



U.S. DEPARTMENT OF
ENERGY

Office of
Inspector General

Semiannual Report to Congress

for Period Ending
September 30, 2023

DOE-IG-0084

A MESSAGE FROM THE INSPECTOR GENERAL

Honorable Members of Congress,

I am pleased to present the Department of Energy Office of Inspector General's (OIG) most recent Semiannual Report. I am extremely proud of the work highlighted in this report. OIG employees remain dedicated to the OIG's mission of protecting taxpayer dollars at the Department.

However, I am deeply concerned that OIG resources have not kept pace with the Department's dramatically expanded mission. The Infrastructure Investment and Jobs Act (IIJA), the CHIPS and Science Act, the Inflation Reduction Act (IRA), and the Puerto Rico Energy Resilience Fund collectively provided the Department with an unprecedented \$99 billion in new appropriations, \$30.5 billion in new authorizations, and an enhanced loan authority of over \$400 billion.

Most of the record-breaking loan portfolio is on an accelerated schedule. One category of loan guarantees worth an estimated \$250 billion will expire on September 30, 2026. Another category of loan guarantees worth an estimated \$40 billion will expire on the same date—\$290 billion over the next 3 years or, put another way, roughly \$8 billion per month over the next 36 months. There is no precedent in the Department for this level and pace of financing. To put that amount into perspective, Wells Fargo, one of the Nation's largest banks, had an outstanding domestic commercial and industrial loan balance of \$292 billion as of the end of 2022. Further, many of these projects are designed to promote innovation by financing projects not otherwise acceptable by private equity investors—projects the markets do not view acceptable.

As to the fast-moving grant funding, much of it will go to States, local governments, and tribes—many of which are not set up to receive, let alone oversee, these taxpayer dollars.

These pieces of legislation created 72 new Departmental programs. Without thoughtful internal controls and proper oversight, the Department is at risk of falling into a "pay and chase" model of oversight that will very likely result in substantial losses.

The Department is also at substantial risk to fund entities owned or controlled by foreign adversaries. American taxpayers should not be inadvertently funding America's adversaries.

Leaving the OIG underfunded only increases the risk associated with an already high-risk portfolio at the Department. The Department's operations are inherently high risk with more than 90 percent of its annual funding being passed to its contractors. As you know, the Department's contracting risks have resulted in the Department being featured on the Government Accountability Office's high risk list for over 30 years.

During the last fiscal year, the OIG saw substantial increases in contacts with our Hotline. Our Office of Investigations closed out the reporting period with its highest case load in

recent history. The entire OIG—the Office of Investigations; the Office of Audits; the Office of Inspections, Intelligence Oversight, and Special Projects; and the Office of Cyber Assessments and Data Analytics—left high-risk areas unaddressed due to insufficient resources this past fiscal year.

During this reporting period, I had the opportunity to testify before both the House Committee on Oversight and Accountability, Subcommittee on Economic Growth, Energy Policy, and Regulatory Affairs, as well as the House Committee on Science, Space, and Technology. During both hearings, I had the opportunity to convey my concerns regarding the funding needed for the OIG. More recently, I testified before the Senate Committee on Energy and Natural Resources at a hearing to examine the Department’s decision-making process for awarding competitive loans and grants through IIJA and IRA. During this hearing, I continued to convey my concerns that the OIG is significantly underfunded.

For fiscal year 2024, the OIG requires \$264.7 million to perform its statutory mission in connection with IIJA, IRA and the Puerto Rico Energy Resilience Fund. This funding could be provided via a new appropriation. However, due to the spending caps enacted in the Fiscal Responsibility Act of 2023, I am also requesting that Congress reallocate \$264.7 million from the Department’s unobligated balances under IIJA, IRA, and the Puerto Rico Energy Resilience Fund to provide 0.35 percent of funding in those statutes to the OIG. This can be done with no increases in appropriations.

These funds are in addition to the \$165.2 million needed to correct the historic shortfall in the OIG’s base budget. The \$165.2 million is necessary for the OIG to conduct oversight of the Department’s critical pre-existing mission areas such as maintaining the safety and reliability of the nuclear stockpile, contract and grant administration, research security, intelligence and counterintelligence, and environmental matters.

Thank you for your interest in the OIG and for your support of oversight funding to protect the American taxpayer’s investment in the Department.



Teri L. Donaldson
Inspector General

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STATISTICAL HIGHLIGHTS

INVESTIGATIVE ACTIVITIES

Cases Open as of April 1, 2023	250
Cases Opened	28
Cases Closed	34
Cases Open as of September 30, 2023	247
Multi-Agency Joint Cases Opened During Period	6
Qui Tam ¹ Investigations Opened During Period	2
Total Open Qui Tam Investigations as of September 30, 2023	14
Total Investigative Reports ² Issued During Period	1
Administrative Discipline and Other Management Actions	11
Suspensions/Debarments ³	53
Referrals for Suspension/Debarment ⁴	17
Total Persons ⁵ Referred to a Prosecuting Authority	36
Department of Justice (DOJ) Referrals	36
State/Local Referrals	0
Referrals Accepted for Prosecution ⁶	22
Total Indictments ⁷ /Criminal Informations	5
Indictments/Criminal Informations Resulting from Prior Period Referrals	5
Criminal Convictions	6
Pre-trial Diversions	1
Civil Actions	2
Dollars Recovered ⁸ (Fines, Settlements, Recoveries)	\$21,196,518.80
Savings/Funds Put to Better Use ⁹	\$1,044,825.02

¹ 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>.

² Investigative Reports issued by the Office of Investigations (OI) include Reports of Investigation and Investigative Reports to Management.

³ 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 48 Code of Federal Regulations (CFR) § 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.

⁴ This number reflects referrals for this reporting period. Suspensions/debarments reported may have been referred in prior reporting periods.

⁵ Persons is defined as an individual or an entity. For example, two co-owners and their business entity would be counted as three persons.

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

⁷ Sealed indictments are included.

⁸ Some of the money collected was the result of investigations involving multiple agencies.

⁹ This includes funds from awards that were canceled or modified resulting from OIG investigations.

