U.S. Department of Energy
Office of Inspector General
Office of Audit Services

# Audit Report

The Department's Audit Resolution and Follow-up Process

**Department of Energy**

Washington, DC 20585

**May 24, 2007**

MEMORANDUM FOR THE SECRETARY

FROM:                    Gregory H. Friedman
                         Inspector General

SUBJECT:                 <u>INFORMATION</u>: Audit Report on "The Department's Audit
                         Resolution and Follow-up Process"

<u>BACKGROUND</u>

Over the years, the Office of Inspector General has issued findings and recommendations addressing numerous aspects of the Department of Energy's programs, operations and management functions. In many cases, the Department has concurred with the findings and reported that corrective actions to resolve problems or improve the efficiency of its operations have been implemented. Clearly, ensuring that identified internal control weaknesses are addressed and corrected is essential to improving the effectiveness and efficiency of Departmental operations.

The Office of Inspector General is tasked with periodically evaluating the Department's audit follow-up systems and assessing whether the systems result in effective, prompt, and proper resolution of audit recommendations. As such, in February 2004, we reviewed *The Department's Audit Resolution Process* (DOE/IG-0639) and found that: (1) target dates for completion of corrective actions had not been established in all cases; (2) where target dates had been established, corrective actions taken had exceeded milestones; and, (3) recommendations had been closed even though corrective actions had not been taken. Shortly thereafter, as a result of the 2004 audit, the Department strengthened its audit resolution requirements, including requiring the establishment of target dates, timely closure of audit recommendations, and the implementation of corrective actions. We initiated the current audit to evaluate the Department's progress in correcting prior audit follow-up issues and to determine whether issues identified through recent Office of Inspector General audits had been resolved.

<u>RESULTS OF AUDIT</u>

We found that the Department had made significant improvements to many aspects of its follow-up system. In particular, it had ensured that target closure dates were established for all agreed-upon recommendations and that, in most cases, audit recommendations were closed in a timely manner. However, we found that, in some cases, agreed-upon recommendations had been closed, but corrective actions had either not been completed or were ineffective.

Our review of "closed" recommendations contained in six selected reports found significant continuing management issues relating to:

- Ensuring that employee badges were returned and security clearances were terminated as required;

- Tracking visits and assignments by foreign nationals;

- Consolidating duplicative nuclear material tracking systems; and,

- Resolving information technology security weaknesses.

Effective corrective actions had not been taken, at least in part, because the Department's Program Offices and the National Nuclear Security Administration had not given sufficient management attention to the audit resolution and follow-up process. In some cases, corrective action plans developed at Headquarters and/or the National Nuclear Security Administration had not been communicated to sites or subordinate organizations for implementation. In other cases, the Department had not verified that all planned actions had been implemented or that officials had fully addressed and corrected the root causes of previously issued Inspector General findings. In addition, although specifically required, Departmental elements that had not been parties to the initial reviews had not been examining OIG reports to determine whether the same or similar problems existed within their own organizations.

As is more fully described in the report itself, progress was noted in several areas. Further, in a separate review on the *Status of Prior Export Control Recommendations at the Department of Energy* (INS-0-07-01), we found that recommendations specific to this program had been appropriately closed. Nonetheless, additional actions are needed.

Consistent with the statutory mission of the Office of Inspector General, the audit process provides an important mechanism for assisting management in improving the performance of the Department and its programs. The audit follow-up and resolution process is critical to achieving this goal. Consequently, based on the findings in this report, we have provided several recommendations designed to make this process as effective and useful as possible.

MANAGEMENT COMMENTS

The Department and the National Nuclear Security Administration provided joint comments on the draft report and concurred with the recommendations. In particular, management agreed to issue guidance reemphasizing the requirements of the audit resolution and follow-up program and perform periodic follow-up activities to help ensure effective implementation of the guidance. The National Nuclear Security Administration added that it would formalize its certification methodologies for use by the site managers, the Service Center Director, and senior program officials in its organization. Management's comments have been incorporated into the report and included verbatim as Appendix 4.

Attachment

cc:    Deputy Secretary
       Acting Under Secretary of Energy
       Under Secretary for Science
       Principle Deputy Administrator, National Nuclear Security Administration
       Chief Financial Officer
       Chief Information Officer
       Chief of Staff

# REPORT ON THE DEPARTMENT'S AUDIT RESOLUTION AND FOLLOW-UP PROCESS

## TABLE OF CONTENTS

**Audit Resolution Activities**

Since our 2004 report was issued, the Department of Energy (Department) has made significant improvements in establishing target dates designed to guide the completion of corrective actions and in ensuring timely closure of audit recommendations. Our current review of all audit reports issued during the first half of 2005 disclosed that:

- Target dates for completion of corrective actions had been established in the Departmental Audit Report Tracking System (DARTS) for all recommendations we reviewed; and,

- Only 17 percent of the planned corrective actions exceeded closure milestones.

This is in contrast to the results identified in our 2004 report where target dates for completion of corrective actions had been established for only 56 percent of the recommendations and 57 percent of the corrective actions taken exceeded closure milestones.

However, similar to our 2004 report, our analysis found that the Department continued to close certain recommendations even though corrective actions had not been taken. Specifically, for each of the six reports with "closed" recommendations on which we performed in-depth reviews, we found that at least one previously identified issue had not been resolved. For example, we found continuing issues with employee badging and clearances, foreign national visitor access controls, project management, nuclear material tracking systems, and information technology security.

