



U.S. DEPARTMENT OF
ENERGY

**Inspector General
Semiannual Report to Congress**

IG

April 1, 2012 – September 30, 2012

**U.S. Department of Energy
Office of Inspector General**



Department of Energy
Washington, DC 20585

October 26, 2012

The Honorable Dr. Steven Chu
Secretary of Energy
Washington, DC 20585

Dear Secretary Chu:

I am pleased to submit the Office of Inspector General's (OIG) *Semiannual Report to Congress*. This report summarizes significant OIG activities and accomplishments during the six month period from April 1, 2012 through September 30, 2012. This report reflects our continuing commitment to focus OIG efforts on the issues and concerns most critical to the Department, the Congress, and the taxpayer.

We look forward to working with you on matters of mutual interest.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Friedman".

Gregory H. Friedman
Inspector General

Enclosure



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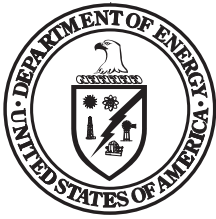
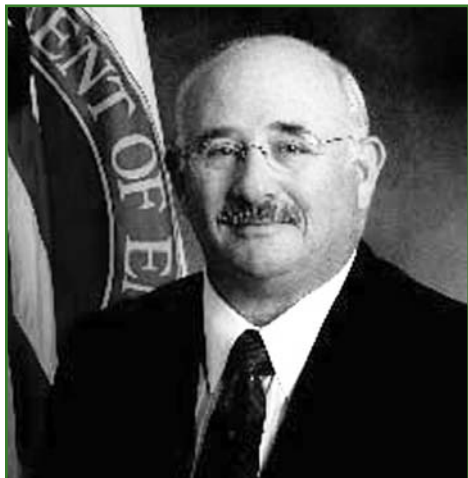


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Message from the Inspector General



The Department of Energy's Office of Inspector General is pleased to submit its Semiannual Report to Congress for the period ending September 30, 2012. This report highlights key accomplishments, particularly pertaining to our efforts to work with agency management to ensure the economy, efficiency, and effectiveness of the Department of Energy programs and operations.

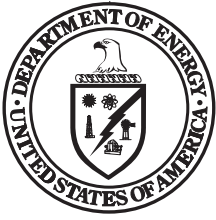
For the past 3 years, we have been engaged in very challenging work related to the Department's efforts to implement and execute its responsibilities under the *American Recovery and Reinvestment Act of 2009* (Recovery Act). In this regard, the Office of Inspector General issued 12 Recovery Act-related audit and inspection reports during this semiannual period, for a total of nearly 90 reports since the implementation of the Recovery Act. The Office of Inspector General has also initiated a number of investigations related to Recovery Act funds over the past 3 years. In conjunction with our Recovery Act efforts, our work will continue to focus on traditional agency missions, including environmental remediation, stockpile stewardship, worker and community safety, cyber security and various aspects of contract and program management.

We look forward to working with the agency's leadership team in advancing the mission of the Department in an effective and efficient manner.



A handwritten signature in black ink that reads "Greg Friedman".

Gregory H. Friedman
Inspector General



Key Accomplishments

For the Period of April 1, 2012 – September 30, 2012

Total Reports Issued:	46
<i>Recovery Act Reports</i>	12
<i>Audit Reports</i>	28
<i>Inspection Reports</i>	6
Funds Put to Better Use	\$11.8 million
Questioned Costs	\$570.8 million
Dollars Recovered (Fines, Settlements, and Recoveries)	\$ 19.4 million
Criminal Convictions	14
Suspensions and Debarments	13
Potential Recoveries from Open False Claims Act Investigations	\$91.2 million
Civil and Administrative Actions	47
Hotline Complaints and Inquiries	
Received	2,654
Processed Immediately/Redirected/No Further Action	2,380
Processed for Further Review and Adjudication	263
Recovery Act Whistleblower Retaliation Complaints Received	5



Implementation of the American Recovery and Reinvestment Act of 2009

Reports

The Department's Clean Cities Alternative Fuel Vehicle Grant Program Funded under the Recovery Act

Under the Recovery Act, the Department of Energy's (Department) Clean Cities Alternative Fuel Vehicle Grant Program (Clean Cities Program) received nearly \$300 million, or 30 times its Fiscal Year (FY) 2009 funding of approximately \$10 million. From this amount, the Department awarded grants ranging from \$5 million to \$15 million to 25 recipients, including Clean Cities coalitions and other entities that partnered with coalitions. Clean Cities coalitions are volunteer groups that join with public and private sector organizations to promote alternative and renewable fuels, fuel economy measures and new technologies.

Our review disclosed that the Department followed established procedures for the solicitation, merit review and selection of the Clean Cities Program projects; however, the Department had not always effectively managed the use of Recovery Act funding and other post-award aspects of the Clean Cities Program. In our review of seven recipients, we found that the Department had inappropriately reimbursed a recipient about \$1.5 million for costs incurred even though the costs were not substantiated, and approved \$615,000 in unsubstantiated cost-share contributions. We also found that the Department paid one recipient \$250,000 for a down payment on an alternative-fuel station that had been invoiced 3 months prior to the grant's authorized spending date of July 2009, and approved a claim for \$164,000 in cost-share contributions even though the recipient lacked documentation supporting the reasonableness of costs. Additionally, we found that the Department allowed three recipients to award almost \$20 million without documenting their decisions and/or without identifying potential conflicts of interest, as required by Federal procurement regulations. In total, we questioned about \$5 million in direct payments to recipients and nearly \$2 million cost-share contributions claimed by recipients.

Management disagreed with many of our findings and recommendations, specifically our conclusions regarding policies and procedures governing procurements and potential conflicts of interest, and with all of the questioned costs identified. Management also asserted that competition was not required. Management concurred with our recommendation regarding recipient reimbursement requests. We do not believe that management's response fully and satisfactorily addressed our audit findings and recommendations. (OAS-RA-12-12)

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The Department's Recovery Act – New York State Energy Program

The Recovery Act significantly expanded the Department's State Energy Program (SEP) by providing an additional \$3.1 billion for state projects. The Department's SEP provides grants to states, territories and the District of Columbia (states) to support energy priorities and fund projects that meet the unique energy needs of states. The New York State Energy Research and Development Authority (NYSERDA) was allocated \$123.1 million in SEP funds under the Recovery Act—a more than 63-fold increase over its FY 2008 SEP grant of about \$1.94 million. NYSEDA planned to use its grant funds to undertake multiple energy efficiency and renewable energy programs and projects throughout the State of New York (New York), and for subcontractors to oversee and validate certain projects.

For the most part, NYSEDA had implemented processes and controls to manage its SEP Recovery Act funding and was generally in compliance with the selected Recovery Act requirements we examined during our review. However, we identified several concerns that should be addressed to ensure that Recovery Act goals are met. Specifically, our review revealed that NYSEDA had planned to advance over \$1.2 million to a contractor for work scheduled to be completed after April 30, 2012, the expiration date of NYSEDA's Recovery Act grant, and had paid improper travel and unsupported costs of approximately \$12,825 to its contractors and subcontractors. Additionally, we noted that NYSEDA had been slow to expend its grant funds, and as of December 22, 2011, it had expended only about 60 percent of the award. We determined that NYSEDA may have difficulty expending the remaining funds before the April 2012 expiration date of its Recovery Act grant.

NYSEDA already implemented corrective actions to address the issues identified in this report that, once completed, will help maximize the effectiveness of its project management and evaluations efforts, and expedite the stimulative effect of its Recovery Act expenditures. Energy Efficiency and Renewable Energy (EERE) management concurred with our recommendations and stated that it would continue to closely oversee the work carried out under New York's SEP. (OAS-RA-12-08)

The Department's Energy Efficiency and Conservation Block Grant (EECBG) Funded under the Recovery Act for the City of Philadelphia

Under the Recovery Act, the EECBG Program received \$3.2 billion in funding to help state and local entities develop, implement and manage energy efficiency and conservation projects. The Department awarded the City of Philadelphia (Philadelphia) \$39.1 million, including \$14.1 million in formula grant funds and \$25 million in a competitive grant. The formula grant projects include the Energy Works Loan Fund, installation of bike racks, solar compacting litter baskets, and solar panel installation. The competitive grant projects focused on a commercial retrofit program, a residential retrofit program, and an energy management and communications program.

We found that Philadelphia could improve its management of Recovery Act block grants. Specifically, we noted that Philadelphia erroneously transferred \$2 million of public utility rebates earned on block grant projects to its general fund to meet budget needs, incorrectly calculated the amount of interest owed to the

U.S. Department of the Treasury (Treasury) on competitive and formula funds advanced specifically for block grant projects, and had not ensured that equipment purchased with Recovery Act funds was actually installed as required in the grant agreements.