STATISTICAL HIGHLIGHTS

AUDIT AND INSPECTION ACTIVITIES

Total Reports Issued	24
Office of Audits Reports	9
Office of Inspections, Intelligence Oversight, and Special Projects Reports	8
Office of Cyber Assessments and Data Analytics Reports	7

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 September 30, 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	2	\$19,000,000
(i) Agreed to by management	0	\$14,400,000
(ii) Not agreed to by management	0	\$4,600,000
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	0	\$0
Better Use of Funds: Funds that could be used more efficiently by implementing recommended actions. Management Decision: Management’s evaluation of the findings 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 September 30, 2023	13	\$707,779,307	\$261,001,730	\$968,781,037
Reports issued during the reporting period that include questioned or unsupported costs (regardless of whether a decision on dollars has been made)	6	\$414,448,095	\$161,900,568	\$576,348,663
Reports that include questioned or unsupported costs for which a decision on dollars was made during the reporting period	5	\$548,597,763	\$261,001,730	\$809,599,493
(i) Value of disallowed costs		\$14,524,696	\$56,165,764	\$70,690,460
(ii) Value of costs not disallowed		\$534,073,067	\$204,835,966	\$738,909,033
Reports that include questioned or unsupported costs for which decisions on dollars have not been made at the end of the reporting period	14	\$573,629,639	\$161,900,568	\$735,530,207
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 findings 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 April 1, 2023		61
Whistleblower matters opened this period		5
Whistleblower matters closed this period		6
Whistleblower matters closed via Investigative Reports	2	
Whistleblower matters closed via Letters	4	
Whistleblower matters open as of September 30, 2023		60

HOTLINE ACTIVITIES

Total Hotline calls, emails, letters, and other complaints (contacts) ¹⁰	2,264
Hotline contacts resolved immediately/redirected/no further action	2,069
Hotline contacts predicated for evaluation	195
Total Hotline predications processed this reporting period ¹¹	196
Hotline predications transferred to OIG Program Office	62
Hotline predications referred to Department of Energy management or other entity for information/action	66
Hotline predications closed based upon preliminary OIG activity and review	64
Hotline predications open at the end of the reporting period	3

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 four 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 April 1, 2023, through September 30, 2023, the Department took positive actions resulting from OIG work conducted during the current or previous periods:

- ❖ **Funds Returned to the Department in Cost Mischarging Investigation**
In response to an OIG referral, the Department's Richland Operations Office informed the OIG that \$2,494,839 had been remitted by a Department contractor. The OIG investigation determined that during the life of the contract, the contractor employees had not possessed the required minimum qualifications for the rates invoiced to and paid by the Department, which resulted in inflated costs to the contract.
- ❖ **Recovery in Time and Attendance Fraud Investigation**
A Department contractor for the Kansas City National Security Campus reimbursed the National Nuclear Security Administration (NNSA) \$402,056.41 following an OIG investigation. As previously reported in the September 30, 2022, *Semiannual Report to Congress*, two former NNSA contractor employees were terminated and one resigned after the OIG revealed evidence of employees mischarging time. The OIG investigation determined five former Department contractor employees misrepresented the hours they worked on their timesheets. This investigation is ongoing.
- ❖ **Access of Executive Branch Personnel Records**
The OIG substantiated an allegation that security records for certain Executive Branch officials, including the President and Vice President of the U.S., had been accessed in the Clearance Action Tracking System (CATS) without adequate explanation. As a result of this special report, the Office of Intelligence and Counterintelligence indicated that it ceased conducting counterintelligence evaluations of the President and Vice President and would incorporate this change into the next iteration of Department Order 471.5, *Special Access Programs*. In addition, management advised that both the Department's General Counsel and NNSA's General Counsel would review our report findings to determine whether the facts reported indicated noncompliance with laws, regulations, or Government-wide policies. (DOE-OIG-23-23, June 2023)
- ❖ **Terminations for Suppressing Employee Injuries**
In response to an OIG referral, the Office of Environmental Management conducted an inquiry into allegations that a United Cleanup Oak Ridge (UCOR) Safety Manager and Medical Center Physician were suppressing employee injuries to avoid reporting workplace incidents and lost work hours in accordance with Occupational

Safety and Health Administration (OSHA) guidelines. The inquiry substantiated the allegations and the Physician, and other UCOR Medical Center personnel, were terminated for suppressing employee injury reports. Additionally, UCOR was directed to correct the improperly classified occupational injury cases in the Occupational Safety and Health Administration Logs, and EM will conduct a review of the UCOR Medical Center's Clinic Visit Progress Notes, Workers Compensation files, and various other electronic files. Also, UCOR management is implementing a new organizational structure to provide daily oversight for UCOR Medical Center operations.

❖ **The National Nuclear Security Administration's Universal Change Control Process in Relation to the Stockpile Surveillance Program**

An audit of NNSA's Stockpile Surveillance Program found weaknesses in NNSA's process to initiate, communicate, evaluate, control, and document changes in surveillance testing requirements. During the course of the audit, NNSA took immediate action to address our findings. These actions will help NNSA ensure that change forms are completed for all changes to surveillance testing cost, scope, or schedule, as well as ensure that documentation of the changes is maintained, so it can be used in making future decisions and in conducting trend analysis to identify problem areas. (DOE-OIG-23-31, August 2023)

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

As a result of an OIG inspection, NNSA took action to hold a facility maintenance and support services contractor accountable for longstanding vacant labor positions. NNSA committed to seek decrements via the contractor's monthly invoices, and for the period from August 2022 through November 2022, NNSA decreased the amounts paid for the contractor's monthly invoices by over \$117,000. (DOE-OIG-23-03, November 2023)

TABLE OF PUBLISHED REPORTS

OFFICE OF AUDITS

The following list identifies all audit reports issued from April 1, 2023, through September 30, 2023.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS
Apr. 24, 2023	<i>The National Nuclear Security Administration's Molybdenum-99 Cooperative Agreements with Commercial Companies</i> (DOE-OIG-23-19)	3	N/A	\$34,313	N/A
July 25, 2023	<i>The Federal Energy Regulatory Commission's Dam Safety Program</i> (DOE-OIG-23-27)	5	N/A	N/A	N/A
July 31, 2023	<i>Audit of Brookhaven Science Associates, LLC's Statement of Costs Incurred and Claimed Submission Fiscal Year Ended September 30, 2020</i> (Independent Public Accountant Report 0579666-2380-20) This report contains Controlled Unclassified Information and is not available for public viewing.	1	N/A	\$835,800	N/A
Aug. 28, 2023	<i>Fermi Research Alliance, LLC, Costs Claimed under Department of Energy Contract No. DE-AC02-07CH11359 for Fiscal Year 2018</i> (DOE-OIG-23-29)	10	N/A	\$15,057,216	\$161,900,568
Aug. 28, 2023	<i>Audit Report on Jefferson Science Associates, LLC's Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Year 2021</i> (Defense Contract Audit Agency Report 1661-2021J10100006) This report contains Controlled Unclassified Information and is not available for public viewing.	0	N/A	N/A	N/A

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April 1, 2023 – September 30, 2023

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS
Aug. 31, 2023	<i>The National Nuclear Security Administration's Universal Change Control Process in Relation to the Stockpile Surveillance Program</i> (DOE-OIG-23-31)	0	N/A	N/A	N/A
Sept. 22, 2023	<i>Audit Report on Fluor Federal Petroleum Operations LLC's Proposed Amounts on Unsettled Flexibility Priced Contracts for Fiscal Year 2021</i> (Defense Contract Audit Agency Report 03621-2021X10100001) This report contains Controlled Unclassified Information and is not available for public viewing.	0	N/A	\$2,247,697	N/A
Sept. 28, 2023	<i>Bechtel National, Inc.'s Cost Proposal Estimates for Baseline Change Proposal 02 and Its Contract Modification 384 Counterpart for the Waste Treatment and Immobilization Plant</i> (DOE-OIG-23-34)	8	N/A	N/A	N/A
Sept. 29, 2023	<i>UT-Battelle, LLC, Costs Claimed under Department of Energy Contract No. DE-AC05-00OR22725 for Fiscal Year 2017</i> (DOE-OIG-23-37)	6	N/A	\$394,755,335	N/A

