

**Statement for the Record**

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**Provided for the**

**Subcommittee on Energy and Water Development  
Committee on Appropriations  
U.S. Senate**

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Madam Chairwoman and members of the Subcommittee, pursuant to your May 9, 2013, request, I am providing information relating to today's hearing on the Department of Energy's Fiscal Year (FY) 2014 budget. Specifically, you requested information on the most significant management challenges facing the Department, as identified by the Office of Inspector General.

The Department of Energy is a multi-faceted agency responsible for executing some of the Nation's most complex and technologically advanced missions. These missions include cutting edge work in basic and applied science, clean energy innovation, energy efficiency and conservation, environmental cleanup, medical applications, nuclear weapons stewardship, and efforts to enhance national security. To execute this diverse portfolio, the Department's workforce includes approximately 15,000 Federal employees and nearly 100,000 contractor personnel. The Department's physical asset base is currently valued at over \$180 billion.

With this extensive mission as the driver, the Office of Inspector General annually identifies what it considers to be the most significant management challenges facing the Department. Based on the results of our body of work, these are the issues that we believe require priority attention of the Department's senior leadership. The current list of management challenges includes:

- Contract and Financial Assistance Award Management
- Cyber Security

- Energy Supply
- Environmental Cleanup
- Human Capital Management
- Nuclear Waste Disposal
- Safeguards and Security
- Stockpile Stewardship

We also develop a “watch list” consisting of issues that warrant special attention by Department officials. The watch list includes Infrastructure Modernization, the Loan Guarantee Program, and Worker and Community Safety.

Additionally, in our view, current Federal budgetary concerns dictate that making operations more efficient and less costly is the preeminent challenge facing the Department. As a result, beginning in FY 2012, we identified Operational Efficiency and Cost Savings as a leading challenge facing the Department. In this context, we developed a series of operational efficiency and cost reduction initiatives for management’s consideration. These topics include:

- Apply a strategic planning discipline to the Department’s entire science and technology portfolio, which, in essence, extends the reach of the Quadrennial Technology Review published in September 2011;
- Eliminate National Nuclear Security Administration functions that duplicate or are redundant to existing Department of Energy functions;
- Establish an independent commission (patterned after the Department of Defense Base Realignment and Closure Commission) to analyze the Department’s laboratory and technology complex, specifically examining sizing issues and whether facility consolidation options are viable;
- Reprioritize the Department’s environmental remediation efforts; and
- Reevaluate the current structure of the Department’s physical security apparatus.

Information related to these cost savings proposals is available at:

<http://energy.gov/sites/prod/files/IG-0858.pdf> and [http://energy.gov/sites/prod/files/IG-0874\\_1.pdf](http://energy.gov/sites/prod/files/IG-0874_1.pdf).

In further response to your inquiry, I want to inform you that, at this time, we are in the process of planning our audit strategy for FY 2014. The Department's FY 2014 appropriation, including funding trends, programmatic priorities, and potential budgetary reductions, will be a primary reference point in our planning efforts. We rely on a risk-based selection methodology in this process. Thus, the management challenges previously discussed will also be an integral component in developing our work plan for FY 2014.

Finally, for your information, I testified on the Department of Energy's management challenges on March 14, 2013, at a hearing before the U.S. House of Representatives' Committee on Science, Space, and Technology, Subcommittee on Oversight. That testimony may be of interest to you as it relates to these proceedings. My previous testimony is available at:

<http://energy.gov/sites/prod/files/Testimony%20of%20Gregory%20H%20Friedman%20March%202014%202013.pdf>.

Madam Chairwoman, this concludes my statement. I hope this information is helpful to you and the Subcommittee.