<u>Badging and Security Clearances</u>

Our audit of *Personnel Security Clearances and Badge Access Controls at Selected Field Locations* (DOE/IG-0582, January 2003) identified significant error rates in the Department's official clearance information database (Central Personnel Clearance Index, or CPCI) for Savannah River Site (Savannah River) and Sandia National Laboratories (Sandia). We also identified that a statistically significant number of badges had not been recovered from former contractor and other non-federal workers at the Oak Ridge Reservation (Oak Ridge). Management generally concurred with the recommendations in this report, agreed

to take corrective actions, and certified the effectiveness of those corrective actions in accordance with Department requirements.

However, our recent analysis of CPCI indicates that these issues persist at three of the Department sites included in our January 2003 review. For example, 171 employees at the Y-12 National Security Complex (Y-12) were designated as "active" in the Department's CPCI system, but had been identified as "separated from duty" in the corresponding Y-12 Human Resource system as of May 2006. After allowing for potential timing differences and items that may have been discovered during quarterly reconciliations, we identified 142 employees who were no longer associated with the Department but still maintained an active security clearance. All except two of these 142 individuals had "Q" clearances.

Security clearances at East Tennessee Technology Park (ETTP) were also not always terminated from the CPCI system in a timely manner. Our analysis showed that, as of May 2006, 34 employees (18 with "Q" clearances) who had reportedly worked at ETTP and should have had their security clearances terminated or transferred were still listed as active in the CPCI system. Of these employees, 20 individuals had active security clearances in the CPCI system for over six months after their termination from ETTP.

ETTP, in responding to the results of our testing, stated that they had been granted a variance allowing security clearances to be retained for 180 days beyond termination and this situation accounted for some of the termination discrepancies we identified. We noted, however, that the variance expired in January 2005, prior to the date many of these employees left ETTP. For seven of the cases, ETTP indicated that employees had been transferred to subcontractors or other Department locations, however, we found that the clearance sponsor code in CPCI had not been changed as required. Finally, ETTP stated that nine of the employees we determined to have improperly retained clearances had never worked there – despite being listed in ETTP's human resources system and identified in CPCI as holding clearances sponsored by ETTP.

Despite our findings, ETTP officials told us that their current security clearance administration process and

tracking activities were appropriate. They based their conclusion, in part, on a security survey completed by Oak Ridge Operations that rated their program as satisfactory. The survey was completed in February 2007, just over four years after the completion of our January 2003 review.

Finally, the previously reported issue of not recovering badges from former employees has also not been completely resolved by the Department's contractors. For example, two recently issued Office of Inspector General (OIG) reports found that a number of terminated employees had not returned their security badges to Sandia and Los Alamos National Laboratories (Los Alamos)[1] as required. Similarly, the Oak Ridge Operations Security Survey noted above included a finding that ETTP was not immediately reporting lost, stolen, missing, and non-recovered badges to the Department.

### Foreign National Visitor Access

Our audit of *The Department's Unclassified Foreign Visits and Assignments Program* (DOE/IG-0579, December 2002) determined that the Department had not adequately controlled unclassified visits and assignments by foreign nationals at two national laboratories. Specifically, we found that not all foreign nationals had current passports and visas and that sites had not reported sufficient information to enable the Department to properly track all foreign visitors and assignees in the Foreign Access Central Tracking System (FACTS). FACTS is the Department's official national database of information on unclassified foreign visits and assignments. The Department generally agreed with our findings, conclusions, and recommendations; initiated immediate corrective actions; and ultimately certified the effectiveness of those corrective actions. However, our current review found evidence that these issues persist at at least one of the Department sites.

Our current review of the same Office of Science-managed national laboratory analyzed in our prior report identified that the local foreign national visits and assignments system still did not have sufficient information. For example, a total of 4,911 of its 7,802 (63 percent) foreign national visits and

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[1] *Badge Retrieval and Security Clearance Termination at Sandia National Laboratory-New Mexico* (DOE/IG-0724, April 2006)
*Security and Other Issues Related to Out-Processing of Employees at Los Alamos National Laboratory* (DOE/IG-0677, February 2005)

assignments from January 2005 through April 2006 did not have complete or valid information related to passports and visas. In addition, our comparative analysis revealed that FACTS records from that same time period indicated that the national laboratory had 8,340 visits and assignments, while the laboratory's local system only listed 7,802.

Additionally, the Department has identified similar issues during its own site-specific reviews of foreign national access controls. During reviews conducted by the Chicago Operations Office in September 2003 and September 2005, officials found that the same national laboratory was not consistently entering visits and assignments information into FACTS and was not closing out visits and assignments as specified in Departmental directives. While the existence of the Departmental reviews indicates that this area is periodically being evaluated, the consistently negative results also tend to demonstrate that the national laboratory is not effectively correcting the issues we reported in December 2002. Due to the complex nature of this issue and potential national security implications, we have initiated a separate audit of the Department's Foreign Visits and Assignments program.