OFFICE OF INSPECTIONS, INTELLIGENCE OVERSIGHT, AND SPECIAL PROJECTS

The following list identifies all related reports issued from April 1, 2023, through September 30, 2023.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS
Aug. 31, 2020	<i>Allegations Regarding the Waste Treatment and Immobilization Plant at the Hanford Site</i> (DOE-OIG-20-52) ¹²	0	N/A	N/A	N/A
May 5, 2023	<i>Allegation Regarding the Secretary of Energy's Protective Detail</i> (DOE-OIG-23-21)	3	N/A	N/A	N/A
June 12, 2023	<i>The Office of Secure Transportation's Agent Qualifications for Work Performance and Missions</i> (DOE-OIG-23-24)	1	N/A	N/A	N/A
Aug. 29, 2023	<i>Allegations of Oversight Concerns at the National Nuclear Security Administration's W88 Alteration 370 Federal Program Office</i> (DOE-OIG-23-30)	0	N/A	N/A	N/A
Sept. 19, 2023	<i>Contract and Security Concerns at the National Nuclear Security Administration's W88 Alteration 370 Federal Program Office</i> (DOE-OIG-23-32)	4	N/A	\$1,517,734	N/A
Sept. 29, 2023	<i>Sensitive and High-Risk Property Management at the Brookhaven National Laboratory</i> (DOE-OIG-23-35)	3	N/A	N/A	N/A
Sept. 29, 2023	<i>The Department of Energy's Oversight of the Employee Concerns Program</i> (DOE-OIG-23-36)	5	N/A	N/A	N/A

¹² DOE-OIG-20-52—Due to the nature of the disclosure, the OIG did not publicly release the report until advised by the U.S. Office of Special Counsel in March 2023.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS
Sept. 29, 2023	<i>Alleged Administrative Leave Abuse at the Office of Secure Transportation</i> (DOE-OIG-23-38)	0	N/A	N/A	N/A

OFFICE OF CYBER ASSESSMENTS AND DATA ANALYTICS

The following list identifies all related reports issued from April 1, 2023, through September 30, 2023.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS
May 2, 2023	<i>The Department of Energy's Unclassified Cybersecurity Program – 2022</i> (DOE-OIG-23-20)	0	N/A	N/A	N/A
May 17, 2023	<i>The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2022 Agency Financial Report</i> (DOE-OIG-23-22)	3	N/A	N/A	N/A
June 1, 2023	<i>Access of Executive Branch Personnel Records</i> (DOE-OIG-23-23)	3	N/A	N/A	N/A
June 13, 2023	<i>Management of the Bonneville Power Administration's Cybersecurity Program</i> (DOE-OIG-23-25) This report contains Controlled Unclassified Information and is not available for public viewing.	19	N/A	N/A	N/A
July 13, 2023	<i>The Southwestern Federal Power System's Fiscal Year 2022 Combined Financial Statements Audit</i> (DOE-OIG-23-26)	3	N/A	N/A	N/A

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS
Aug. 11, 2023	<i>Management of the Los Alamos National Laboratory's Unclassified Cybersecurity Program</i> (DOE-OIG-23-28) This report contains Controlled Unclassified Information and is not available for public viewing.	2	N/A	N/A	N/A
Sept. 19, 2023	<i>Management Letter on The Western Federal Power System's Fiscal Year 2022 Financial Statement Audit</i> (DOE-OIG-23-33)	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 April 1, 2023, through September 30, 2023.

SUMMARY TITLE
Sentencing in Grant Fraud Investigation
Indictment in Hanford Contractor Paycheck Protection Program Loan Fraud Case
Grant Funds Put to Better Use in Grant Fraud Investigation
Guilty Pleas and Suspension Referral in Bribery Investigation
Debarment Referrals in Misuse of Public Funds Investigation
Corporate Sentencing in Labor Cost Mischarging Investigation
Conviction in Theft of Government Property Investigation
Reduced Payments in Cost Mischarging Investigation
Recovery in Theft of Government Property Investigation
Debarment Referral in Timecard Mischarging Investigation
Conviction and Sentencing in Transportation of Child Sexual Abuse Material Investigation
Funds Returned to Department in <i>Per Diem</i> Fraud Investigation
Clearance Revoked following Investigative Report to Management in <i>Per Diem</i> Fraud Investigation

SUMMARY TITLE
Sentencing in Child Exploitation Case
Guilty Plea in Child Pornography Investigation
Initial Appearance and Guilty Plea in Bribery/Conspiracy/Money Laundering Investigation
Information Filed in Bribery/Conspiracy/Money Laundering Investigation
Civil Settlement Reached
Civil Complaint Filed in Travel Fraud Investigation
Recovery in Time and Attendance Fraud Investigation
Funds Returned to the Department in Cost Mischarging Investigation
Recovery in Theft of Government Property Investigation
Debarments in False Claims Investigation
Debarments in Time and Attendance Investigation
Suspension in a Theft of Government Property Investigation
Resignation in Timecard Fraud Investigation
Debarment Referral in Child Exploitation Investigation

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 April 1, 2023, through September 30, 2023, the work of OI 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 April 1, 2023, through September 30, 2023, the following investigations that involved a senior Government employee at the GS-15 level or above were conducted by OI:

FACTS AND CIRCUMSTANCES	STATUS AND DISPOSITION	REFERRED TO THE DEPARTMENT OF JUSTICE	DEPARTMENT OF JUSTICE DECLINATION
Alleged conflict of interest between Chief Information Officer of a Department facility and information technology contractors	Closed; Unsubstantiated.	Yes	Sept. 18, 2020
Alleged conflict of interest between head of Departmental element and a Department contractor	Closed; Unsubstantiated.	Yes	May 5, 2023
Alleged conflict of interest between a Department Headquarters employee and a Department contractor	Closed; Unsubstantiated.	Yes	June 21, 2023
Alleged conflict of interest between an Assistant Secretary and Department funding recipient	Closed; Unsubstantiated.	Yes	Aug. 16, 2023

DATA ANALYTICS

The Department’s contractors manage Government-owned facilities and conduct much of the Department’s mission. Because the Department and the OIG legally have broad access to these Government-owned facilities, records, and systems, the use of data analytics and the sharing of data with the Department 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 FY 2023, the Division supported 26 proactive and objective risk-based projects and more than 30 other discrete requests.

The Data Analytics Division continues to use analytics to assess risks associated with the Department’s Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act (IRA) related activities. The 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 (CARES Act), Small Business Innovative Research grants, subcontracts, collusion, and contractor overtime. In FY 2023, the Division continued this work with an emphasis on working with the Department and its contractors to further our access to required authoritative data. However, as noted in the Cooperation with the Office of Inspector General section of this report, the Department has not fully cooperated with these efforts.

