Report to Congress*, the former contractor resigned after being issued a 2-week Notice of Investigatory Leave Letter as a result of an OIG investigation into the destruction of several SCIF badges that belonged to the Principal Associate Director for LLNL's Global Security. During an OIG interview, the LLNL employee admitted to bending and damaging the Director's SCIF badge. The Director reported her badge being defective on several occasions from December 2020 through July 2022. Due to the labor hours and cost of equipment it took to identify the subject, the estimated loss to the Government is \$40,000. This is an ongoing joint investigation with the Federal Bureau of Investigation.

Debarment Referral in Entry by False Pretenses Investigation

The OIG issued a Debarment Referral to the Department recommending consideration for debarment of an individual with no connection to the Department. As previously reported in the September 30, 2021, March 31, 2022, and September 30, 2022, *Semiannual Report to Congress*, the individual was convicted by a jury in the U.S. District Court for the Northern District of New York of one count of Entry by False Pretenses and sentenced to 60 days in prison, 1 year of supervised release, and a \$5,000 fine. The OIG investigation determined that the individual falsely represented himself as a Department official to gain access to a secure area of the Port of Albany, New York, where he photographed proprietary equipment and operations of a Department subcontractor.

Contractor Employee Termination in Timecard Fraud Investigation

As a result of an OIG investigation, a former LLNL employee was issued a Notice of Investigatory Leave letter, and was subsequently terminated after the issuance of a Notice of Dismissal letter. The OIG investigation found the former employee was paid for 216 hours that were not worked. As a result of the investigation, LLNL has demanded \$11,033.44 in restitution for the time paid, but not worked. This is an ongoing investigation.

Contractor Employee Terminations and Resignation in Timecard Fraud Investigation

As a result of an OIG investigation, two former NNSA contractor employees of KCNSC were terminated, and one resigned, after the OIG revealed evidence of employee time mischarging investigation. The OIG investigation determined that the former contractor employees misrepresented the hours they worked on their timesheets. KCNSC has reimbursed NNSA in the amount of \$161,648.01 for time charged, but not worked. This is an ongoing investigation.

Suspension From Duty in False Statement Investigation

In response to an IRM to the Administrator for the Bonneville Power Administration (BPA) following an OIG investigation, BPA concurred with the OIG's recommendation and suspended an employee from duty for 3 days. The OIG investigation determined that the employee, a power transmission operator, altered his official leave and earnings statement by substantially inflating his salary. The employee admitted to altering this document to secure a U.S. Department of Veterans Affairs guaranteed home loan. The Department did not incur a financial loss from the employee's conduct. The OIG recommended that BPA determine if an administrative review, official inquiry, or disciplinary action was warranted. The BPA Administrator concurred with the OIG recommendation and suspended the employee from duty for 3 days.

Process Review Initiated in Response to Per Diem Fraud Investigation

In response to an IRM, the Nevada Field Officer Manager coordinated with a subcontractor internal audit division, and subsequently informed the OIG of their compliance with the four recommendations resulting from an OIG investigation into per diem fraud allegations involving a subcontractor employee at the Nevada National Security Site (NNSA). Due to mitigating circumstances and statutes of limitations, the Nevada Field Office determined that the funds could not be recouped, and no administrative action was deemed appropriate; however, the temporary duty reimbursement process is being evaluated and the personnel security division was notified in accordance with the OIG's recommendations. The OIG investigation determined that the subcontractor employee falsely claimed per diem expenses in Nevada, while also claiming permanent residence and duplicate expenses in South Carolina.

Security Over Cloud Computing Technologies at Select Department of Energy Locations

Cloud computing systems and services provide significant benefits to the Department. For example, cloud system implementations have helped the Department meet Federal requirements to reduce data center costs and replace legacy information technology that is

more susceptible to malicious cyber activity because it is outdated or obsolete. The Department substantially increased the number of cloud computing systems in use to support various functions such as email, file sharing, and information technology service management. The OIG initiated an audit to determine whether the Department effectively implemented security over its cloud-based technologies and services.

Based on our test work at five locations, we determined that issues related to cybersecurity over the selected systems persisted. We identified issues related to processes to authorize, monitor, assess, control, and inventory the cloud-based systems; the utilization of cloud-based systems without appropriate approval; the lack of complete system authorizations for cloud systems; and the lack of required continuous security monitoring of cloud services to ensure that the services were appropriately secured. Additionally, our testing identified significant amounts of data stored in unapproved cloud storage accounts, some of which could have contained sensitive information.