### Project Management

In our February 2001 audit of the *U.S. Department of Energy's Corporate Human Resource Information System* (DOE/IG-0494), we determined that the Department had not adhered to project planning requirements for system development projects – including updating its cost benefit analyses to reflect project delays, cost increases, and scope changes. While the Department agreed to revise its cost benefit analysis to address the associated recommendation, a follow-up audit, *The Department's Development and Implementation of the Corporate Human Resource Information System* (OAS-L-06-14, May 2006), determined that it did not do so. Even though management officials performed analyses on one component of this system and on Fiscal Year (FY) 2006 and out-year costs and benefits, the effort did not provide an overall picture of the project's cost/benefit or its return on investment from inception. Without such analyses, management lacked the tools necessary to closely monitor project cost (approximately $37 million through FY 2005), schedule, and performance.

Our report on *Nuclear Materials Accounting Systems Modernization Initiative* (DOE/IG-0556, June 2002) identified that the Department had not adequately managed its activities to redesign or modernize its nuclear materials accounting systems. Moreover, planned and on-going system development efforts were not fully consistent with the Corporate Systems Information Architecture. We recommended, among other things, that the Department develop a coordinated approach and select a final alternative for modernizing nuclear materials accounting information systems that was consistent with the Department's Corporate Systems Information Architecture as well as security and program specific operational needs. However, in September 2002, the recommendations were closed in DARTS because of the Department's decision to track the status of the recommendations as part of the e-Gov Presidential Initiative (Initiative). According to a National Nuclear Security Administration (NNSA) official, tracking the recommendations in DARTS was no longer needed because it would cause duplicative reporting on the status of these recommendations.

In October 2002, an assurance letter was signed by a NNSA official that certified that all necessary actions had been taken for audit follow-up assessment and corrective actions pertaining to this report's recommendations were complete even though the recommendations were still being addressed and tracked through the Initiative. However, almost three years and over $1.2 million later, the Nuclear Material Accountability (NMA) Project was terminated under the Initiative. In spite of management's assertion regarding closure, there was no final resolution of our recommendations. In addition, we could not locate or obtain formal documentation on the NMA Project's close out. As a result of the Initiative, management told us that some process improvements have been implemented while some are still on-going. While the improvements are a positive step, we do not believe that the Department has fully resolved the problems outlined over four years ago.

NNSA provided technical comments to a draft of this report indicating that the method of resolution for this report was rare, if not unique. NNSA stated that they did work to resolve the concerns raised by the report through the e-Gov initiative, but that management made a decision

to terminate the initiative prior to resolution. While NNSA agrees that the recommendations made in the original report had not been addressed, they believe that they were not remiss in their duties. However, the issues identified in the report continue to exist.

## Information Technology Security

We also observed that findings and recommendations made in our annual reports on *The Department's Unclassified Cyber Security Program* are often repeated from site-to-site or program-to-program. For example, our evaluation of the *Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2005* revealed that 13 of the 25 findings identified were the same or similar to findings in the FY 2004 management letter. This includes one finding related to computer security certification and accreditation that has been reported since 2002 at the Argonne National Laboratory and has been issued again as a repeated finding in FY 2006. Finally, a recent OIG report, *Certification and Accreditation of Unclassified Information Systems* (DOE/IG-0752, January 2007) also identified that the Department's systems were not properly certified and accredited for operation. The report found that many sites had not properly assessed the potential risk to their systems.

## Portsmouth Conversion Line

In our March 2004 audit on *Depleted Uranium Hexafluoride Conversion* (DOE/IG-0642), we concluded that the Department's plan for converting depleted uranium hexafluoride inventories could be improved by adding an additional conversion line to the Portsmouth facility. We recommended that the Manager at the site conduct a cost-benefit analysis to determine the optimum size and operation of the Portsmouth depleted uranium hexafluoride conversion facility and based on the results of the review, implement the most cost-effective approach. While the Department performed a cost-benefit analysis in May 2005 which showed that adding the fourth line to the Portsmouth facility could save $55 million, it had not implemented the most cost-effective approach to converting depleted uranium hexafluoride to a more stable form. A recent follow-up OIG report, *Follow-up of Depleted Uranium Hexafluoride Conversion* (DOE/IG-0751, December 2006) noted that, as of August 2006, the Department had not

added the fourth conversion line even though it had begun construction of the facility eleven months earlier. Operational efficiencies and cost savings from an additional conversion line at the facility were still viable. Specifically, the Department could still save at least $35 million in life-cycle costs by reducing the operations schedule by nearly five years if the fourth line is added to the project.

**Sufficient Management Attention**

Previously identified deficiencies were not resolved, at least in part, because the Department's program offices and NNSA did not give sufficient management attention to the audit resolution and follow-up process. In some cases, corrective action plans developed at the Headquarters level were not communicated to applicable sites for implementation. In other cases, the Department had not effectively verified that all planned actions had been implemented or that they had fully corrected/addressed the root causes of previously issued findings. In addition, Departmental elements not included in the initial review had not been reviewing OIG reports to determine whether there were "lessons learned" which could be applicable to their own organizations.

Corrective Action Plans

In some cases, corrective action plans developed by Headquarters program offices and/or NNSA had not been communicated to applicable sites for implementation. Department policy requires that a corrective action plan be developed by the primary organization within the Department to address each open recommendation. Communication between Headquarters organizations and their applicable sites regarding implementation of developed corrective action plans is a vital part of the audit resolution and follow-up process. However, we identified some instances where this communication did not occur.