Direct, read-only access, provisioned through batched, 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 and increasing efficiency and effectiveness by Federal employees, contractors, and subcontractors. Moving forward, the OIG's Data Analytics Division will continue to perform analyses of the highest areas of risk; implement risk models to identify adverse trends of fraud, waste, and abuse; and support mitigation of risk via audits, inspections, and investigations.

The OIG's adoption and use of data analytics, however, is no substitute for the Department's adoption and use of data analytics to oversee and improve performance within and across its programs and operations. The Department has a long way to go to implement data analytics in line with existing laws and guidance, and to use its own data as a strategic enterprise asset. For this reason, the OIG is currently drafting a Special Project Report addressing considerations for the Department's adoption and use of data analytics.

INCURRED COST AUDITS DIVISION

In April 2021, the OIG issued a Special Report (DOE-OIG-21-26) and recommended a transition to an independent audit strategy for the Department's management and operating contractors incurred costs. That transition has progressed as planned with fiscal year (FY) 2023 seeing gains in all actions needed to implement this effort, with planned increases in outreach and coverage for FY 2024. Specifically, all the Department's applicable management and operating contractors were engaged on active incurred cost audits as of FY 2023. Further, with a commitment of additional appropriated funding to recruit skilled auditors and engage independent public accountants, the OIG plans to expand its audit coverage using other related efforts such as Cost Accounting Standards Disclosure Statement Audits, Cost Accounting Standards compliance audits, system audits, and real-time labor and material testing. These activities are vital to ensuring that the billions of dollars in taxpayer funding for the Department are used to further the important missions of the agency as directed by Congress.

OFFICE OF COUNSEL

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 17 such referrals during this reporting period in conjunction with findings from OI compared with 13 referrals during the previous reporting period. In FY 2023, OIG referred 30 matters for suspension or debarment.

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 12 new entrant Confidential Financial Disclosures.

COOPERATION WITH THE OFFICE OF INSPECTOR GENERAL

INTERFERENCE WITH INSPECTOR GENERAL INDEPENDENCE

During the reporting period from April 1, 2023, through September 30, 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 April 1, 2023, through September 30, 2023, the OIG continued to experience substantial delays in receiving important information requested from 10 major contractors at 5 Department sites—information that the OIG is authorized to access pursuant to the Inspector General Act of 1978.

Important Context

In September 2021, the OIG requested payroll-related records from one Department contractor for the purpose of conducting data analytics to help identify potential fraud by contractors who work onsite at Department laboratories, including its nuclear laboratories, and other Department facilities. This contractor cooperated with the OIG and provided the requested data in a timely manner within 45 days. The OIG has since analyzed that data and uncovered numerous fraudulent activities, resulting in several active criminal investigations and indictments.

Additionally, the OIG acquired the same payroll-related data for groups of Department Federal employees, and the Department cooperated with these efforts. The OIG is currently analyzing that data and has already uncovered additional, potentially fraudulent activities.

It is vitally important for the Department to be able to timely identify potential wrongdoing by individuals working in the agency's highly sensitive facilities, whether those individuals are employed by the Department directly or by one of its contractors. In addition to protecting the existing mission elements of the Department from the obvious risks of employing criminals, identifying and prosecuting these individuals is an obvious first step to protect the Department's new mission elements being funded at unprecedented levels under IIJA, IRA, and the Puerto Rico Energy Resilience Fund.

Data analytics is the most efficient and powerful tool to utilize for helping to ensure the integrity of the Department's workforce, and to timely identify wrongdoing. For this reason, in March 2022, the OIG issued similar payroll-related data requests to 10 contractors at 5 Department sites.

Substantial Delay in Cooperating

For over a year, the Department did not timely comply or support the OIG's efforts to collect this data from the 10 contractors on the grounds that the contractors had advised that they would refuse to provide it. Bottom line—the Department declined to acknowledge, much less enforce, the contractual obligation of these contractors to cooperate with the OIG.

On May 12, 2023, the Inspector General elevated this matter to the Secretary at a meeting also attended by the Deputy Secretary, the NNSA Administrator, and the General Counsels for both the Department and NNSA. Although the Inspector General was under no legal obligation to do so, she deferred one of the items on the list, with the understanding that the OIG may later request the remaining item once the OIG has an opportunity to review the other requested information. The Inspector General deferred this single item with the understanding that the additional categories of data would be provided to the OIG.

For the next six months, the Department did not request the data from its contractors. Instead of enforcing its own contractual obligations, the Department provided the OIG with incomplete and unusable employee data maintained by the General Services Administration. During the course of these protracted discussions with the Department, the OIG discovered a very troubling fact: the Department does not maintain the most basic data that would allow the Department to identify the individuals working within the Department's Government- owned and often highly sensitive facilities. This fact raises serious security concerns.

In any case, the Department long ago acknowledged that it may request such identifying data from these contractors, all of which are operating federally owned facilities. However, as of the end of September 2023, the Department had declined to do so in any comprehensive way.

On October 5, 2023, the Department requested that a single contractor provide the data to the OIG within 30 days. That contractor provided the data on November 3, 2023. Based on the OIG's preliminary review of this data, it appears to be largely complete. The OIG will

continue to work with this contractor to complete the production.

On November 13, 2023, the Department requested that a second contractor provide the data to the OIG within 30 days.

On November 14, 2023, the Department directed that six additional contractors provide the data to the OIG within 30 days.

Also, on November 14, 2023, the Deputy Secretary informed the OIG that NNSA will be directing the last two of these contractors to provide the data.

Once the remaining data is provided, the OIG will review it and work directly with the contractors to discuss any deficiencies.

As a result of the Department's failure to timely cooperate with our oversight work, the OIG is reporting this matter as restricted/significantly delayed access to records. Additionally, the OIG intends to issue a Special Project Report on this subject in December of 2023.

MANAGEMENT DECISION STATUS

No revised management decisions were made during the reporting period from April 1, 2023, through September 30, 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 DECLINED TO FOLLOW OIG RECOMMENDATIONS

During the reporting period from April 1, 2023, through September 30, 2023, there were no audit or inspection reports where the OIG disagreed with the management decision. However, during previous reporting periods, the OIG disagreed with the management decision for the following reports:

DATE ISSUED	REPORT TITLE	STATUS
Dec. 21, 2021	<i>Subcontract Administration at the Kansas City National Security Campus (DOE-OIG-22-15)</i>	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. This disagreement was elevated to the Deputy Secretary for resolution on September 27, 2023.

Dec. 21, 2021	<i>Sandia National Laboratories Subcontract Closeout Process (DOE-OIG-22-16)</i>	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. This disagreement was elevated to the Deputy Secretary for resolution on September 27, 2023.
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DATE ISSUED	REPORT TITLE	STATUS
<p style="text-align: center;">July 22, 2021</p>	<p style="text-align: center;"><i>Protective Force Program at a Select National Nuclear Security Administration Site</i> (DOE-OIG-21-33) 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. This disagreement was elevated to the Deputy Secretary for resolution on September 27, 2023.</p>

161 RECOMMENDATIONS ACCEPTED BUT NOT YET IMPLEMENTED

The following table identifies 43 reports with a total of 161 recommendations, which were agreed to by the Department but have not been implemented as of September 30, 2023. The total potential cost savings associated with these reports is \$335,925,246.