Due to the potential negative impacts from the weaknesses identified during our test work, we made six recommendations to improve security over the Department's cloud-based systems. (DOE-OIG-23-18; March 2023)

Review of the Department's Insider Threat Analysis and Referral Center

To address the issues identified in this report, we have made six recommendations that, if fully implemented, should help ensure problems identified during our inspection are corrected. Because this report contains Controlled Unclassified Information, it is not being released to the public. (DOE-OIG-23-15; March 2023)

Allegations of Safety Concerns at the National Nuclear Security Administration Albuquerque Complex

NNSA awarded Alutiiq Logistics & Maintenance Services, LLC (ALMS) a firm-fixed-price indefinite delivery, indefinite quantity contract valued at \$50,000,000, beginning in February 2020, to provide facility maintenance and support services at the AC in Albuquerque, New Mexico. On October 26, 2021, the OIG received nine allegations that ALMS failed to comply with contractual obligations regarding safety and health issues for several years. We initiated this inspection to determine the facts and circumstances regarding the alleged safety concerns at NNSA's AC.

We substantiated eight of the nine allegations that ALMS failed to comply with contractual obligations regarding safety and health issues. Specifically, we substantiated that ALMS: (1) did not have adequate emergency management plans; (2) did not have a compliant quality control plan; (3) did not know how to properly use the computerized maintenance management system program; (4) closed out work orders without completing required work; (5) did not hire qualified tradesmen; (6) did not have a safety manager; (7) had staff retention issues due to low wages; and (8) did not correct noncompliances found during the September 2020 NNSA Office of Worker Safety and Health Services site assist review. We did not substantiate the allegation that (9) ALMS was not completing forklift inspections and was falsifying inspection documents. We also found that several positions had been vacant at some point throughout the ALMS contract. The Government paid ALMS

approximately \$1,111,479 for those vacant positions, representing 21 percent of the total labor cost. ALMS has a duty to fulfill contract requirements and ensure that facilities and infrastructure are maintained and operated effectively and efficiently. Management fully concurred with our findings and recommendations and provided corrective actions that are responsive to our recommendations. (DOE-OIG-23-03; November 2022)

Pacific Northwest National Laboratory Management of Controlled Substances

PNNL is 1 of 17 national laboratories operated by the Department and is overseen by PNSO for the Department's Office of Science. PNNL carries a broad portfolio of scientific activities within chemistry, earth science, biology, and data science. PNNL conducts research utilizing controlled substances in contributing to fentanyl standards establishment and detection technology. Controlled substances are those items that the Drug Enforcement Administration identifies and categorizes in Title 21 Code of Federal Regulations § 1308, *Schedules of Controlled Substances*. Controlled substances are categorized in Schedule I through V, with Schedule I being the most restricted. We initiated this inspection to determine the extent that PNNL effectively manages controlled substances.

Based on our inspection, we found that PNNL did not incorporate all applicable Federal property regulations into its management of controlled substances. Specifically, it did not classify them as personal property, did not categorize them as sensitive personal property, and did not follow prescribed inventory standards. This issue occurred because PNNL and PNSO misclassified controlled substances as chemical assets rather than recognizing them as sensitive personal property. Failure to address all the applicable Federal requirements resulted in PNNL not properly tracking and reporting controlled substances inventories, not sending disposition reports to PNSO, and improper segregation of duties for physical inventory counts. Management fully concurred with our findings and recommendation. (DOE-OIG-23-02; October 2022)

U1a Complex Enhancements Project

NNSA's Stockpile Stewardship Program has the responsibility to assess the effects of aging and manufacturing processes on proposed approaches to stockpile life-extension programs and other issues affecting the certification of the current and future stockpile. In 2014, the national security laboratories and NNSA jointly identified a significant gap in the capabilities available to meet the responsibilities of the science-based Stockpile Stewardship Program. Under the Enhanced Capabilities for Subcritical Experiments portfolio, the U1a Complex Enhancements Project (UCEP) will construct an underground laboratory that enables new experimental and diagnostic capabilities. UCEP had an original cost range of approximately \$109 million to \$166 million and a completion date in the second quarter of FY 2023. However, UCEP's estimated costs have significantly increased to a cost range of \$455 million to \$577 million and is now expected to be completed by the first quarter of FY 2027. We initiated this audit to assess the project management of UCEP due to the significant increase in costs and schedule.

Our audit found that weaknesses in NNSA's project management of the U1a Complex Enhancements Project led to significant unanticipated cost increases and schedule overruns. We noted that the project management weaknesses were due, in part, to the

NNSS M&O's lack of experienced staff initially assigned to the project, poor project performance, and Earned Value Management System certification issues. Further, NNSA did not include a defined minimum performance standard or an acceptable level of performance to reward or penalize actions on significant contractor activities and requirements.