For example, the January 2003 OIG report on badging and security clearances included recommendations addressed to NNSA Headquarters. However, NNSA Headquarters officials stated that they did not have a formal corrective action plan other than the actions in DARTS. We contacted an official from Los Alamos, one of the sites included in our original report, to determine whether that site had developed a formal corrective action plan to address the open recommendations. The Los Alamos

official stated that NNSA Headquarters would have the responsibility for developing a corrective action plan for the Los Alamos site since the recommendations were addressed to Headquarters. At the time of our review, NNSA Headquarters had not transmitted a corrective action plan to Los Alamos and that site had not developed their own corrective action plan to address the issues identified in 2003. In this case, the problems related to badging and clearances were still occurring at Los Alamos in February 2005, as demonstrated by the previously identified inspection report on this subject.

For the same 2003 OIG audit report on badging and clearances, the Office of Environmental Management (EM) also never provided the necessary guidance to the ETTP site. In a response to the original draft report, the Assistant Secretary for EM stated that a letter of guidance for ETTP would be prepared concerning the major issues covered in our report. This was to be followed, in early 2003, with the implementation of corrective actions and validation reviews conducted every three months to ensure acceptable implementation. However, due to the Office of Science's landlord responsibilities over the entire Oak Ridge Reservation, which includes ETTP, there was confusion over which program office ultimately needed to direct ETTP on corrective actions. Our review revealed that neither program office provided ETTP with a letter of guidance nor were validation reviews ever performed. In fact, the corrective actions that were to be implemented at ETTP were never included in the DARTS tracking system. Both our current review, and a self assessment conducted by ETTP in June 2006, indicated that problems still remained in this area, even though the recommendations from our original report were closed over two years ago.

### Effectiveness of Actions Taken

While we found written assurances from each of the program offices and/or NNSA certifying the effectiveness of the corrective actions taken, none of the Department offices had performed formal audit follow-up assessments or reviews as required by Departmental Order. These reviews were designed to verify that actions had actually been taken or that weaknesses reported in OIG audits had been corrected. According to the Order, only after these

assessments or reviews are completed should the recommendations be certified for closure by the head of the program office or NNSA.

Officials from the Office of Science (Science) told us that instead of formally verifying the implementation of corrective actions, they hold site managers accountable for audit resolution by including it in their performance appraisals. However, the officials were unable to provide us with sufficient documentation that audit resolution and follow-up was actually included in site managers' performance appraisals and, as evidenced by our recent findings, this approach has not been completely effective. In addition, NNSA and EM officials told us that formal audit follow-up assessments or reviews had not been performed.

### Applicability of Findings and Recommendations

Departmental organizations not included in OIG audits did not always review published reports for potential "lessons learned." In response to a recommendation from our 2004 report on audit resolution and follow-up, the relevant Department Order was revised to require each primary Departmental organization to review audit report findings and recommendations assigned to other organizations for applicability and to determine whether actions needed to be taken to resolve the issues identified.

We found, however, that the requirement to perform such reviews had not been implemented at the Departmental organizations we reviewed. For example, our 2003 report on personnel clearances and badge access controls was conducted at three NNSA sites – Sandia, Los Alamos, and Y-12. The recommendations in that report were directed to the Associate Administrator for Facilities and Operations within NNSA. Since NNSA concurred with the recommendations and planned to take corrective actions to address the conditions cited, all NNSA facilities should have examined their badging programs for problems; however, that was not done. The absence of a process to review audits for applicability at other sites may have also contributed to the issues identified in a recent inspection report[2] on Lawrence Livermore National Laboratory

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[2] Security Clearance Terminations and Badge Retrieval at the Lawrence Livermore National Laboratory (DOE/IG-0716, January 2006)

(Livermore). Similar to the 2003 report mentioned above, the inspection determined that Livermore had not retrieved security badges at the time of employees' departure and had not terminated security clearances of departing employees in a timely manner.

In contrast, we found that the Strategic Petroleum Reserve (SPR) had a process where they review all OIG reports to determine whether issues identified may be applicable to the SPR. In April 2004, SPR analyzed our 2004 report on audit resolution and determined that it had local implications. Specifically, there had been a few instances at SPR where audit findings were not resolved in a timely manner. The contractor's management responded by tracking the status of open recommendations each quarter and stressing timely close-out in discussions with impacted personnel. SPR's review of our report ultimately strengthened their process of tracking open recommendations.

## Improvement Opportunities

Without effectively implementing existing audit resolution requirements, the Department has not taken full advantage of opportunities to improve program performance, accountability, and achieve cost savings. This is especially critical in key areas such as those listed annually in our report on *Management Challenges at the Department of Energy*. As noted above, we identified audit follow-up deficiencies on reports related to national security and project management, both of which have been included as significant management challenges since November 2000.

The importance of the Department's operations and the continuous and changing nature of threats, make national security a challenge that requires management's continued vigilance and emphasis. Once identified, it is imperative that security weaknesses are corrected immediately to protect the Department's facilities and classified information. In this case, failure to implement effective corrective actions in response to our audit reports on personnel security clearances and badging, and foreign visits and assignments increased the risk that security could be breached at Departmental sites.