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	
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	
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</u> (DOE-OIG-20-18)	1	
June 1, 2020	<u>The Strategic Petroleum Reserve's Modernization Program</u> (DOE-OIG-20-43)	1-2	
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</u> (DOE-OIG-20-48)	1	\$4,129,880
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</u> (DOE-OIG-20-49)	1	\$31,760,414
July 20, 2020	<u>Small Business Subcontracting Requirements for Prime Contractors at the Hanford Site</u> (DOE-OIG-20-51)	3	\$63,800,000
Sept. 30, 2020	<u>Tank Waste Management at the Hanford Site</u> (DOE-OIG-20-57)	2	

DATE ISSUED	REPORT TITLE	OPEN RECS	POTENTIAL MONETARY BENEFIT
Dec. 14, 2020	<u>Contingency Planning Efforts for Information Technology Mission Support Systems at Selected Department of Energy Locations</u> (DOE-OIG-21-08)	2	
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	
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	
Dec. 21, 2021	<u>Subcontract Administration at the Kansas City National Security Campus</u> (DOE-OIG-22-15)	1	\$139,529
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. 24, 2022	<u>Audit of The Trustees of Princeton University's Management and Operating Contract of Princeton Plasma Physics Laboratory Statement of Costs Incurred and Claimed Submission Fiscal Year Ended September 30, 2020</u> (Independent Public Accountant Report 0579668-2380-20) This report contains Controlled Unclassified Information and is not available for public viewing.	1	
Oct. 27, 2022	<u>Audit of Iowa State University's Management and Operating Contract of the Ames Laboratory Statement of Costs Incurred and Claimed Submission Fiscal Year Ended September 30, 2020</u> (Independent Public Accountant Report 0579021-2380-20) This report contains Controlled Unclassified Information and is not available for public viewing.	1-5	
Nov. 1, 2022	<u>Depleted Uranium Hexafluoride Conversion Operations</u> (DOE-OIG-23-04)	1	

DATE ISSUED	REPORT TITLE	OPEN RECS	POTENTIAL MONETARY BENEFIT
Nov. 28, 2022	<u>Performance Management Process at the Idaho National Laboratory</u> (DOE-OIG-23-10)	3	
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, 3-4	\$56,835,650 Rec 1
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.	1-2, 4-5	
Mar. 10, 2023	<u>Sandia National Laboratories' Verification of Certificates of Conformance for Nuclear Weapon and Weapon-Related Products</u> (DOE-OIG-23-16)	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)	1-4	
May 17, 2023	<u>The Department of Energy's Payment Integrity Reporting in the Fiscal Year 2022 Agency Financial Report</u> (DOE-OIG-23-22)	1-3	
June 1, 2023	<u>Access of Executive Branch Personnel Records</u> (DOE-OIG-23-23)	1-3	
June 13, 2023	<u>Management of the Bonneville Power Administration's Cybersecurity Program</u> (DOE-OIG-23-25) This report contains Controlled Unclassified Information and is not available for public viewing.	1-19	
July 13, 2023	<u>The Southwestern Federal Power System's Fiscal Year 2022 Combined Financial Statements Audit</u> (DOE-OIG-23-26)	1-3	

DATE ISSUED	REPORT TITLE	OPEN RECS	POTENTIAL MONETARY BENEFIT
July 31, 2023	<u>Audit of Brookhaven Science Associates, LLC's Statement of Costs Incurred and Claimed (SCIC) Submission Fiscal Year Ended September 30, 2020</u> (Independent Public Accountant Report 0579666-2380-20) This report contains Controlled Unclassified Information and is not available for public viewing.	1	\$835,800
Aug. 11, 2023	<u>Management of the Los Alamos National Laboratory's Unclassified Cybersecurity Program</u> (DOE-OIG-23-28) This report contains Controlled Unclassified Information and is not available for public viewing.	1-2	
Aug. 28, 2023	<u>Fermi Research Alliance, LLC, Costs Claimed under Department of Energy Contract No. DE-AC02-07CH11359 for Fiscal Year 2018</u> (DOE-OIG-23-29)	1-9	\$159,472,886 Rec 1 \$60,674 Rec 2 \$14,914,107 Rec 3 \$2,427,682 Rec 7 \$30,890 Rec 9
Sept. 19, 2023	<u>Contract and Security Concerns at the National Nuclear Security Administration's W88 Alteration 370 Federal Program Office</u> (DOE-OIG-23-32)	1-3	\$1,517,734 Rec 2
Sept. 19, 2023	<u>Management Letter on The Western Federal Power System's Fiscal Year 2022 Financial Statement Audit</u> (DOE-OIG-23-33)	1-6	
Sept. 29, 2023	<u>Sensitive and High-Risk Property Management at the Brookhaven National Laboratory</u> (DOE-OIG-23-35)	1-3	
Sept. 28, 2023	<u>Bechtel National, Inc.'s Cost Proposal Estimates for Baseline Change Proposal 02 and Its Contract Modification 384 Counterpart for the Waste Treatment and Immobilization Plant</u> (DOE-OIG-23-34)	2, 8	
Sept. 29, 2023	<u>The Department of Energy's Oversight of the Employee Concerns Program</u> (DOE-OIG-23-36)	1-5	

DATE ISSUED	REPORT TITLE	OPEN RECS	POTENTIAL MONETARY BENEFIT
Sept. 29, 2023	<u>UT-Battelle, LLC, Costs Claimed under Department of Energy Contract No. DE-AC05-00OR22725 for Fiscal Year 2017</u> (DOE-OIG-23-37)	1, 4-5	

Total Open Recommendations **161** **\$335,925,246¹³**

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 from April 1, 2023, through September 30, 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 April 18, 2023, Inspector General Teri Donaldson appeared before the House of Representatives’ Committee on Oversight and Accountability, Subcommittee on Economic Growth, Energy Policy, and Regulatory Affairs, for a hearing addressing the risks of fraud, waste, and abuse from recent legislation. Inspector General Donaldson appeared at this hearing along with the Principal Deputy Under Secretary for Infrastructure for the Department. Inspector General Donaldson’s testimony focused on risk arising from IJA, Creating Helpful Incentives to Produce Semiconductors and Science Act of 2002, IRA, 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 OIG.

On April 19, 2023, Inspector General Donaldson appeared before the House of Representatives’ Committee on Science, Space, and Technology addressing the risks of

¹³ This number under-represents 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.

fraud, waste, and abuse from recent legislation. Inspector General Donaldson appeared at this hearing along with Inspectors General from the National Aeronautics and Space Administration, the National Science Foundation, the Department of Transportation, and the Environmental Protection Agency. Inspector General Donaldson’s testimony focused on risk arising from IIJA, Creating Helpful Incentives to Produce Semiconductors and Science Act of 2002, IRA, 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 OIG.