We made recommendations to address the issues identified during our audit and improve Philadelphia's management of its Recovery Act block grants. The comments and planned actions of the Department and Philadelphia were responsive to our recommendations. (OAS-RA-12-09)

The Department's Weatherization Assistance Program Funded under the Recovery Act for the State of New York

The Department awarded approximately \$394 million in a Recovery Act weatherization grant to New York. New York's Weatherization Assistance Program (Weatherization Program) is administered by the Division of Housing and Community Renewal (DHCR) through 74 local entities. New York's goal is to weatherize approximately 45,000 units with Recovery Act funding, providing services to qualified elderly households, persons with disabilities and families with children, on a priority basis. As of December 31, 2011, New York officially reported spending \$340.8 million to complete the weatherization of approximately 52,000 units.

During our audit, we found that DHCR had not always managed its Weatherization Program efficiently, effectively, and in compliance with laws and regulations. Specifically, we found DHCR had not ensured that local entities complied with Federal cash management requirements governing requests for reimbursement, deposit of Federal funds in interest-bearing accounts and return of interest earned on advances of Federal funds to the Department, and that information was maintained to track and monitor the quality of weatherization services, and where appropriate, take corrective action on systemwide deficiencies. In the absence of a system to identify underperforming contractors or weatherization measures that were frequently deficient, New York's ability to take appropriate corrective action to improve services was limited.

Management generally agreed with the report recommendations and proposed a number of corrective actions, including updating policy and guidance to address these recommendations. (OAS-RA-12-07)

The Department's Weatherization Program under the Recovery Act in the State of Ohio

Under the Recovery Act, the Department's Weatherization Program received \$5 billion to increase the energy efficiency of dwellings owned or occupied by low-income persons. The Department awarded a 3-year, \$267 million Recovery Act weatherization grant to the State of Ohio's (Ohio) Department of Development.

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We analyzed Ohio's management of its Recovery Act Weatherization Program and reviewed the weatherization activities of three local agencies, IMPACT Community Action (IMPACT), the Community Action Partnership of the Greater Dayton Area (Dayton), and Cuyahoga County of Ohio Department of Development (Cuyahoga). In September 2011, we issued separate examination reports on Dayton and Cuyahoga. The examinations were performed by Lopez and Company, LLP, an independent public accounting firm under contract with the Office of Inspector General (OIG), and the results of these examinations were incorporated into this report to provide a statewide summary of findings.

We determined that Ohio had not always managed its Weatherization Program efficiently and effectively. We identified weaknesses that impacted Ohio's ability to meet the objectives of the Weatherization Program and the Recovery Act. Specifically, Ohio and its local agencies had not always provided quality weatherization services and had not always procured materials, equipment and services in accordance with Federal and State requirements. Additionally, Ohio and its local agencies had not always ensured that recipients were selected for weatherization services based on their priority and that they met income eligibility requirements, and that recipients complied with laws and regulations governing the Weatherization Program.

We made a number of recommendations designed to improve Ohio's Weatherization Program. The Department concurred with our recommendations and stated it will continue to work with Ohio to implement corrective actions and resolve the issues described in the report. Ohio's comments were generally responsive to our findings and conclusions. IMPACT responded that all deficiencies noted in the report were addressed and corrected. **(OAS-RA-12-13)**

The Department's Recovery Act – Ohio State Energy Program

The State of Ohio's, Ohio Department of Development (ODOD) was allocated \$96.1 million in SEP funds under the Recovery Act. The OIG contracted with an independent certified public accounting firm, Otis & Associates, PC (Otis), to perform the examinations and express an opinion on selected Ohio sub-grantees' compliance. The four sub-grantees selected were New Horizons Baking Company (NHBC), Metro Regional Transit Authority (MRTA), Forest City Residential Management, Inc., and Timken Company.

Otis expressed the opinion that except for the weaknesses described in its reports to NHBC and MRTA, each of the sub-grantees complied in all material respects with the requirements and guidelines relative to SEP. Regarding the areas of non-compliance, the examination found that NHBC did not comply with the Davis-Bacon Act requirements to pay locally prevailing wage rates and MRTA did not separate Recovery Act funding from other sources of funding, as required.

Management concurred with our recommendations and committed to implementing corrective actions to address these issues. **(OAS-RA-L-12-07)**

The Department's Recovery Act – Tennessee State Energy Program

The State of Tennessee's Department of Economic and Community Development (Tennessee) received \$62.5 million in Recovery Act SEP grant funds. This was a significant increase from the \$467,000 received prior to the Recovery Act.

We found that Tennessee had developed processes and controls to manage its SEP Recovery Act grant. However, we determined that, contrary to Federal requirements, Tennessee provided funds to the University of Tennessee (University) in excess of what was immediately needed to pay for actual expenses. In December 2011, the University and the University of Tennessee Research Foundation (Research Foundation) had about \$18.3 million of unexpended grant funds in their possession. Further, the University and Research Foundation had earned over \$650,000 in interest on these funds and had not remitted any of the interest to the Government. Our review also noted that a substantial amount of funds provided for Solar Institute initiatives had not been spent, calling into question whether the funds could be expended before expiration of the grant. Additionally, in January 2012, Tennessee requested that the Department extend the SEP grant through September 2013. The Department approved Tennessee's request in February 2012.

The contracting officer recovered the interest earned and provided direction to minimize the amount of time between the transfer of funds and disbursement, which addressed the issues we identified. However, to help ensure that Recovery Act goals are met, we suggested that the Department closely monitor the progress of Tennessee's grant and ensure that all Recovery Act funds are properly expended or returned to the Department or Treasury, as appropriate. No formal recommendations were made in this report. (OAS-RA-L-12-04)

The Department's Recovery Act – Washington State Energy Program

EERE provides grants to states to support various energy priorities through the SEP. The Washington State Department of Commerce (WSDC) was granted \$60.9 million in SEP Recovery Act grant funds to invest in state-level energy efficiency and renewable energy priorities.

The audit concluded that WSDC had, for the most part, used SEP grant funds in accordance with Federal requirements and the Department's SEP grant program. However, we identified several issues that needed to be addressed to ensure that WSDC and its sub-recipients fully comply with requirements and that the goals of the Recovery Act are met. Specifically, 2 of the 10 projects reviewed did not provide adequate support for invoices totaling \$646,633 in travel expenses, professional services and other expenses; and sub-grantees inconsistently reported jobs created or retained through the Recovery Act funding. Finally, we noted that WSDC was unlikely to expend all of its Recovery Act funding for SEP projects by the original grant deadline of April 30, 2012.

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Management concurred with the report recommendations, and stated that it is working with WSDC to ensure that plans are implemented to address the report's recommendations. WSDC requested and was granted an extension to spend the rest of its funds, and management will continue to monitor these areas in regular oversight reviews. (OAS-RA-12-10)

The Department's Recovery Act – Missouri State Energy Program

In April 2009, EERE granted a \$57.4 million award to the State of Missouri (Missouri) for its Recovery Act SEP. Under the terms of the award, the funds were to be expended by March 31, 2012. We found that Missouri developed a comprehensive SEP program and internal control structure designed to meet Recovery Act objectives. Consistent with a number of other jurisdictions, however, Missouri encountered a number of challenges that initially delayed progress of its SEP projects. In particular, Missouri encountered delays in establishing contracts, hiring needed staff and in establishing its agriculture loan program. These initial delays impacted the timely infusion of funds into the economy and affected overall grant performance. Because of the delays in administering its grant, the Department ultimately gave Missouri an additional 9 months to spend its funds. Given Missouri's progress at the time of our review, it appeared that it was on-track to meet the Department's new, extended deadline. Because of actions taken by the Department and Missouri to address the issues discovered during our audit, no formal recommendations were made. (OAS-RA-L-12-06)

Inquiry into the Procurement of Law Firm Services and Management of Law Firm-Disclosed Organizational Conflicts of Interest by the Department's Loan Programs Office (LPO)

The Department's LPO was created to accelerate the domestic commercial deployment of innovative and advanced clean energy technologies by guaranteeing and providing loans to eligible recipients. The LPO currently oversees over \$34 billion in loans to about 40 projects. The Department concluded that it needed independent legal advisory services from private law firms to assist in its review of loan guarantee applications, and in response to solicitations, it entered into Retainer Agreements with 10 firms that require law firms to disclose any actual or potential conflicts of interest.

We received anonymous complaints alleging various improprieties in the LPO related to the procurement of legal services and the management of law firm disclosed conflicts of interest in the Innovative Technology Loan Guarantee Program (Loan Program). We initiated a special inquiry to review the circumstances surrounding the allegations, which did not substantiate the specific allegations outlined in the complaint. However, we identified opportunities to improve transparency over the Loan Program's management of organizational conflict of interest waiver requests. Specifically, we noted that the Loan Program had not deployed a tracking system for managing law firm waiver requests and had not documented, in an

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organized system of records, the rationale for denying or approving waiver requests. The issues observed parallel the findings in prior Loan Program reviews.

Given the taxpayer-provided funds at risk in the Loan Program, the sensitivity of the Loan Program and its reliance on outside law firm legal advice free from conflicts and impairments, we made recommendations to address the issues identified in our report. Management concurred with our recommendations and proposed corrective actions. (OAS-RA-12-14)

The Department's Transportation Electrification Program

The Department established the Transportation Electrification Program (TEP) to demonstrate and evaluate the deployment of plug-in hybrid vehicles and the associated infrastructure needs. Funded by the Recovery Act, the TEP provided about \$400 million to 18 grant recipients—12 non-profit entities and 6 for-profit entities. The grants were intended to further the development of the plug-in hybrid electric vehicle industry in the United States, ensure achievement of the President's goal to have one million of these vehicles on the road by 2015, and create thousands of jobs.