In this report, we cite three examples of audit reports that questioned the Department's management of specific projects (Corporate Human Resource Information System, Nuclear Materials Accounting System Modernization

Initiative, and Depleted Uranium Hexafluoride Conversion). These were all multi-million dollar projects, each of which included practices that limited management's ability to closely monitor project costs, schedules, and performance. These issues should have been corrected in response to the recommendations included in our audit reports. Unfortunately, subsequent reviews indicated that the problems originally reported were never completely resolved and continued to impact the Department's ability to successfully complete these projects. An effective audit resolution and follow-up program should have noted these examples and not permitted closure of the recommendations until action was completed.

**RECOMMENDATIONS**

We recommend that either Program Secretarial Officers, in coordination with the Chief Financial Officer or the Administrator, NNSA, as appropriate, reinforce existing requirements by:

1. Ensuring that formal corrective action plans are communicated to all applicable sites for implementation;

2. Developing formal audit follow-up assessment review procedures as required by Departmental Order, to verify and document that actions taken have corrected the issues identified through audits prior to the submission of the assurance certification;

3. Ensuring that appropriate officials are held accountable for carrying out formal assessments and reviews; and,

4. Reviewing all OIG findings and recommendations to determine the applicability of the issues identified and whether actions need to be taken at sites/programs other than those specifically mentioned in the audit.

**MANAGEMENT REACTION**

The Department and the NNSA provided consolidated comments to the draft report and concurred with the recommendations. The Department agreed to issue guidance to program offices reemphasizing the requirements of the audit resolution and follow-up

program. This guidance, according to the Department, will focus on the efficient and effective resolution of audit findings and recommendations; the assignment of accountability to senior program element managers for the management of their respective audit resolution processes; and senior management requirements for providing corporate oversight, review, and resolution of audit issues. In addition, the Department indicated that it will perform periodic follow-up activities to help ensure effective implementation of the guidance. Also, NNSA has agreed to formalize its certification methodologies for use by the site managers, the Service Center Director, and senior program officials in its organization.

Even though NNSA concurred, it noted that it did not believe that additional action was required for Recommendations 1 and 4 because its current audit resolution process was sufficient to address those recommendations. Specifically, in response to Recommendation 1, NNSA indicated that corrective action plans are already distributed to all appropriate elements within NNSA. These plans are provided through the formal Management Decision process and/or through DARTS. Furthermore, in response to Recommendation 4, NNSA added that it had an established process to allow all elements to review all issues raised in audit reports for applicability.

Separate technical comments were also provided by NNSA, the Offices of Health, Safety and Security, EM, and Science.

**AUDITOR COMMENTS**

Comments from the Department and NNSA acknowledge that improvements are needed in the audit resolution and follow-up process area. Management's planned actions, where provided, were responsive to the report's recommendations.

We do not, however, agree with NNSA's assertion that two of the recommendations have already been addressed as they apply to NNSA. NNSA stated that under its current audit resolution process, corrective action plans are provided to all appropriate elements under NNSA. As we noted in our report, however, such was not always the case. Specifically, we noted that NNSA's resolution of our January 2003 OIG report (DOE/IG-0582) on badging and

security clearances did not ensure that a corrective action plan was communicated to Los Alamos, one of the sites included in the report, for implementation. As a result, these issues were still occurring at Los Alamos in February 2005, as demonstrated by an OIG inspection report. As part of the management decision process, we hope to review NNSA's documented procedures for the creation and distribution of corrective action plans to each of the organizations under its control.

Finally, NNSA stated that it has an established process in place to allow all elements to review for applicability to their specific sites or programs those issues that are being raised in audit reports. However, according to a management official, NNSA's current process excludes OIG reports that do not include NNSA as part of the audit. We believe this approach could cause NNSA to miss opportunities to review certain report findings and recommendations that may be applicable. It may also be beneficial for NNSA to use an Audit Trends/Crosscutting Issue analysis similar to the one mentioned in management's comments as a tool to facilitate NNSA's assessments of applicability.

Management's comments have been incorporated into the report where applicable and included verbatim as Appendix 4

**OBJECTIVE**

To evaluate the Department of Energy's (Department) progress on correcting prior audit follow-up issues and to determine whether issues identified through recent Office of Inspector General (OIG) audits had been resolved.

**SCOPE**

The audit was performed between February 2006 and May 2007. We conducted work at Headquarters and received information from Oak Ridge National Laboratory, Y-12 National Security Complex, East Tennessee Technology Park, Savannah River Site, Brookhaven National Laboratory, Los Alamos National Laboratory, and the Strategic Petroleum Reserve Project Management Office.

**METHODOLOGY**

To accomplish our audit objective, we:

- Reviewed applicable Departmental orders and policies and procedures implemented at the Department;

- Held discussions with Headquarters program and site officials regarding audit resolution and follow-up process;

- Selected and analyzed all OIG audit reports and associated recommendations from the first half of 2005 to determine if target closure dates were established and ensured timely closure of audit recommendations;

- Reviewed Departmental Audit Report Tracking System data to determine status of selected OIG audit recommendations;

- Reviewed six judgmentally-selected OIG audit reports dated from February 2001 to November 2005 with "closed" recommendations to determine whether corrective action plans had been developed and implemented, and whether actions taken actually corrected the weaknesses;

- Obtained data files of active badges from site badge systems and active clearances from the Central Personnel Clearance Index (CPCI) system at Headquarters;

- Used Audit Command Language (ACL), a data-mining software tool, to compare contractor human resource listings of employees to CPCI to determine whether they still had an active clearance in the CPCI;

- Held discussions with Headquarters and field site officials to gain an understanding of roles, responsibilities, and procedures concerning CPCI and local site badge systems;

- Used ACL to compare the Department's Foreign Access Central Tracking System (FACTS) to a site's foreign visits and assignments tracking system; and,

- Held discussions with Headquarters and field site officials to gain an understanding of roles, responsibilities, and procedures concerning FACTS and the local foreign visits and assignments tracking systems.