PEER REVIEWS

PEER REVIEWS CONDUCTED BY DEPARTMENT OF ENERGY OIG APRIL 1, 2023 – SEPTEMBER 30, 2023			
TYPE OF REVIEW	DATE OF PEER REVIEW	OIG REVIEWED	OUTSTANDING RECOMMENDATIONS
Audit	None	N/A	N/A
Inspection	None	N/A	N/A
Investigation	None	N/A	N/A

PEER REVIEWS CONDUCTED BY OTHER OIGS APRIL 1, 2023 – SEPTEMBER 30, 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	None	N/A	At Least Once Every 3 Years	N/A
Investigation	None	N/A	N/A	N/A

SUMMARY OF SELECT ACTIVITIES

Civil Settlement Reached

A Department vendor agreed to an \$18 million civil settlement with the DOJ to resolve allegations that it violated the Civil False Claims Act by submitting false claims for electrical

connectors to the U.S. Government that failed to fully comply with applicable Government regulations and contract specifications. The OIG investigation found that from 2012 through 2017, the vendor manufactured and sold electrical connectors to the U.S. Government which did not fully conform with applicable requirements. The settlement agreement required Amphenol to pay \$18 million, of which \$9 million is restitution, and \$750,000 was returned to the Department. This was a joint investigation. The press release can be found [here](#).

Sentencing in Grant Fraud Investigation

A University of Oklahoma Professor was sentenced in the U.S. District Court for the Western District of Oklahoma to 27 months in prison and ordered to pay the Department \$2.1 million in restitution, as well as a \$10,000 fine. As previously reported in the September 30, 2021; March 31, 2021; and September 30, 2020, *Semiannual Report to Congress*, two Department grant recipients were indicted for violations of 9 Federal statutes in a 13-count indictment, which included asset forfeiture allegations. Both subjects pleaded guilty to one count of False Statements. The OIG investigation determined the University of Oklahoma Professor and his wife made false statements to obtain Department Small Business Technology Transfer grant awards and a grant from the National Science Foundation by failing to disclose pending support for their work from a university in the People's Republic of China. This was a joint investigation.

Indictment in Hanford Contractor Paycheck Protection Program Loan Fraud Case

A former Department subcontractor was indicted in the U.S. District Court for the Eastern District of Washington on 11 counts of Wire Fraud, Bank Fraud, and False Claims. The OIG investigation determined that the subcontractor applied for and received multiple loans under the Paycheck Protection Program, as well as an Economic Injury Disaster Loan, totaling approximately \$1.4 million. The subcontractor misused a significant portion of the first loan and continued to invoice the prime contractor during the covered period of the loans, which resulted in a potential double payment by the Government. This is an ongoing joint investigation with the Eastern District of Washington's CARES Act Strike Force.

Contract and Security Concerns at the National Nuclear Security Administration's W88 Alteration 370 Federal Program Office

The OIG received allegations pertaining to management and oversight concerns at NNSA's W88 Alteration (Alt) 370 Federal Program Office. One of the allegations was that a Federal employee (Federal Employee) within the W88 Alt 370 Federal Program Office, whose NNSA building and computer systems access was restricted, was using a subcontractor employee to send and receive emails on behalf of the Federal Employee.

We substantiated the allegation that a Federal Employee, whose NNSA building and computer systems access had been restricted due to a formal inquiry by a Department program, used a subcontractor employee to send and receive emails on their behalf. The Federal Employee also relocated to office space at the subcontractor's facility. The use of the subcontractor was at the improper technical direction of a former W88 Alt 370 Program Official and was used as a workaround to the Federal Employee's restrictions.

The former W88 Alt 370 Program Official did not have contracting authority and provided the improper technical direction directly to the subcontractor, resulting in approximately \$1.5 million incurred by the prime contractor over the nearly 5 years of support services received that are in question. (DOE-OIG-23-32, September 2023)

Grant Funds Put to Better Use in Grant Fraud Investigation

The Department's Advanced Research Projects Agency-Energy notified the OIG that it rejected six invoices totaling \$832,805.38 under two cooperative agreements with a grant recipient, resulting in the funds being put to better use. The Department's Advanced Research Projects Agency-Energy took this action due to the OIG's ongoing investigation of allegations that a grant recipient submitted false claims to the Department. This is an ongoing investigation.

Guilty Pleas and Suspension Referral in Bribery Investigation

A former Department contractor and a former procurement officer both pleaded guilty in the U.S. District Court for the Eastern District of New York to a Criminal Information including one count of Bribery of a Federal Official. The OIG investigation determined that the procurement officer received a bribe in exchange for efforts to steer a Department contract to the former contractor. The investigation also revealed that suspect counterfeit items were sold to the Department by the contractor which caused a fire at the Thomas Jefferson National Accelerator Facility, resulting in \$1.8 million in repairs and other costs. The suspect items failed during research and development operations causing significant damage, loss of work hours, and project downtime. The former contractor was also referred to the Department for suspension. The DOJ press release can be found [here](#). This is an ongoing joint investigation.

Debarment Referrals in Misuse of Public Funds Investigation

The OIG issued debarment referrals to the Department's Debarring Official for three former Connecticut Municipal Electric Energy Cooperative contractor employees convicted in the U.S. District Court for the District of Connecticut for Theft or Bribery Concerning Programs Receiving Federal Funds. The OIG investigation determined that the three former contractors conspired to misappropriate agency funds while receiving Federal funding for lavish trips outside of Connecticut totaling more than \$800,000. A restitution judgement amount is to be determined. This is an ongoing joint investigation.

The Department of Energy's Unclassified Cybersecurity Program – 2022

Our FY 2022 Federal Information Security Modernization Act of 2014 evaluation determined that the Department had not taken appropriate action to address many previously identified weaknesses. Although actions were taken to close 23 of 61 recommendations from our prior evaluations, we found that 38 (62 percent) of the recommendations remained open related to areas such as configuration management, audit logging and monitoring, and identity and access management. We also issued 35 new recommendations throughout FY 2022 related to risk management, configuration management, identify and access management, data protection and privacy, security training, information system continuous monitoring, and incident response.

The cybersecurity weaknesses occurred for a variety of reasons. For example, weakness related to risk assessment occurred because Federal oversight officials and system managers had not recognized the system under review as a Federal information system. In addition, configuration management can be attributed to sites' application development and vulnerability management programs not including adequate testing processes or procedures to identify vulnerabilities. In multiple instances, we found that patch management deployment tools were not operating effectively and did not apply patches as intended. Furthermore, identity and access management weakness occurred, in part, because officials were unaware of current account management requirements, or they lacked formal account review practices.