We found that the Department could improve its financial management of the TEP. Specifically, the Department had not obtained and reviewed required financial and compliance audits and cost reports for the TEP's six for-profit recipients to determine the financial condition of the recipients, the reasonableness of costs expended under the awards, and the adequacy of internal controls and compliance with laws and regulations.

During our review, Department officials began to take action to address identified issues. No formal recommendations were made in this report; however, we suggested that the EERE develop a system to track the receipt and review of required audits and annual cost reports for the TEP. (OAS-RA-12-11)

Follow-up on the Department's Implementation of the Advanced Batteries and Hybrid Components Program Funded under the Recovery Act

Under the Recovery Act, the Department's Advanced Batteries and Hybrid Components Program (Advanced Batteries Program) received almost \$2 billion to support the construction of U.S.-based battery and electric drive component manufacturing plants. In April 2010, we issued our first report on the Advanced Batteries Program, *Progress in Implementing the Advanced Batteries and Hybrid Components Program under the American Recovery and Reinvestment Act* (OAS-RA-L-10-04). We concluded that the Department had made significant progress implementing the Advanced Batteries Program, including developing a comprehensive monitoring system plan to reduce the financial, technical and marketing risks associated with large-scale projects.

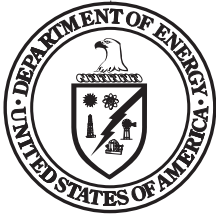
Based on our test work in this follow-up audit, we were unable to substantiate an allegation received during the course of the audit related to a potential conflict of interest. However, we identified opportunities for the Department to improve its administration of the Advanced Batteries Program. Specifically, the Department could better define regulations governing the retention of documentation supporting procurement decisions and ensure recipients adequately safeguard equipment purchased with Federal funds, and obtain and review required audit reports to ensure the sufficiency of internal controls and compliance with laws and regulations. The Department indicated that recent actions had been taken to obtain required audit reports and clarify guidance related to those reports. No recommendations were made in this report; however, we provided several suggestions to the Department to address the issues identified and improve management of the Advanced Batteries Program. (OAS-RA-L-12-05)

Whistleblower Retaliation

Section 1553 of the Recovery Act extends whistleblower protection to employees who believe they are, or have been, retaliated against for reporting misuse of Recovery Act funds received by their non-Federal employers. Specifically, an employee of any non-Federal employer, such as a private company or a State or local agency, who reports information that the employee reasonably believes is evidence of waste, fraud or abuse connected to the use of Recovery Act funds, may not be discharged, demoted or otherwise discriminated against because of his or her disclosure. Unless the Inspector General determines that the complaint is frivolous, does not relate to covered funds, or another Federal or State judicial or administrative proceeding has previously been invoked to resolve such complaint, the Inspector General shall investigate the complaint and issue a report of findings within 180 days.

The activity of the office is summarized in the chart on page 46.

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Other Significant Audits, Inspections, and Reviews

The Department's \$12.2 Billion Waste Treatment and Immobilization Plant – Quality Assurance Issues – Black Cell Vessels

The OIG received allegations concerning aspects of the quality assurance program at the Department's Waste Treatment and Immobilization Plant (WTP) project in Hanford, Washington. Bechtel National, Inc. (Bechtel), is responsible for construction of the Department's \$12.2 billion WTP. The WTP mission is to treat and encapsulate in glass the majority of the 53 million gallons of waste that amassed from decades of plutonium production at the Department's Hanford Site.

Our review substantiated the allegation. We found that the Department procured and installed vessels in WTP that did not always meet quality assurance and/or contract requirements. For the vessels that we reviewed, we identified multiple instances where quality assurance records were either missing or not traceable to the specific area or part of the vessel. We also found that the Department paid the WTP contractor a \$15 million incentive fee for production of a vessel that was later determined to be defective. Although the Department demanded return of the fee, it did not follow up on the matter and the fee was never reimbursed. Weaknesses in quality assurance records associated with black cell and hard-to-reach processing vessels occurred because of deficiencies in Bechtel's implementation of its quality assurance program and a lack of Department oversight.

Although the Department had taken a number of actions to address the deficiencies identified, we believed that additional actions were necessary to verify the implementation and effectiveness of the corrective actions for black cell and hard-to-reach vessels and prevent unnecessary risk to the operation and mission of WTP. We made several recommendations to strengthen the Department's quality assurance processes and to recoup performance fees paid for a nonconforming vessel. The Office of Environmental Management (EM) concurred with the report's recommendations and its comments were generally responsive to our recommendations. Management officials noted improvements that were made since the last vessels were delivered and outlined a number of corrective actions that have recently been initiated. (DOE/IG-0863)

Inquiry into the Security Breach at the National Nuclear Security Administration's (NNSA) Y-12 National Security Complex (Y-12)

Y-12 is one of four production facilities in the NNSA's Nuclear Security Enterprise. The site focuses on the processing and storage of uranium, an activity essential to the safety, security and effectiveness of the U.S. nuclear weapons stockpile. Y-12 maintains an extensive security mechanism that relies on a well-trained and extensively equipped protective force, advanced technology, and a variety of physical fortifications.

During the early morning hours of July 28, 2012, three trespassers gained access to the area

surrounding the Highly Enriched Uranium Materials Facility (HEUMF) at Y-12 and defaced the building without being interrupted by the security measures in place. Because of the importance of ensuring the safe and secure storage of nuclear materials, we commenced a special inquiry into the circumstances surrounding the Y-12 breach within days of the event.

During our review, we found that the Y-12 security incident resulted from multiple system failures on several levels. For example, we identified troubling displays of ineptitude in responding to alarms, failures to maintain critical security equipment, over reliance on compensatory measures, misunderstanding of security protocols, poor communications, and weaknesses in contract and resource management. Contractor governance and Federal oversight failed to identify and correct early indicators of these multiple system breakdowns. When combined, these issues directly contributed to an atmosphere in which the trespassers could gain access to the protected security area directly adjacent to one of the Nation's most critically important and highly secured weapons-related facilities.

We made several recommendations that, when fully implemented, should aid in correcting security issues at the site. Management's comments were responsive to the report and its recommendations. (DOE/IG-0868)

Management of Explosives at Selected Department Sites

In support of its research and development mission and security of its facilities, the Department maintains a significant inventory of explosives. In terms of mission, the Department

conducts research into explosives detection, effects and mitigation. These processes are inherently hazardous, and to help reduce the risk of harm, the Department developed the *DOE Explosives Safety Manual* to provide direction for protecting its personnel from injury during explosives operations.

Our inspection revealed problems with handling and storing explosives at each of the four contractor-operated sites we visited, potentially increasing the risk of harm to personnel and infrastructure. We also found that Department management had not focused the attention necessary to ensure that the responsible facilities contractors properly implemented Department policies for handling and storing explosives, as required. For example, Savannah River Site and Idaho National Laboratory performed explosive shipment inspections during peak traffic hours at populated main gates rather than at remote area and/or during non-peak traffic hours, contrary to established practice designed to minimize the impact of inadvertent detonation. We also observed that excess combustible and non-combustible materials were being stored in explosives bunkers, incorrect bunker placards and fire symbols were posted on bunkers and buildings, and excess explosives waste was not being disposed of in a timely manner. Also, contractor officials charged with managing and safeguarding explosives had not ensured compliance with various aspects of the *DOE Explosives Safety Manual*.

In response to our findings, Department management generally concurred with our recommendations, and proposed and took corrective actions to improve the safety at explosives storage and operating facilities. (INS-O-12-02)

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Efforts by the Department to Ensure Energy-Efficient Management of its Data Centers

In pursuit of its varied set of highly technical missions, the Department and its prime contractors rely heavily on various forms of information technology (IT) and related support equipment and facilities, including numerous data centers and server rooms throughout the Department's complex. Historically, data center operations have been notorious users of massive amounts of energy and, by nature, often require specially configured physical space. As demand has increased, the number of data centers has proliferated both within the Department and throughout government. To address concerns related to energy efficiency, economy of operations, and cyber security, the Federal government established the Federal Data Center Consolidation Initiative and the President issued Executive Order 13514, *Federal Leadership in Environmental, Energy, and Economic Performance*.

We found that the Department had not always managed its data centers and server rooms in an energy-efficient manner. We determined that organizations and sites had not always implemented effective practices for space configuration and utilization designed to improve the energy efficiency of data centers. In addition, the Department continued to operate and maintain excess space within its data centers, a practice that led to further inefficiencies.