NNSA stated that it subsequently identified staffing challenges on the project and directed the contractor to develop an executable long-term staffing strategy. Additionally, NNSA stated that the Federal Project Director developed a staffing plan consisting of direct/matrixed Federal personnel and support service contractors to ensure sufficient Federal oversight. However, we encourage NNSA and NNSS management to focus on the early project planning process to establish properly resourced and appropriately skilled staff at a project's inception. Specifically, initial staffing plans should be well-developed and address the skills and positions needed to manage the project. Furthermore, NNSA stated that while the contractor performance evaluation process is consistent with applicable requirements, NNSA will consider whether more detailed guidance should be provided to performance evaluators on the sources of information to be used for evaluating performance objectives and writing performance evaluations to provide more traceability to those sources. (DOE-OIG-23-09; November 2022)

External Peer Review Report on the Department of Health and Human Services Office of Inspector General's Office of Evaluation and Inspections

The Department of Energy's OIG assessed the extent to which Department of Health and Human Services' OIG, Office of Evaluation and Inspections (OEI), complied with the Counsel of Inspectors General on Integrity and Efficiency Quality Standards for Inspection and Evaluation, December 2020 (Blue Book). The Department of Energy's OIG determined that the OEI's policies and procedures generally were consistent with the Blue Book standards addressed in the external peer review. Of the four reports reviewed, all four generally complied with the Blue Book standards. There were no open recommendations from prior peer review reports, and the Department of Energy's OIG did not make any recommendations. (February 2023)

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT-RELATED REPORTING

Reporting on Federal Financial Management Improvement Act requirements is addressed annually via the audit of the Department's consolidated financial statements. The most recent audit was conducted by KPMG LLP on the OIG's behalf. In the audit report, *The Department of Energy's Fiscal Year 2022 Consolidated Financial Statements*, KPMG LLP stated that its test results disclosed no instances in which the Department's financial management system did not substantially comply with: (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the U.S. Government Standard General Ledger at the transactions level. (DOE-OIG-23; November 2022)

SEMIANNUAL REPORTING REQUIREMENTS INDEX

This table identifies the report sections that meet each reporting requirement prescribed by the Inspector General Act of 1978 and the Inspector General Empowerment Act of 2016.

REPORTING REQUIREMENT	SECTION	PAGE
Review of Legislation and Regulations	4(a)(2)	19
Total Number of Issued Investigative Reports	5(a)(11)(A)	1
Referrals to the Department of Justice for Criminal Prosecution	5(a)(11)(B)	1
Total Number of Persons Referred to the State/Local Prosecuting Authorities for Criminal Prosecution	5(a)(11)(C)	1
Total Number of Indictments and Criminal Informations During the Reporting Period that Resulted from Any Prior Referral to Prosecuting Authorities	5(a)(11)(D)	1
Description of the Metrics Used for Developing the Data for the 5(a)(11) Statistical Tables	5(a)(12)	1
Investigations Involving Senior Government Employees	5(a)(13)	11
Instances of Whistleblower Retaliation	5(a)(14)	3
Detailed Description of Any Attempt by the Department to Interfere with the Independence of the OIG	5(a)(15)	13
Reviews Closed and Not Disclosed to the Public	5(a)(16)	19
Recommendations for Corrective Action to Significant Problems	5(a)(1)	15
Previous Reports' Recommendations for Which Corrective Action Has Not Been Implemented	5(a)(2)	15
Summary of Significant Investigations	5(a)(3)	10
Total Number of Convictions in This Reporting Period	5(a)(4)	1
Information Regarding Each Audit, Inspection, or Evaluation Report Issued	5(a)(5)(A)	7
Description of Significant Reports	5(a)(1)	21
Dollar Value of Questioned Costs	5(a)(5)(B)	2
Reports with Recommendations That Funds Be Put to Better Use	5(a)(5)(B)	2
Management Decisions Status	5(a)(6)	14
Federal Financial Management Improvement Act-Related Reporting	5(a)(7)	31
Peer Review Results	5(a)(8-10)	20

ABOUT THE DEPARTMENT AND THE OFFICE OF INSPECTOR GENERAL

The U.S. Department of Energy is headquartered in Washington, DC, and is also responsible for the Energy Information Administration, the National Nuclear Security Administration, 21 preeminent research laboratories and facilities, 4 power marketing administrations, 9 field offices, and 10 program offices which help manage the Department’s mission with nearly 15,000 Federal employees and 115,000 contract 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 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 Departmental 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.

THE OFFICE OF INSPECTOR GENERAL HOTLINE CONTACT INFORMATION

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

Complaint Form	https://www.energy.gov/ig/complaint-form
Toll Free Telephone Number	1-800-541-1625
Washington DC Metro Telephone Number	1-202-586-4073
Fax	1-202-586-4902
Email Address	ighotline@hq.doe.gov
Mailing Address	U.S. Department of Energy Office of Inspector General ATTN: IG Hotline 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 email your comments to OIGPublicAffairs@hq.doe.gov.