Overall, we made 73 recommendations (of which 38 were made during prior evaluations) to the Department's programs and sites, including those identified during this evaluation and in other issued reports. Corrective actions to address each of the recommendations, if fully implemented, should enhance the Department's unclassified cybersecurity program. However, without timely and effective corrective actions, the Department's information systems will continue to operate at a higher-than-necessary risk of compromise. (DOE-OIG-23-20, May 2023)

Corporate Sentencing in Labor Cost Mischarging Investigation

Two former subcontractors at the Department's Savannah River National Laboratory were sentenced in the U.S. District Court for South Carolina. Both companies were sentenced to 5 years of Federal probation, individually ordered to pay \$28,996.58 and \$108,606.64 in restitution to the Department, and each pay \$25,000 in fines. As previously reported in the March 31, 2023, *Semiannual Report to Congress*, the subcontractors pleaded guilty to a Criminal Information including one count of False Claims. The OIG investigation determined that the companies submitted false labor charges of approximately \$998,619 for payment by the Department. This is an ongoing joint investigation.

Access of Executive Branch Personnel Records

In October 2021, the OIG received a request for assistance from NNSA, which included an allegation that security files for certain Executive Branch officials, including the President and Vice President of the U.S., had been accessed in the Department's adjudicative information system known as CATS without explanation. CATS is used to facilitate counterintelligence evaluations and the processing and adjudication of personnel security clearances under 10 CFR 709, *Counterintelligence Evaluation Program*, and 10 CFR 710, *Procedures for Determining Eligibility for Access to Classified Matter and Special Nuclear Material*, respectively. CATS contains extensive amounts of sensitive personally identifiable information, including social security numbers, names of family members, addresses, personal history, and more.

Our inspection confirmed that records for the President and Vice President were accessed by a Department contractor to support counterintelligence evaluations although Federal requirements indicate they were exempt from such evaluations. We also determined that other members within the Executive Branch, including those in the current and prior

Administrations, had their records accessed by Department Federal employees and support contractor personnel for counterintelligence evaluations although they were not within the scope of the Department’s counterintelligence evaluations program under 10 CFR 709. The counterintelligence evaluations were also performed for the current President, Vice President, and other Executive Branch officials to include, but not limited to, the Secretary of Defense, Secretary of State, Director of Central Intelligence Agency, Director of National Intelligence, President’s Chief of Staff, and the National Security Advisor to help determine whether access to Special Access Programs and SIGMA programs should be granted to them. Evaluations were also requested for individuals in these executive positions in prior Administrations, including the prior President and Vice President. We also found that the former Secretary, Rick Perry, had his file accessed on multiple occasions subsequent to his tenure as the Secretary ending in December 2019.

Failure to implement its counterintelligence evaluation program in a manner that is consistent with Federal requirements subjects the Department to a higher-than-necessary level of risk that personally identifiable information or high-ranking Federal executives will be compromised, and the requirements of the Privacy Act of 1974 might be violated. While NNSA officials might not have realized exemptions existed for certain officials such as the President and Vice President, the Office of Intelligence and Counterintelligence should have ensured that its counterintelligence evaluations were conducted in accordance with applicable requirements. Management fully concurred with two of the recommendations and partially concurred with another. (DOE-OIG-23-23, June 2023)

Conviction in Theft of Government Property Investigation

A former Department vendor was found guilty in a jury trial in the U.S. District Court for the District of Colorado on six counts of Wire Fraud. As previously reported in the March 31, 2020; September 30, 2020; March 31, 2021; September 30, 2021; March 31, 2022; September 30, 2022; and March 31, 2023, *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.

Management of the Bonneville Power Administration’s Department of Energy Site Cybersecurity Program

To address the cybersecurity weaknesses identified in this report, we made 19 recommendations that, if fully implemented, should help improve the effectiveness of Bonneville Power Administration’s cybersecurity program. Because this report contains Controlled Unclassified Information, it is not being released to the public. (DOE-OIG-23-25, June 2023)

Reduced Payments in Cost Mischarging Investigation

The Department's Richland Operations Office notified the OIG that it issued a reduced payment on a contract for two invoices submitted from a Department contractor. The Richland Operations Office also issued a short pay for multiple invoices from the Department contractor. The OIG investigation determined the Project Manager and Project Leads spent approximately 25 percent of their time working on items outside the statement of work. Due to this mischarge, the Department issued a reduced payment of \$11,525.83 which was based on the 25 percent mischarge of the Project Manager's and Project Leads' work performed outside the Statement of Work. The OIG investigation also revealed the Department contractor had mischarged the contract by double billing the Department for various charges related to the contractor's employee payroll. The Department issued multiple reduced payments totaling \$200,493.81. In response to the OIG investigation, the Department also issued a letter to the contractor requesting an accounting of their mischarging on the contract beginning in FY 2021 to present, and to draft a proposal to repay those funds to the Department. This is an ongoing investigation.

Recovery in Theft of Government Property Investigation

The Department's Argonne Site Office notified the OIG that they issued the M&O contractor for Argonne National Laboratory two final written notices for disallowed costs for unallowable purchases made by a former Argonne National Laboratory employee. The total disallowed costs were \$199,937.26 for unallowable purchases made through the laboratory's online e-Commerce system and for unallowable purchases made through the laboratory's procurement system. The OIG investigation determined that the former employee abused their position and access to various project codes to make hundreds of unnecessary and excessive purchases for their personal benefit. In addition, the former employee committed travel fraud, had undisclosed conflicts of interest, and hired friends and family to work directly for them. This is an ongoing joint investigation.

Debarment Referral in Timecard Mischarging Investigation

The OIG issued a debarment referral to the Department's Debarment Official for a former Idaho National Laboratory Senior Leadership Team employee. As previously reported in the March 31, 2021, *Semiannual Report to Congress*, the former Senior Leadership Team employee was terminated while under investigation for timecard fraud. The OIG investigation determined the Senior Leadership Team employee was compensated for numerous hours the employee did not work. The contractor also reimbursed the Department a total of \$148,553.82 for the hours that the former employee did not work. This is an ongoing investigation.

Conviction and Sentencing in Transportation of Child Sexual Abuse Material Investigation

A former Information Technology Contractor at the Oak Ridge National Laboratory pleaded guilty and was sentenced in the U.S. District Court for the Eastern District of Tennessee to 97 months in Federal prison, lifetime supervision upon release, and ordered to pay \$111,000 in restitution for the transportation of Child Sexual Abuse Material. The former contractor was sentenced for one count each of Transportation of Child Pornography and

Possession of Child Pornography. The presiding judge stated the 350 Gigabytes of Child Sexual Abuse Material was the largest collection of this type of material seized in the Eastern District of Tennessee to date. The OIG investigation determined that a Department laptop assigned to the former contractor employee contained Child Sexual Abuse Material. A criminal complaint was filed by the OIG in the same District, and an arrest warrant was issued for the former contractor employee. This is an ongoing investigation.

The Department of Energy’s Oversight of the Employee Concerns Program

The Office of Environment, Health, Safety and Security manages and administers the Department’s Employee Concerns Program (ECP) that was established to encourage the free and open expression of Federal, contractor, and subcontractor employee concerns. Department Order 442.1B (Order), *Department of Energy Employee Concerns Program*, establishes the criteria and processes to maintain a consistent ECP across the Department. We initiated this inspection to assess the Department’s compliance with the requirements of the Order.