Our review identified a number of opportunities for improvement and the Department took certain actions to support the energy efficiency of its IT infrastructure. However, additional effort is necessary to ensure that all data centers are managed in an energy-efficient manner. We made

several recommendations to improve the Department's ability to reduce energy usage and related costs associated with its computing environment. Management concurred with the recommendations and indicated that it had initiated actions to address issues identified during our review. Management also stated that our findings were reasonable and that the recommendations provided effective insight to correct discrepancies and improve the energy efficiencies of the Department's data centers. (DOE/IG-0865)

The Department's Renewable Energy Efforts

In an effort to promote a generation of renewable energy, the Energy Policy Act of 2005 (EPAcT) requires that by FY 2013 at least 7.5 percent of a Federal agency's annual electricity consumption be from renewable sources. In FY 2010, the Department acquired approximately 461,000 megawatt hours from renewable sources, representing over 9 percent of its annual electricity consumption of 4.8 million megawatt hours.

Although the Department's progress exceeded EPAcT requirements, our audit identified opportunities for improvement. Specifically, we found that despite EPAcT's preference for producing renewable energy on Federal lands, the Department relied almost exclusively on purchases of renewable energy. The lack of large-scale on-site projects occurred, at least in part, because of the challenges the Department faced in financing renewable energy projects. Additionally, we found that the sites may not have always purchased renewable energy in the most cost-effective manner. The Department had not ensured its sites reported consistent and accurate renewable energy

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data. We also noted that the Department's guidance on renewable energy purchases did not provide advice regarding how to evaluate the different purchase options to ensure the sites procured the best value.

Improvements in these areas could enhance the Department's efforts to satisfy national priorities related to energy efficiency and could bolster its reputation as a leader in the field. Management concurred with our recommendations and identified actions it has taken or plans to take to address the issues identified. Specifically, management will continue to raise the power purchase agreement term limit issue when appropriate, increase efforts to make sites more aware of guidance on purchasing renewable energy, and continue its efforts to improve reporting. Management's comments and actions were responsive to our recommendations.

(OAS-M-12-04)

Opportunities for Energy Savings at Department's Facilities

Promoting energy efficiency is one of the Department's top priorities. In the Federal sector, the Department's Federal Energy Management Program and Sustainability Performance Office provide leadership for the implementation of key energy initiatives, including the Energy Independence and Security Act of 2007 and the EAct of 2005. These broad policy initiatives contain significant provisions on reducing energy consumption across the Federal enterprise.

Our review disclosed that the Department had not always effectively identified and implemented energy-saving opportunities through facility evaluations and electricity metering. Three of the five sites we reviewed (Brookhaven National

Laboratory, Oak Ridge National Laboratory and Los Alamos National Laboratory) had not always identified or implemented low- or no-cost, quick payback energy conservation measures discovered during facility evaluations. In addition, two of the five sites (Oak Ridge National Laboratory and Y-12) had not fully evaluated existing buildings to determine, among other things, whether building systems such as heating and lighting were operating as intended, despite specifically identified savings and recommendations to do so. In regards to metering, we identified opportunities at two sites to improve energy conservation through the use of electricity metering data. Although a number of factors contributed to instances of ineffective evaluations and electricity metering practices, effectively evaluating systems in existing buildings and using electricity metering data could significantly reduce energy costs and increase energy efficiency across the Department.

We made several recommendations designed to assist the Department in its efforts to conserve energy and decrease costs through evaluations of existing buildings and electricity metering. Management concurred with our recommendations and provided actions that will be taken to address issues identified in our report.

(DOE/IG-0869)

The Joint Actinide Shock Physics Experimental Research Facility at the Nevada National Security Site

NNSA's Joint Actinide Shock Physics Experimental Research (JASPER) facility plays an integral role in the certification of the Nation's nuclear weapons stockpile by providing a method to generate and measure data pertaining to the properties of materials at high shock pressures, temperatures and strain rates through utilization of a two-stage gas gun. In

February 2009, JASPER, located at the Nevada National Security Site, discontinued operations and all JASPER experiments with Special Nuclear Materials ceased when an abnormal amount of contamination was identified as a result of an alpha plutonium experiment.

Our review disclosed that NNSA returned the JASPER facility to full operational status within the budgeted cost and schedule milestones and mitigated the adverse impacts of JASPER's shutdown by obtaining meaningful and complimentary data from other experiments to support NNSA's milestones and the stockpile stewardship program. However, we identified several issues that could affect future operation of the facility. Specifically, we identified problems related to the risk of future contamination and re-categorization of JASPER as a radiological facility rather than its then current categorization as a hazard category 3 nuclear facility.

No formal recommendations were made in this report; however, some suggested actions were provided to management. Steps and procedures were already initiated at the Site Offices to address the use of alpha phase plutonium targets. (OAS-L-12-05)

Tank Waste Feed Delivery System Readiness at the Hanford Site

The Department's largest cleanup task involves the treatment, immobilization and disposal of 56 million gallons of hazardous and highly radioactive waste at the Hanford Site, located in Southeastern Washington State. As part of this effort, the Department is constructing the WTP to treat and immobilize the waste in preparation for

permanent disposal in a geological repository. The total cost to construct the WTP is currently estimated at \$12.2 billion.

The Department made progress in completing the waste feed delivery system to support operations of the WTP. We found that the Department had completed a number of waste feed delivery subprojects earlier than planned and was on track to complete other critical path activities. We noted, however, that a number of challenges remain for completing the construction and operation of the waste feed delivery system. Specifically, the Waste Acceptance Criteria (WAC) that defines the specific WTP waste feed criteria and associated controls had not yet been finalized. Uncertainties with tank waste mixing and sampling could also impact the delivery of waste to the WTP. The Department was aware of these problems and told us that it had plans and strategies in place to mitigate the associated risks.

The Department's actions to address risks with the WAC and tank waste feed and characterization were considered proactive. No recommendations were made in this report; however, given the importance of treating, immobilizing and disposing of hazardous and highly radioactive waste, we made several suggestions to management concerning the areas that should be closely monitored. (OAS-L-12-09)

Y-12 National Security Complex's Waste Diversion Efforts

The Y-12 Pollution Prevention Program (Program) plays a vital role in the Department's overall waste diversion efforts. During FY 2011, Y-12 generated over 16,000 metric tons of non-hazardous solid

waste, including debris from construction and demolition projects.

We found that Y-12 had an established Program to divert materials from the landfill and contributed to the Department's overall waste diversion efforts through recycling and reusing materials. Specifically, FY 2011 reports prepared by Y-12 management revealed that Y-12 had met the targets of Executive Order 13514 by diverting 58 percent of its construction and demolition debris and 50 percent of its non-hazardous solid waste from the landfill. While the Program had significant accomplishments, we also found that Y-12 was facing challenges that may limit Program expansion. In particular, Program officials told us that several complex-wide activities and initiatives remain on hold due to budget reductions. In addition, we found that Y-12's scrap metal recycling had been impacted by the Department's July 2000 suspension of the release of scrap metal from posted radiological areas. In FY 2011, for example, rather than recycling, Y-12 had disposed of over 1,800 metric tons of policy-encumbered scrap metal, according to Program officials.

The Department recognized that disposal of scrap metal as waste is contradictory to the Department's waste minimization and pollution prevention efforts, and is currently working to address the matter. Despite the challenges it faces, Y-12's recent efforts to reduce, reuse, and recycle waste materials resulted in a large percentage of materials being diverted from the landfill. Accordingly, no formal recommendations were made in this report. **(OAS-L-12-08)**

Oak Ridge National Laboratory's (ORNL) Waste Diversion Efforts

The ORNL Program plays a vital role in the Department's overall waste diversion efforts. During FY 2011, ORNL generated over 9,500 metric tons of non-hazardous solid waste, including debris from construction and demolition projects.

We found that ORNL had an established program that effectively diverted materials from landfills and contributed to the Department's overall waste diversion effort, primarily through recycling and reusing materials. In our review of ORNL's FY 2011 data, we found that it recycled or reused over 5,100 of its 9,500 metric tons of solid waste, and thus diverted it from landfill disposal.

While ORNL's performance in FY 2011 was notable, we did find several minor inconsistencies between planned activities and actual performance. For example, we found that ORNL had not conducted pollution prevention opportunity assessments despite the fact that the program emphasized the importance of such assessments in helping to identify waste diversion opportunities. As an alternative, officials requested selected divisions to develop, document, and implement plans to reduce or eliminate the environmental impacts of its activities. We noted that this approach resulted in several divisions implementing additional waste diversion activities. Because of ORNL's progress in this area, no formal recommendations were made in this report. **(OAS-L-12-06)**

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Questioned, Unresolved, and Potentially Unallowable Costs Incurred by Los Alamos National Laboratory (Los Alamos) during FYs 2008 and 2009

Since June 2006, Los Alamos National Security, LLC, has operated Los Alamos for NNSA. Los Alamos is a multi-program laboratory with critical national security responsibilities, including research and a limited production mission that help to ensure the safety, security and reliability of the Nation's nuclear weapons stockpile. Los Alamos incurred and claimed costs of \$1.8 billion in FY 2008 and \$1.9 billion in FY 2009. As an integrated management and operating contractor, Los Alamos' financial accounts are integrated with those of the Department, and the results of financial transactions are reported monthly according to a uniform set of accounts. Los Alamos is required by its contract to account for all funds advanced by the Department, safeguard assets in its care, and to claim only allowable costs.