The audit was performed in accordance with generally accepted Government auditing standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Accordingly, we assessed the significant internal controls and performance measures established under the Government Performance and Results Act of 1993. Specific performance measures concerning the audit resolution and follow-up process were established in the area of meeting audit recommendations closure milestone targets. Because our review was limited, it would not necessarily disclose all internal control deficiencies that may have existed at the time of our audit. We obtained and reviewed the computer processed data made available to us in order to achieve our audit objective. We validated the reliability of such data, to the extent necessary to satisfy our audit objective, by tracing it to source documents or other supporting information.

We held an exit conference with management on May 3, 2007.

## AUDIT REPORTS REVIEWED

The following are the six audits selected for review to determine whether corrective action plans had been developed and implemented, and whether actions taken actually corrected the weaknesses.

- *Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2005* (OAS-FS-06-02, November 2005). The results of the Fiscal Year 2005 Information Technology control reviews indicated that network and information systems security control weaknesses continue to exist in the Department of Energy's (Department) unclassified information systems.

- *Depleted Uranium Hexafluoride Conversion* (DOE/IG-0642, March 2004). This audit concluded that the Department's plan for converting depleted uranium hexafluoride inventories could be improved by adding an additional conversion line to the Portsmouth facility. At the time of the audit, plans called for three conversion lines, which were capable of processing 13,500 metric tons of depleted uranium hexafluoride per year. By adding another conversion line, Portsmouth could have processed 4,500 metric tons of additional material annually and completed the project nearly five years earlier than planned. The facility size was not optimized because the Department's acquisition strategy emphasized initial capital costs rather than minimizing life-cycle costs. By increasing the production capacity at Portsmouth, the Department could have shortened the duration of the Portsmouth conversion project by about 5 years and saved about $55 million.

- *Personnel Security Clearances and Badge Access Controls at Selected Field Locations* (DOE/IG-0582, January 2003). This audit identified that at the Oak Ridge Reservation (Oak Ridge), 26 (8 percent) of our sample of 309 contractor and other non-federal workers retained badge authority after they terminated their association with the Department. Additionally, at Savannah River Site, 34 of 177 (19 percent) individuals improperly retained the authority to hold security clearances after they terminated their association with the Department. Similarly, at Sandia National Laboratories, 14 of 108 (13 percent) former workers inappropriately maintained active clearances and, at Oak Ridge, 15 (about 6 percent) individuals improperly held active clearances. Processes in place at the time of the review did not ensure that authorizations were promptly removed from systems and could have permitted those who improperly retained a clearance or badge with a window of opportunity to enter or access sites without authority. Recommendations were made to help the Department strengthen controls over badge recovery and clearance termination within the Central Personnel Clearance Index (CPCI).

- *The Department's Unclassified Foreign Visits and Assignments Program* (DOE/IG-0579, December 2002). This audit found that the Department had not adequately controlled unclassified visits and assignments by foreign nationals at two national laboratories. Specifically, one Office of Science (Science) laboratory had not required or maintained accurate passport and visa information for 91 of the 187 (49 percent) randomly selected visitors or assignees reviewed. Forty-one of the 91 had active badges and could have accessed most of the site's facilities. Thirty-four of the 91 were from sensitive countries such as the People's Republic of China, India, and Russia. Similar problems were noted at the NNSA-managed laboratory. Passport and visa data were missing or incomplete for 37 of the 188 (20 percent) individuals selected. Twelve of those with incomplete or missing information had an active badge. Of the 37 individuals, 17 were from sensitive countries. In addition, the Science laboratory permitted foreign nationals to access its facilities prior to approval of their visit or assignment. We found that 74 of 187 (40 percent) visitors and assignees from the Science-managed laboratory had been issued badges and allowed site access before their visit or assignment was approved. Finally, neither laboratory provided sufficient information to the Department's centralized tracking system (Foreign Access Central Tracking System), which was designated to facilitate complex-wide tracking of the status of foreign nationals. Weaknesses occurred because of the lack of specificity in policy guidance, problems with implementation, and a lack of clear and quantifiable performance measures. Recommendations were made to help the Department strengthen management practices for controlling unclassified visits and assignments by foreign nationals.

- *Nuclear Materials Accounting Systems Modernization Initiative* (DOE/IG-0556, June 2002). This audit found that the Department had not adequately managed its activities to redesign or modernize its nuclear materials accounting systems. Moreover, planned and ongoing system development efforts were not fully consistent with the Corporate Systems Information Architecture.