We determined that the Department’s ECP Managers have not completed all requirements identified in the Order. Specifically, ECP Managers did not develop and submit implementation plans and have not always conducted self-assessments, as required. Additionally, we determined that the ECP Director only partially developed, promulgated, and implemented ECP requirements in accordance with the Order. The ECP Director has not conducted site visits to help the Department ECP Managers share best practices and implement ECPs. Finally, we determined that the ECP database, as currently utilized, is not sufficient to track and trend agency-wide employee concerns. These issues occurred because roles and responsibilities in the Order are not defined in a manner that ensures Department personnel comply with the intent of the Order. (DOE-OIG-23-36, September 2023)

Funds Returned to the Department in *Per Diem* Fraud Investigation

As a result of an OIG investigation, a Contracting Officer at the Department’s Pacific Northwest Site Office informed the OIG that \$158,768.58 in fraudulent employee travel costs incurred by a Department Prime Contractor were disallowed. The OIG investigation revealed a Department contract employee was detailed to the Department of Homeland Security in Alexandria, Virginia, for 2 years. As part of this assignment, the employee was paid a greater *per diem* rate for maintaining a residence in Richland, Washington. Instead, the employee falsified lodging receipts for a rented “space” at the residence of a friend and pocketed the additional funds.

Sensitive and High-Risk Property Management at the Brookhaven National Laboratory

Brookhaven National Laboratory (BNL) utilized a wide assortment of high-risk or sensitive property. The Department’s Brookhaven Site Office is tasked with overseeing property management at BNL. We initiated this inspection to determine whether BNL’s property management program is sufficient to adequately classify, account for, and disposition sensitive and high-risk property.

We determined that BNL’s property management program was insufficient to adequately classify, account for, and disposition sensitive and high-risk property. Specifically, we found that BNL did not: classify its property as sensitive or high-risk, and items were not always identified as subject to export control requirements; properly account for property by conducting appropriate physical inventories of sensitive and high-risk property; and sufficiently disposition loaned property or Security Operations Division non-weapons inventory. These issues occurred because BNL’s property management policies and procedures did not fully incorporate 41 CFR 109, *Department of Energy Property Management Regulations*, requirements related to sensitive and high-risk property. Additionally, the Brookhaven Site Office’s oversight of BNL’s sensitive and high-risk property program was insufficient. (DOE-OIG-23-35, September 2023)

Clearance Revoked Following Investigative Report to Management in *Per Diem* Fraud Investigation

The OIG was informed that a Nevada National Security Site subcontractor employee’s clearance would not be renewed based on a review of the Department’s Office of Hearings and Appeals administrative decisions, following a previously issued Investigative Report to Management. As previously reported in the March 2023, *Semiannual Report to Congress*, the Nevada Field Office 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. 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.

The Federal Energy Regulatory Commission’s Dam Safety Program

The Federal Energy Regulatory Commission (FERC) is tasked with overseeing dam safety, public safety, and security for approximately 2,700 non-Federal hydropower dams by ensuring that these projects are properly constructed, operated, and maintained. FERC’s Division of Dam Safety and Inspections dam safety efforts work to reduce risks associated with the failure or mis-operation of a project during both normal-flow and flood conditions, including the potential for loss of life, or damage to property or environment upstream and downstream of a dam. Given the significance associated with these risks, we conducted this audit to determine whether FERC’s dam safety program is meeting its goals and is being managed, as required.

We found that FERC had generally managed its dam safety program, as required. However, we found that the Division of Dam Safety and Inspections had not always inspected dams under its jurisdiction within its own prescribed timing requirements. In addition, we found that the Division of Dam Safety and Inspections did not utilize dam safety authority on specific exempted dams where updated regulations may have allowed additional oversight responsibilities. Finally, we found instances where FERC continued to oversee projects that may no longer meet the definition of operable or the intent of Federal requirements.

FERC stated that internal inspection guidelines and procedures will be updated for implementation in FY 2024, and an annual inspection plan for FERC-jurisdictional dams will be implemented for FY 2024. Additionally, FERC stated that dam safety and succession plans will be evaluated, and recommendations will be provided to the Acting Chairman of FERC. Finally, the existing exemption and surrenders program, respectively, will be studied and recommendations will be provided to the Acting Chairman of FERC for consideration by the Commission. (DOE-OIG-23-27, July 2023)

Bechtel National, Inc.’s Cost Proposal Estimates for Baseline Change Proposal 02 and Its Contract Modification 384 Counterpart for the Waste Treatment and Immobilization Plant

In December 2000, the Department awarded Bechtel National, Inc. (Bechtel) a \$4.3 billion cost-reimbursement contract to design and complete the Waste Treatment and Immobilization Plant, which will be used to treat 56 million gallons of chemical and radioactive waste. In September 2020, Bechtel and some of its subcontractors agreed to pay \$57.75 million to the DOJ to resolve claims that it fraudulently overcharged the Department in connection with the operation of the Waste Treatment and Immobilization Plant. We initiated this audit to determine whether Bechtel utilized reasonable cost proposal estimates for Baseline Change Proposal 02 and its contract modification 384 counterpart.

We found that Bechtel did not utilize reasonable cost proposal estimates for Baseline Change Proposal 02 and its contract modification 384 counterpart at the Waste Treatment and Immobilization Plant. First, Bechtel did not always use adequate estimating practices. Second, Bechtel was unable to reconcile management reserve amounts with identified risks and demonstrate how estimates reconciled with the Risk Management Plan. Finally, Bechtel’s use of its Monte Carlo simulation was not consistent with industry practice, which resulted in overstated hours and costs.

We attributed these issues to inadequacies in Bechtel’s estimating system and Department oversight. We identified several weaknesses related to Bechtel’s labor hour estimates. The labor hour estimates account for approximately \$1.8 billion of the total proposed \$4.5 billion.

These issues resulted in estimates that were likely unreasonable, could not be adequately supported, and potentially benefited Bechtel improperly and disadvantaged the taxpayer. We identified over 1 million direct labor hours added through Bechtel’s questionable application of Monte Carlo. Left unresolved, the issues identified in this audit report could result in unsupported higher contract costs to the taxpayer resulting from negotiations for current and future proposals.

The Department plans to hold a workshop with Bechtel to define source documents that support estimates and the subsequent review, negotiation, and final resulting contract change. It also plans to issue guidance to Contracting Officers that describes the value to the Department when: its contractors create and maintain strong cost estimating systems;

the requirements such systems would meet; and the need to ensure contractors meet the requirements. For the remaining recommendations that the Department considers closed, Bechtel’s actions proposed or already taken were not responsive to our recommendations. (DOE-OIG-23-34)

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-23-06; 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
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Total Number of Issued Investigative Reports	5(a)(11)(A)	1
Referrals to the DOJ 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
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Detailed Description of Any Attempt by the Department to Interfere with the Independence of the OIG	5(a)(15)	14

REPORTING REQUIREMENT	SECTION	PAGE
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ABOUT THE DEPARTMENT AND THE OFFICE OF INSPECTOR GENERAL

The Department is headquartered in Washington, DC, and is also responsible for the Energy Information Administration, NNSA, 21 pre-eminent 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 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.

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.