We identified approximately \$2 million in questioned and unresolved costs claimed by Los Alamos during FYs 2008 and 2009. The majority of these costs concerned labor charges that Los Alamos' Internal Audit found either did not benefit NNSA or did not comply with the contract's allowable cost provisions. We also identified more than \$437 million in subcontract costs that were unresolved pending audit or review by Internal Audit. Further, we questioned whether Los Alamos' subcontract audit strategy provided sufficient coverage to ensure that only allowable costs were paid with NNSA funds. Finally, we noted other concerns that need to be addressed to ensure that only allowable costs are claimed by and reimbursed to Los Alamos.

NNSA concurred with the findings and recommendations, and identified corrective actions that were responsive to our recommendations. Management noted that NNSA had taken significant actions to enhance Los Alamos' audit program, including documenting shortcomings and withholding substantial incentive fees when appropriate. Since the audit, Los Alamos has submitted a revised audit strategy proposal that includes positive steps toward resolving the issues noted in the report. (OAS-L-12-04)

The Global Threat Reduction Initiative's Molybdenum-99 Program

Molybdenum-99 (Mo-99) is used in the production of technetium-99m, the most commonly used medical radioisotope in the world. Because the U.S. lacks a domestic production capability, its demand is met by other countries, whose processes have recently proven to be unreliable. In addition, the foreign producers utilize highly enriched uranium (HEU), a practice contrary to the NNSA's Nuclear Security Goal to minimize the use of HEU in civilian applications. As a part of the Global Threat Reduction Initiative's Mo-99 Program, in FY 2009 and 2010, NNSA entered into cooperative agreements (CA) with four commercial entities to accelerate the domestic production of Mo-99 without the use of HEU.

We found that progress had been made in developing a reliable domestic production capability for Mo-99. For example, our review disclosed that as of January 2012, the CA partners had met established milestones. Although one of the partners has indefinitely suspended operations and a second is not expected to meet the 2014 deadline, NNSA officials told us that program objectives can still be achieved by the remaining

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partners. Further, our tests did not reveal any material internal control weaknesses in selected areas of CA administration. Finally, while there are significant challenges to establishing a reliable domestic production capability for Mo-99, NNSA is aware of the challenges and is considering how best to address them.

No recommendations were made in this report; however, we provided suggestions to management for ensuring compliance with the respective CAs and developing viable mitigation strategies for the challenges. (OAS-L-12-07)

Office of Secure Transportation Capabilities

NNSA's Office of Secure Transportation (OST) is responsible for safely and securely transporting nuclear weapons, weapon components and special nuclear material for customers such as the Department of Energy, Department of Defense and the Nuclear Regulatory Commission. The demand for OST services is expected to increase significantly over the next 7 years as a result of current Presidential initiatives and international nonproliferation efforts. OST forecasts show an increase in mission demand through 2019. Due to the importance of OST's mission to safely and securely transport nuclear weapons, we performed this audit to evaluate the challenges OST faces in meeting future mission requirements.

We found that, while OST has successfully met customer shipping requests in the past and expects to have capacity to meet future requirements, it faces several significant challenges. These challenges include maintaining the reliability of existing equipment, ensuring that future Federal agent overtime levels are consistent with safe

operations, and validating essential resource planning data. Accordingly, we determined that management attention was needed to address these challenges to reduce the risk that OST will be unable to meet its future mission requirements. NNSA management concurred with our recommendations, proposed corrective actions and stated that these items will be used to continue improving NNSA's implementation of securely and safely transporting nuclear weapons.

(OAS-M-12-05)

Integrated Safety Management at Sandia National Laboratories (Sandia)

In 1996, the Department established an Integrated Safety Management (ISM) system intended to prevent or reduce occupational injuries, illnesses and accidents by providing safe and healthy workplaces. As part of ISM, the Department requires its facility contractors, such as Sandia, to define work processes, enhance safety, and hold managers responsible for implementing ISM. Since 1997, and continuing into 2011, the Department self-reported numerous deficiencies with Sandia's ISM implementation and execution, and that these problems often occurred at the line manager level in the contractor's chain of command.

We found that Sandia had not fully addressed the root causes of weaknesses in ISM implementation. Specifically, Sandia had not always ensured that line managers performed effective self-assessments to identify ISM weaknesses within its organizations, and were not held accountable for ensuring implementation of ISM requirements. We noted that Sandia had not always provided effective management and oversight of line

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managers' implementation of ISM. Finally, the Department's Sandia Site Office, the entity charged with day-to-day management of the contract, had not established performance goals sufficient to monitor and/or evaluate Sandia's progress in implementing needed ISM corrective measures.

Management generally agreed with the findings and recommendations in the report and proposed and initiated corrective actions. In particular, management indicated that it will use the report's findings and recommendations to drive continued improvement of the NNSA's implementation of ISM. (DOE/IG-0866)

Follow-up Audit of the NNSA's W76 Nuclear Warhead Refurbishment Program (Refurbishment Program)

NNSA is refurbishing the aging W76 nuclear warhead with the goal of extending the warhead life by 30 years. However, the W76 Life Extension Program (LEP) has experienced significant delays in startup and in achieving production goals.

We found that NNSA may be unable to complete the W76 LEP within established scope, cost and schedule parameters, unless it adopts a more effective approach to reducing unit costs. This concern is exacerbated by the fact that the Refurbishment Program is faced with a relatively flat budget over the next few years, even though its annual scope of work is projected to increase significantly. For example, the Refurbishment Program's budget increases for both FY 2013 and 2014 are projected to be only 2.9 percent over FY 2011 levels. The Refurbishment Program's

production schedule, however, shows production increasing 59 percent during the same period. The increase in production appears to be unsustainable given the projected funding. The goal of reducing the unit cost of W76 LEP production appeared to be one of the only paths to keeping the Refurbishment Program on track without adversely affecting other NNSA programs. Although a senior NNSA official expressed confidence that NNSA would achieve the increased production rates within the out-year budget estimates, the Refurbishment Program officials could not provide plans detailing actions necessary to achieve the needed cost reductions. The Refurbishment Program officials disagreed with our methodology for calculating unit cost; however, they agreed that our analysis, including the risks going forward, were consistent with NNSA's concerns about Refurbishment Program execution in future years.

Management agreed with our recommendations that forward-looking plans should be developed and earned value management systems principles should be implemented to help ensure W76 LEP goals are met. (DOE/IG-0870)

Follow-up Audit of the Stockpile Surveillance Program

The Department's NNSA's stockpile surveillance program provides information on the status of the Nation's nuclear weapons stockpile. In 2007, NNSA initiated the Surveillance Transformation Project (STP) to accelerate the surveillance program to look for changes in an aging stockpile. The transformation called for an increase in evaluations of nonnuclear components and materials (CMEs) and a reduction in annual tests of weapons systems.

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Our review disclosed that NNSA had taken actions to mitigate the STP transition challenges identified in the 2010 Surveillance Enterprise Study (Study). The Study stated that there were gaps in surveillance data that were further exacerbated by the decline in laboratory tests. Furthermore, evaluations of nonnuclear CMEs were not being achieved as rapidly as expected. To mitigate these challenges, NNSA achieved increased surveillance data through expanded laboratory tests and increased funding. In addition, NNSA developed a comprehensive plan to complete baselining nonnuclear CMEs by the end of FY 2018.

Although NNSA had mitigated STP transition challenges, we noted that it had not established an effective system of performance measurement over the Enhanced Surveillance subprogram. After discussing our performance measurement concerns with NNSA officials, the measure was replaced in FY 2012 with one that more accurately reflects performance. Therefore, we suggested that management closely monitor progress made in meeting CME requirements. (OAS-L-12-10)

Inquiry into the De-Inventory of Special Nuclear Material at Lawrence Livermore National Laboratory (Livermore)

In January 2012, the OIG received allegations that Livermore had failed to follow the Department's Record of Decision requirements for removing special nuclear material (SNM) and as such had violated Public Law 109-364, when it attempted to maintain SNM beyond 2012 by establishing unique testing capabilities that were used to perform physical work using SNM on the W78 Life Extension Program (LEP) that required only a "paper study," misappropriated government funds to re-establish

test capabilities following a flood in 2006, and incurred excessive security costs for SNM.

We initiated a special inquiry to review the allegations; however, our inquiry did not substantiate the specific allegations outlined in the complaint. Specifically, we found no evidence that Livermore had not followed the Department's Record of Decision for removing Security Category I/II SNM as required by Public Law 109-364. In addition, we found no support for allegations that Livermore developed unique environmental testing capabilities that were used to perform physical work on the W78 LEP when only a paper study was required. We also did not find that Livermore misappropriated government funds relating to SNM activities, or had incurred excessive security costs.

The allegations were not substantiated; therefore, no recommendations were made in this report. (OAS-L-12-11)

Alleged Storage Capacity Concerns at the Strategic Petroleum Reserve

The Department's Strategic Petroleum Reserve (SPR) has the largest stockpile of government-owned emergency crude oil in the world. The SPR crude oil inventory is stored in underground salt caverns that have an authorized storage capacity of approximately 727 million barrels. These caverns are susceptible to "creep," a geological force that causes caverns to close over time, decreasing available cavern space to store oil. A process known as "leaching" is used to create cavern space by injecting fresh water at high pressure to dissolve salt. SPR consists of 62 caverns located at four sites in Louisiana and Texas, and is operated for the Department by DM Petroleum Operations Company (DM).