- *The U.S. Department of Energy's Corporate Human Resource Information System* (DOE/IG-0494, February 2001). This audit found that the U.S. Department of Energy's Corporate Human Resource Information System (CHRIS) had not satisfied all Federal and Departmental requirements and had not met certain Departmental goals and objectives. For example, (1) several system development activities were inadequate or had not been completed; (2) Departmental initiatives to reengineer certain Human Resources processes and eliminate over 50 redundant systems had not been satisfied; and, (3) CHRIS had computer security weaknesses that increased the risk of unauthorized access or malicious damage to the system.

## PRIOR REPORTS

### Office of Inspector General Reports

- *Badge Retrieval and Security Clearance Termination at Sandia National Laboratory-New Mexico* (DOE/IG-0724, April 2006). This inspection concluded that Sandia National Laboratory-New Mexico's (Sandia) internal controls were not adequate to ensure that, in accordance with applicable policies and procedures, security badges assigned to terminating Sandia and subcontractor employees were retrieved at the time of departure or that security clearances of terminating Sandia and subcontractor employees were terminated in a timely manner.

- *Security Clearance Terminations and Badge Retrieval at the Lawrence Livermore National Laboratory* (DOE/IG-0716, January 2006). This inspection concluded that Lawrence Livermore National Laboratory's internal control structure was not adequate to ensure that security badges were retrieved at the time of employee departure or that security clearances of departing employees were terminated in a timely manner.

- *Security and Other Issues Related to Out-Processing of Employees at Los Alamos National Laboratory* (DOE/IG-0677, February 2005). This inspection identified that Los Alamos National Laboratory's (Los Alamos) out-processing procedures were not followed by more than 40 percent of the 305 terminating employees included in our sample. Consequently, Property Administrators, Classified Document Custodians, and Badge Office personnel frequently did not receive timely notification that employees were terminating. Given this and the results of additional sampling, we found that there was no assurance that, prior to departure, Los Alamos terminating employees turned in security badges, completed the required Security Termination Statement, or had their security clearances and access authorizations to classified matter and/or special nuclear material terminated in a timely manner.

- *Management of the Department's Personnel Security and Access Control Information Systems* (DOE/IG-0651, June 2004). This audit found that the Department of Energy's (Department) information systems modernization initiatives would not: (1) significantly improve the ability of its corporate personnel security system to track visitor site access, reconcile with contractor clearance tracking systems, enable field sites to generate customized reports, or increase user system access; (2) eliminate costly development and maintenance of numerous separate, site-level personnel security information systems; and, (3) reduce overlapping or redundant physical access control systems that do not communicate with each other, including those at some facilities located in close proximity to one another. This occurred because the Department had not developed a comprehensive framework for modernizing its personnel security and access control information systems, and did not always follow sound system development practices.

- *The Department's Audit Resolution Process* (DOE/IG-0639, February 2004). This audit observed that: (1) target dates for completion of corrective actions had not been established for 44 percent of the 104 recommendations we reviewed; (2) where target dates were established, 57 percent of the corrective actions taken exceeded closure milestones; (3) in several cases, recommendations were closed even though corrective actions had not been taken; and, (4) the Department did not take advantage of potential savings of about $26 million due to delays in corrective action implementation.

- *Personnel Security Clearances and Badge Access Controls at Department Headquarters* (DOE/IG-0548, March 2002). This audit disclosed that the Department had either not terminated former federal and contractor employees' clearances or had not recovered their badges. Errors occurred because program offices had not always provided employment termination information to Headquarters Security Operations or held contractors accountable for adherence to Departmental policy.

**NNSA**
National Nuclear Security Administration

**Department of Energy**
National Nuclear Security Administration
Washington, DC 20585

February 15, 2007

MEMORANDUM FOR    Rickey R. Hass
    Assistant Inspector General
    for Financial, Technology, and Corporate Audits

FROM:    James T. Campbell   3/6/07
    Deputy Chief Financial Officer

    Michael C. Kane
    Associate Administrator
    for Management and Administration

SUBJECT:    Comments to Audit Resolution and Follow-up
    Process Draft Report; A06PT014

The Department of Energy (Department) and the National Nuclear
Security Administration (NNSA) appreciate the opportunity to review
the Inspector General's (IG) draft report, "The Department's Audit
Resolution and Follow-up Process." We understand that this audit was
conducted to evaluate the Department's progress on correcting prior
audit follow-up issues and to determine whether the Department has
taken appropriate actions to resolve issues identified through recent IG
audits.

Although the Department and NNSA concur with the recommendations,
NNSA has concerns, as attached, with the report as it is written.
Additionally, we are providing technical comments on the report from the
following Departmental organizations: Office of Health, Safety and
Security; Office of Environmental Management, Office of Science; and
Bechtel Jacobs Company LLC-East Tennessee Technology Park.

Should you have any questions, please contact Richard Speidel or Dean
Childs on 202-586-5009 or 301-903-2560, respectively.

Attachments

Printed with soy ink on recycled paper

Attachment 1
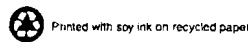
. Comments on
Inspector General Draft Report
"The Department's Audit Resolution and Follow-up Process"

We suggest that the introduction to the recommendations be restated as follows:

**We recommend that either the Program Secretarial Officers, in coordination with the Chief Financial Officer or the Administrator, NNSA, as appropriate, reinforce existing requirements by:**

1. Recommendation

   Ensuring that formal corrective action plans are communicated to all applicable sites for implementation;

   Management Comment

   Concur.