The OIG received a complaint alleging that the Department and DM intentionally overfilled SPR, Department and DM officials were awarded big bonuses to fill SPR to the authorized storage capacity, and filling SPR to the authorized storage capacity played a role in a July 2010 fatality at one of the SPR sites. We initiated the inspection to examine the facts and circumstances surrounding the allegations.

We did not substantiate the allegations. We noted that the Department is in the process of addressing technical concerns that could impact the ability to sustain authorized storage levels, but we did not find that the SPR had been overfilled. Based on the results of our review, we did not make any recommendations to management. (INS-L-12-06)

Alleged Waste and Abuse in the Office of Economic Impact and Diversity

The Department's Office of Economic Impact and Diversity (ED) develops and executes Department-wide policies affecting equal employment opportunities, small and disadvantaged businesses, minority educational institutions, and historically under-represented communities. ED's mission is to develop and implement initiatives designed to ensure minorities are afforded an opportunity to fully participate in Department programs.

The OIG received a complaint alleging that ED had engaged in wasteful spending, including the approval of a \$40,000 construction project to expand a senior official's office space even though a large vacant office existed, the purchase of Liquid Crystal Display Televisions and iPads for select ED officials to reflect a higher status, a \$50,000 pool of "fun money" to "shower someone with a good idea," and the use of high-cost limousine services

while on travel. We initiated an inspection to examine the facts and circumstances surrounding the allegations.

We were unable to substantiate the allegations that the actions taken by ED management were inappropriate. While we did determine that a senior official approved the reconfiguration of ED office spaces, the construction project did not appear to be unreasonable or excessively costly. We identified procedural issues that, if not addressed, could increase the risk that projects might begin and be completed even though funding had not actually been authorized. Based on the results of our review, we made suggestions to management to help ensure that similar authorization and funding issues do not recur. (INS-L-12-07)

Alleged Ethical and Procurement Concerns at the Office of Nuclear Energy (NE)

Approximately 80 percent of the Department's workforce is comprised of contractor personnel who provide services to assist with managing projects and programs. Generally, Federal employees are prohibited from becoming involved in contractor employee personnel matters such as hiring and terminating personnel, supervising contractor employees and assigning tasks to contractor employees that, by Federal regulation, can only be performed by Federal employees.

The OIG received a complaint alleging that a Department management official within NE may have violated Federal regulations and procurement guidelines regarding preferential treatment of a contractor employee, to include involvement in contractor hiring decisions relating to that employee.

We did not substantiate the allegation that a NE manager violated Federal regulations and procurement guidelines involving contractor hiring decisions. While we found that the subject of the allegation had taken certain actions on behalf of a particular contract individual, it did not appear that the NE manager violated Federal regulations or procurement guidelines based on information gathered during the course of our inspection and after consultation with the Department's Office of the General Counsel (GC). We did note that the actions taken by the NE manager may have caused others to perceive that the manager acted improperly.

No formal recommendations were made in this report; however, we suggested that steps be taken to ensure strict compliance with recently published guidance on Federal officials' involvement in contractor hiring decisions. (INS-L-12-05)

Alleged Procurement and Hiring Practice Irregularities within the Office of Policy and International Affairs (PI)

PI has primary responsibility for the Department's international energy activities including international emergency management, national security and international cooperation in science and technology. To accomplish its mission, PI has contracts with various subject matter experts such as Rhodium Group, LLC, (Rhodium). Rhodium combines policy experience, quantitative economic tools and research to analyze global trends. The Rhodium contract, valued at approximately \$992,000, was executed in September 2010 as a 2-year contract.

The OIG received a complaint alleging inappropriate actions taken by senior PI officials concerning the Rhodium contract and inappropriate personnel practices related to hiring and promoting of Federal employees within PI. We found no evidence to support the allegations regarding inappropriate procurement and hiring actions taken by senior PI officials and no recommendations were made in this report. (INS-L-12-04)

Extended Assignments at Princeton Plasma Physics Laboratory (Princeton Laboratory)

Princeton University operates the Princeton Laboratory under a contract with the Department's Office of Science. Princeton works with partners around the world to develop fusion as an energy source. The Princeton Laboratory's annual operating costs are about \$80 million, all of which is reimbursed by the Department.

On May 8, 2012, we issued a separate contract audit report on *Audit Coverage of Cost Allowability for Princeton Plasma Physics Laboratory during Fiscal Years 2009-2010 under Department Contract Numbers DE-AC02-76CH03073 and DE-AC02-09CH11466* (OAS-V-12-06, May 2012). During the course of our contract audit, we identified specific costs that we considered to be unreasonable and related internal control weaknesses that led to the questionable costs. Specifically, the Department reimbursed Princeton \$1.04 million for lodging subsidies incurred by two employees who were on extended assignments — 14 years in one case, and 9 years in the other. While existing Princeton Laboratory policy

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permitted temporary assignments, the duration of these particular assignments appeared to be excessive and inconsistent with Department policies that we used for benchmarking purposes. Consequently, we considered these costs to be unreasonable, and as a result, we questioned the cost allowability.

In our separate contract audit report, we provided recommendations to the Site Office, which agreed to take appropriate corrective actions regarding our recommendations. The frequency of incidents in this area suggests that the Department should address these matters on a corporate basis. Accordingly, to strengthen controls over contractor extended assignments, we recommended that the Office of Management (OM) develop and issue guidance to assist facility contractors in their development of extended assignment policies. OM concurred with our recommendation and stated that it developed and issued guidance to address contractor extended assignments that are not covered by other Departmental guidance. In addition, we were informed that Princeton has agreed to reimburse the Department \$1 million. Finally, Department officials informed us that they took action to ensure that payments to the four assignees were discontinued. (DOE/IG-0864)

Use of Noncompetitive Procurements to Obtain Services at the Savannah River Site

In August 2008, Savannah River Nuclear Solutions, LLC, (SRNS) assumed management and operating responsibility for the Department's Savannah River Site located near Aiken, South Carolina. Under its contract, SRNS is responsible for environmental cleanup, national security

activities and operation of the Savannah River National Laboratory. The Savannah River Operations Office provides Department oversight for all of EM operations for the site.

We found that SRNS had not always met its contractual obligations when acquiring services from its affiliates. Specifically, SRNS had not obtained required Department approval for the two noncompetitive contracts it awarded to Fluor and Newport News during 2009. We also found that SRNS had not demonstrated, in most cases, that the affiliates were the only sources capable of providing the expertise necessary to perform the needed services, a pre-requisite for noncompetitive awards to affiliate companies. Additionally, we found that SRNS had not performed cost analyses to ensure the reasonableness of the cost of affiliate personnel services, as required.

During the audit, the Savannah River Operations Office initiated a review to determine the reasonableness of the cost of affiliate personnel services that were acquired. To further address the issues identified in this report, we made a number of recommendations. Management partially concurred with the report recommendations, acknowledged the risks associated with improper use of affiliate personnel services, and cited certain planned, initiated or completed actions. (DOE/IG-0862)

Alleged Health and Wellness Benefit Irregularities by a Department Contractor

The National Energy Technology Laboratory (NETL), owned and operated by the Department, supports the Department's mission to advance the national, economic and energy security of the

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United States. NETL has contracted with Ahtna Facility Services, Inc. (Ahtna) to provide site security services for NETL's locations in Morgantown, West Virginia; Pittsburgh, Pennsylvania; and Albany, Oregon.

The OIG received allegations concerning irregularities with health and wellness fringe benefits (fringe benefits) and retaliatory practices by Ahtna. Specifically, it was alleged that Ahtna did not provide a specific group of employees at the Albany site an option to receive cash in lieu of fringe benefits, established individual 401(k) accounts without employee consent and withheld information concerning employee fringe benefits contributions of approximately \$10,000, and terminated an Ahtna employee for complaining about issues related to fringe benefits administration.

We initiated an inspection to review the facts and circumstances surrounding these allegations. While we generally substantiated the first and second allegations, we determined that in most instances Ahtna's actions were not contrary to contractual and regulatory requirements. Regarding the third allegation, the OIG's Hotline referred the employee to the Department's local Employee Concerns Program. Based on the results of our review, no recommendations were made in this report. (INS-L-12-03)

NNSA Contractors' Disability Compensation and Return-to-Work Programs

NNSA is responsible for the Nation's nuclear weapons programs and relies on contractors to manage and operate the seven sites that form its nuclear security enterprise, including three national laboratories. Under state workers' compensation laws, these contractors provide a

wide range of benefits to employees, including those experiencing occupational disabilities. The contractors also have other disability plans, such as sick leave or salary continuation programs, that provide benefits for non-occupational disabilities and generally supplement workers' compensation.

We found that NNSA had not ensured that its contractor sites always managed disability plans effectively and reduced costs by implementing return-to-work programs. For example, Livermore, Sandia, and Y-12 provided disincentives to employees to return to work by supplementing workers' compensation with payments that gave employees more net income when they were on disability payments than when they were working. The issues identified in our report occurred because NNSA, its site offices, and contractor officials did not exercise adequate oversight of, or provide resources necessary to improve, contractor disability plans. By increasing its oversight of contractor disability programs and implementing its consultant's recommendations, NNSA could save more than \$3.3 million annually.

Management generally agreed with the findings and recommendations in the report and initiated corrective actions. Specifically, management indicated that Site Office officials discussed the issues with the contractors and planned actions to address each of the recommendations in order to provide well managed, cost effective workers' compensation and disability programs. (DOE/IG-0867)

Southwestern Federal Power System's FY 2010 Financial Statement Audit

The OIG contracted with the independent public accounting firm of KPMG, LLP, (KPMG) to

audit the combined balance sheets of the Southwestern Federal Power System (SWFPS) as of September 30, 2010 and 2009, as well as the related combined statements of revenues and expenses, changes in net Federal investment and cash flows for the years then ended.

KPMG concluded that the combined financial statements present fairly, in all material respects, the respective financial position of SWFPS as of September 30, 2010 and 2009, and the results of its operations and its cash flow for the years then ended, in conformity with U.S. generally accepted accounting principles. KPMG also considered SWFPS's internal controls over financial reporting and tested for compliance with certain provisions of laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts. The audit identified four internal control deficiencies over accounting for utility plant and five internal control deficiencies over Accounting Policies and Procedures, each of which were considered to be significant. When combined together, these conditions were considered a material weakness.

In response to the findings, management agreed with our recommendations and agreed to take necessary corrective action. **(OAS-FS-12-10)**



Investigative Outcomes

Actions in Per Diem Investigations

The OIG conducted a number of investigations involving the improper payment of per diem by SRNS. Many of these payments involved Recovery Act funds. During this reporting period, four former subcontractor employees were indicted, one former subcontractor employee was convicted, and two former subcontractor employees were terminated from employment for receiving per diem payments for which they were not entitled. In addition, two subcontractor employees and one company were debarred from doing business with the U.S. Government for 3 years. To date, over \$2.2 million in fines, restitution, and civil settlement agreements have been paid by contractors and their employees.

Actions in Purchase Card Fraud Investigations

The OIG conducted a number of investigations involving the improper use of Government purchase cards by contractor employees at the Department's Hanford Site. As previously reported, several former contractor employees were convicted, sentenced, and ordered to pay over \$1 million in restitution. Additionally, three companies previously agreed to pay over \$6 million in civil settlements. During this reporting period, two former contractor employees and one company entered into civil settlement agreements to pay \$33,815 in restitutions to resolve alleged violations of the False Claims and Anti-Kickback Acts.

Actions in Time Card Fraud Investigations

Four former Department contractor employees at the Hanford Site pled guilty in the U.S. District Court for the Eastern District of Washington to conspiracy to defraud the Government. The investigation determined that within a 5-year period, several contractor employees routinely falsified timecards and received pay for hours they did not work. The amount received by each employee ranged from \$50,000 to \$166,000. Sentencing is pending in each case.

Actions In Defective Body Armor Investigation

As previously reported, a joint investigation was conducted into allegations that a body armor manufacturer knowingly participated in the manufacturing and sale of defective body armor. The manufacturers sold this defective body armor to the Department as well as to other Federal, State, local, and Tribal law enforcement agencies. Several individual companies that provided component parts of the armor or the armor itself previously agreed to pay a total of \$60 million to resolve allegations that they violated the False Claims Act. During this reporting period, two former principals of a name-brand retail corporation involved in the sale of the defective body armor agreed to pay a \$100,000 settlement to the U.S. Government. Also during this reporting period, the U.S. Bankruptcy Court for the District of Delaware approved an interim distribution order for a corporation involved in the

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manufacture and sale of defective Zylon body armor. The order allows an interim distribution of \$3,564,884 to the Department of Justice (DOJ). This remains an ongoing investigation with the DOJ Civil Division and several other Federal law enforcement agencies.

Sentencing in Grant Fraud Investigation

A former Chief Financial Officer (CFO) of a Department grantee was sentenced to 36 months incarceration and 3 years supervised probation for wire fraud and money laundering in the U.S. District Court for the Eastern District of Tennessee. The former CFO was also ordered to pay restitution to the Department grantee in the amount of \$403,161 and a special assessment fee. The OIG determined the former CFO utilized several schemes, including online auction fraud, forged checks, and a fraudulently obtained business license to embezzle funds from the Department grantee over a 3-year period.

Former Subcontractor Sentenced in Kickback Investigation

A former subcontractor employee at Y-12 was sentenced in the U.S. District Court for the Eastern District of Tennessee to 6 months home confinement and 3 years probation, and ordered to pay restitution of \$294,976. Also during this reporting period, the former subcontractor employee was debarred from performing work for the U.S. Government for a period of 3 years. As previously reported, the former subcontractor employee pled guilty to a one count violation of the Anti-Kickback Act. The investigation determined the former subcontractor employee,

while employed as a project manager, received kickbacks from an employee of another Y-12 subcontractor company. The investigation also determined that over a 2-year period, the former subcontractor employee billed time and received payment for hours he had not worked.

Settlement Agreement with Former Department Prime Contractor

DOJ settled a *Qui Tam* lawsuit by entering into a \$230,000 agreement with a former Managing and Operating contractor at the Department's Paducah Gaseous Diffusion Plant located in Kentucky. The *Qui Tam* suit was filed by a subcontractor employee. The investigation determined that the former contractor overbilled the Department on a waste operations contract from 1996 to 2002.

Former Department Employee's Spouse Pled Guilty

The spouse of a former member of the Department's Senior Executive Service pled guilty in U.S. District Court in Greenbelt, Maryland, to one misdemeanor count of aiding and abetting in a matter in which they both had a financial interest. As part of the plea agreement, the spouse agreed to pay \$104,000 in restitution. The investigation revealed that the former employee arranged for the spouse to receive over \$1.2 million in consulting fees and subcontract payments on a project in which his office was responsible.

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Contractor Enters into Civil Settlement Agreement

A NETL contractor entered into a civil settlement agreement with the U.S. Attorney's Office for the District of Connecticut. The investigation determined that the contractor submitted fraudulent billing invoices to NETL for work performed pursuant to a \$1.8 million cooperative agreement. As a result of the settlement, the contractor agreed to pay \$50,000 to Treasury and to create and implement government contractor compliance and ethics training programs.

Former Department Contractor Employee Sentenced for Wire Fraud

A former Department contractor employee, who was a buyer for the Nevada Site Office (NSO), was sentenced to 5 months incarceration and 1-year probation, and ordered to pay \$42,127 in restitution in the Northern District Court of Indiana. The former contractor employee and another individual, not affiliated with the Department, previously pled guilty to five counts of wire fraud. The investigation determined that both individuals engaged in collusive procurement activities that resulted in kickbacks and embezzlement of Department funds. Sentencing is pending for the unaffiliated individual. This is a joint investigation with the Federal Bureau of Investigation.

Former Department Contractor Employee Sentenced for Theft of Federal Funds

In the U. S. District Court of Idaho, a former director of a Bonneville Power Administration (Bonneville) grantee was sentenced to 10 months incarceration and 3 years of supervised release, and was ordered to pay restitution of \$36,485. As previously reported, the former director was charged with one count of theft of Federal funds, which came from a contract worth approximately \$400,000. The investigation determined that between September 2008 and July 2009, while employed by the Bonneville grantee, the former director embezzled the funds for personal use.

Actions in Copper Theft Investigation

As previously reported, an individual pled guilty in the Weld County, Colorado, District Court to burglary and was sentenced to 3 years incarceration. During this reporting period, the individual was ordered to pay \$30,011 in restitution to the Department. Additionally, a second individual, with no Department affiliation, pled guilty to burglary and was sentenced to 120 days incarceration and 2 years probation, and ordered to pay joint restitution. The investigation determined that both individuals stole copper from Western Area Power Administration's (WAPA) Ault substation. This is a joint investigation with the Weld County Sheriff's Office.

Public reports are available in full text on our website at www.ig.energy.gov

Guilty Plea in Weatherization Fraud Investigation

The U.S. District Court for Rhode Island accepted a plea agreement from a former weatherization energy auditor at a community action agency for one count of bribery and one count of false statements. The investigation determined that between 2006 and 2007, the former energy auditor received over \$30,000 in kickbacks from a weatherization contractor while working at a community action agency, and then made false statements regarding his involvement in the kickback scheme during the OIG investigation. This is a joint investigation with multiple Government agencies.

Former Department Contractor Employee Pled Guilty to Theft

A former ORNL contractor employee pled guilty in the State of Tennessee's 6th Judicial District to theft of Government property and was sentenced to 3 years probation. The employee was later debarred from doing business with the Federal Government for a period of 3 years. As previously reported, the investigation determined that the former contractor employee used his Government-issued travel card to obtain \$28,000 in cash advances, gasoline and pre-paid credit cards for personal use.