   The Department will issue guidance to reemphasize the requirements of the audit resolution and follow-up program. This guidance will focus on the efficient and effective resolution of audit findings and recommendations; the assignment of accountability to senior program element managers for the management of their respective audit resolution processes; and senior manager requirements for providing corporate oversight, review and resolution of audit issues. Additionally, the Office of the Chief Financial Officer will be issuing a revised Audit Coordinator's Handbook which identifies the roles and responsibilities of the Program Secretarial Offices' (PSO) designated audit coordinators in supporting this objective. This action is scheduled for closure by December 2007.

   For NNSA, corrective action plans are provided to all appropriate elements within NNSA as part of its current audit resolution process. These plans are provided through the formal Management Decision process and/or through the Departmental Audit Report Tracking System. Therefore, this recommendation is considered to be closed as it applies to NNSA.

2. Recommendation

   Developing formal audit follow-up assessment review procedures as required by Departmental Order, to verify and document actions taken have corrected issues identified through audits prior to the submission of the assurance certification;

Management Comment

Concur.

The Department will issue guidance to reemphasize the requirements of the audit resolution and follow-up program. This guidance will provide specific clarification of requirements for PSOs to maintain operating procedures and systems for audit resolution and follow-up, and ensure corrective actions have been implemented to effectively address audit report recommendations prior to submission of assurance certificates. The Office of the Chief Financial Officer will conduct periodic validations to ensure that these procedures are in place. This action is scheduled for closure by December 2007.

NNSA currently has a variety of methods to accomplish the intent of this recommendation. However, these methodologies will be formalized and provided to the site managers, Service Center Director and senior program officials for their appropriate use. Some of the various methods for assessment currently utilized include:

- Verification of corrective action by the Contractors' internal auditors as part of the Cooperative Audit Strategy, with certification submitted to the appropriate Federal manager;
- Incorporation of audit follow-up into annual topical surveys, such as the annual site specific security survey;
- Verifications conducted by the Financial Internal Controls element as part of A-123 process reporting;
- Inclusion into the Contractor Assurance System [this is an item that is important since NNSA is moving into a risk management/contractor assurance system as opposed to a compliance system of controls];
- Verifications conducted by NNSA's Internal Affairs element; and/or
- Inclusion into Program Reviews until open findings are completed/corrected.

NNSA has also implemented a review and approval step at Headquarters for those reports that are managed by the various programmatic/administrative elements. The senior functional/line manager (Associate Administrator for Defense Nuclear Security or the Deputy Administrator for Defense Programs, for example) will conduct an appropriate review and will concur with the certification package prior to submission to the Director, Policy and Internal Controls Management for final review. The Director makes the final recommendation for Certification of Completeness to the Associate Administrator for Management and Administration. NNSA's formalization of certification will be completed by the end of September 2007.

3. Recommendation

Ensuring that appropriate officials are held accountable for carrying out formal assessments and reviews; and,

Management Comment

Concur.

Current Departmental guidelines define clear lines of accountability for audit resolution activities, including assessments and reviews. The Department will issue guidance to reemphasize the requirements of the audit resolution and follow-up program, including the conduct of audit follow-up assessments or reviews on the implementation of corrective actions to address all audit report recommendations prior to providing an Assurance of Effectiveness of Corrective Actions Taken. Periodic validations of PSO procedures to accomplish these assessments will help enhance that accountability. This action is scheduled for closure by December 2007.

NNSA also has formal lines of accountability incorporated into its methodology of operations. Managers are accountable and are held accountable by the Administrator as appropriate. For audit resolution, the lines of accountability run from the contractor to the site office or from the Headquarters program element prior to final certification by the Associate Administrator for Management and Administration. This recommendation is considered closed as it applies to NNSA.

4. Recommendation

Reviewing all OIG findings and recommendations to determine the applicability of the issues identified and whether actions need to be taken to resolve identified issues.

Management Comment

Concur.

The Department will issue guidance to reemphasize primary responsibilities of the head of each Departmental organization to review all audit report findings and recommendations assigned to other organizations to determine whether they may be applicable within their own organizations. To help facilitate the programs' assessments of applicability, the Office of the Chief Financial Officer recently implemented an Audit Trends/Crosscutting Issues Analysis, which identifies significant audit issues that may impact multiple programs and sites. Departmental actions are scheduled for closure by December 2007.

NNSA has an established process to allow all elements to review for applicability to their specific sites or programs those issues that are being raised in audit reports. This process includes the following steps:

- All draft reports, regardless of topical area audited or site visited, are provided to the NNSA complex. This communications process includes senior NNSA managers (Administrator, Deputy and Associate Administrators, Service Center Director, and appropriate site managers), senior program managers, the Federal internal controls community, and internal auditors.
- All final reports are provided to the entire NNSA complex as described above.
- The NNSA internal controls community is informed, on a weekly basis during a conference call, of draft and/or final reports that have been issued.

Therefore, this recommendation is considered to be closed as it applies to NNSA.

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2.  What additional information related to findings and recommendations could have been included in the report to assist management in implementing corrective actions?

3.  What format, stylistic, or organizational changes might have made this report's overall message more clear to the reader?

4.  What additional actions could the Office of Inspector General have taken on the issues discussed in this report which would have been helpful?

5.  Please include your name and telephone number so that we may contact you should we have any questions about your comments.

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