Former Bonneville Employee Pled Guilty to Theft of Copper Cable

A former Bonneville employee pled guilty to one count of felony theft in the State of Washington Superior Court for the theft of copper cable. The employee was sentenced to one day incarceration, and ordered to pay \$10,232 in restitution to Bonneville and an \$800 fine. The investigation determined that the former Bonneville employee stole copper cable worth more than \$20,000 from his duty location. The employee previously resigned on December 17, 2011, prior to a proposed termination.

Actions in Theft Investigation

An Investigative Report to Management (IRM) with one recommendation for corrective action was issued to a NETL Director. The investigation determined a former NETL contractor employee stole over \$5,000 in supplies from NETL. Also during this reporting period, the former contractor employee was sentenced in the Circuit Court of West Virginia to 2 years probation, ordered to perform 100 hours of community service, and required to pay a fine. Additionally, the former employee has been suspended from government contracting pending debarment action. This was a joint investigation with the Morgantown Police Department.

Public reports are available in full text on our website at www.ig.energy.gov

Former Pacific Northwest National Laboratory (PNNL) Employee Enters into Civil Settlement

The U.S. Attorney's Office for the Eastern District of Washington entered into a civil settlement agreement with a former contractor employee of PNNL. The investigation determined that the former employee, while employed at PNNL, submitted fabricated documentation to improperly receive tuition assistance and reimbursement for college courses the former employee did not complete. As a result of the settlement agreement, the former employee agreed to reimburse the Government.

Responses to Investigative Reports to Management

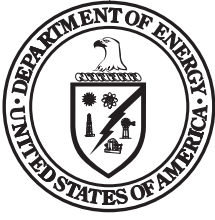
In response to an OIG IRM:

- The Department's Oak Ridge Office (ORO) determined that \$169,952 in costs associated with an EECBG were disallowable. The ORO advised that it will request the return of the funds from the recipient, Sevier County, Tennessee. The OIG determined that Sevier County hired two consultants to assist in awarding a project under the grant. The project was subsequently awarded to a company employing these same consultants.
- The OIG issued a report regarding an unauthorized disclosure of information at an NNSA site in Las Vegas, Nevada. The investigation determined that a former NNSA contractor employee publicly posted

sensitive information on the Internet in violation of Department policy. The employee was immediately removed from the Information Assurance Response Center (IARC) facility and placed on administrative leave pending the outcome of an IARC internal investigation. The employee subsequently resigned. In response to the IRM, NNSA implemented corrective action to improve internal control deficiencies. NNSA has requested regular assessments by DOE Office of Health Safety and Security of the IARC to determine if events are being properly reported and if the staff is adhering to Department policies, national standards, accepted practices and procedures.

- NNSA's Chief Information Officer agreed to ensure compliance with Department policies and procedures concerning the protection of Personally Identifiable Information (PII), and to appoint a Privacy Act Official at the Nevada Site Office (NSO). The investigation determined that PII was lost when an NSO encrypted laptop computer and an unencrypted external hard drive were stolen from an NSO employee's car. The investigation found violations of Department policy regarding proper protection of PII.

Public reports are available in full text on our website at www.ig.energy.gov



Positive Outcomes

Highlights Based on Office of Inspector General Work

During this reporting period, the Department took positive actions as a result of OIG work conducted during the current or previous periods. Consistent with our findings and recommendations:

- A two-count Criminal Information was filed in U.S. District Court for the Eastern District of Virginia against a Department contractor for violations of the Foreign Corrupt Practices Act (FCPA). The FCPA was enacted in 1977 for the purpose of making it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business. The investigation determined that Department contractor employees paid bribes to officials at an overseas nuclear power plant to secure contracts to perform services at the plant. Violations committed by the contractor spanned several foreign countries and involved the Department's International Nuclear Safety Program (INSP). The goal of the INSP is to perform safety upgrades to nuclear power plants in the former Soviet Union. The recent court filing included a Deferred Prosecution Agreement in which the contractor admitted to paying bribes to foreign officials in violation of the FCPA. As part of the agreement, the contractor will pay \$8.82 million and enter into an Administrative Compliance Agreement to resolve the charges. This is a joint investigation between the Department OIG, Federal Bureau of Investigation, and Internal Revenue Service, Criminal Investigation.
- The Department recovered \$652,104 in interest earned on grant funds advanced to the University and the University Tennessee Research Foundation from the Recovery Act. Contrary to Federal requirements, the Tennessee SEP had advanced funds to both of these entities in excess of what was immediately needed to pay for actual expenses. These two entities were in possession of over \$18 million in unspent SEP grant funds.
- The Missouri Department of Natural Resources created a new system to track the findings noted in its monitoring visits of weatherized homes, which will allow the State to identify and recommend corrective actions for systemic problems regarding contractors, inspectors and assessors who repeatedly under-perform. Further, Missouri decreased the time between when a home is completed and a monitoring visit is conducted, and began conducting real-time audits with sub-recipients.
- NNSA and Y-12 took steps to ensure that sufficient quantities of highly enriched uranium metal were available to meet mission needs and safeguard against production disruptions. Y-12 controlled its purified metal production, and during FY 2012, Y-12 produced more purified metal that met specification than any other year since the start-up of the process in 2006.
- NNSA and Y-12 took action to recover unallowable costs, and through mediation, a settlement was reached with a subcontractor

and approved by NNSA. Specific information on the amounts contributed by or awarded to each party was not made available; however, concurrence was reached regarding payment through the settlement.

- The Department and ORNL resolved questioned costs. The Contracting Officer made a determination to disallow unresolved questioned costs and UT-Battelle will ensure the amount deemed unallowable is recovered.
- The Department's Office of Electricity Delivery and Energy Reliability (EDER) reviewed the existing Smart Grid Investment Grant Program Management Plan (PMP) and incorporated changes to reflect and strengthen current monitoring practices and procedures. In addition, EDER indicated that it would continue to update the PMP as new practices and procedures are developed and adopted.
- Regarding its Identity Credential and Access Management (ICAM) program, the Department established an integrated project team (IPT) composed of Federal management representatives from its program and staff offices for the purposes of establishing Department-wide ICAM policies, standards and guidelines. Additionally, the ICAM IPT unanimously approved the DOE ICAM Framework that defined the Departmental approach to implementing ICAM.
- The NNSA Enhanced Surveillance subprogram agreed with our concern that tracking cumulative funding spent in the FY 2011 Annual Performance Plan was not the best method to measure performance. As a result, in FY 2012, NNSA deleted the performance measure and replaced it with a new measure that tracks progress toward annual deliverables on a quarterly basis.
- Los Alamos audited and resolved \$4,881,051 in questioned costs that had not previously been audited in accordance with the terms and conditions of its contract with the Department. In addition, the Laboratory repaid the Department \$51,775 in costs claimed during FYs 2008 and 2009 that were unallowable under Federal regulation.
- The Office of Intelligence and Counterintelligence (IN) promptly deleted all retrievable SPOT Reports containing information on U.S. persons that were no longer needed, including electronic media and paper files. IN also ensured that staff were provided additional guidance or policy clarification regarding restrictions on the use or retention of information on U.S. persons without a foreign nexus.
- The LPO indexed, reviewed, and captured the critical documents associated with its loan guarantees into a newly developed document management system.
- OM developed and issued new guidance that sets firm limits on reimbursements and other subsidies for contractor domestic extended personnel assignments that were not covered by other Department guidance. Science also ensured that excessive lodging subsidies were discontinued and initiated a review of contractor policies in this area. Finally, Princeton University agreed to reimburse the Department \$1 million for excessive reimbursements made to two employees at the Princeton Laboratory.
- WAPA ensured necessary project safeguards were in place prior to allowing resumption of construction on a 214-mile transmission line between Great Falls, Montana, and Lethbridge, Alberta, Canada. The project was the first financed using borrowing authority provided to WAPA under

the Recovery Act. Additionally, WAPA resolved issues regarding the long-term funding of Transmission Infrastructure Program activities.

- The EECBG Program developed formal criteria for extending the period of performance for the grant recipients, and requires justification for the extension and a detailed plan for spending the remaining funds within the renegotiated timeframe. Further, the EECBG Program developed criteria for determining when awards should be terminated and unspent balances remitted to Treasury.
- The NYSERDA re-programmed over \$1.2 million of SEP Recovery Act project funds to prevent a violation of grant terms. These funds were transferred to another pressing project priority, and NYSERDA took action to recover \$12,825 in questioned travel costs.
- At the Department's \$12.2 billion WTP, the Department confirmed our concerns about certain incomplete engineering records for the black cell vessels when recently a vessel was shipped to the WTP with the same problems. Additionally, EM and GC have agreed to look into a questioned fee of \$15 million paid to the contractor questioned during our audit.

Congressional Responses

During this reporting period, the OIG testified at four congressional hearings before the following:

- 1) Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, on April 18, 2012. The hearing was entitled, "Budget and Spending Concerns at DOE;"
- 2) Subcommittee on Energy and Environment, House Committee on Science, Space, and Technology, on July 26, 2012. The hearing was entitled, "Review of DOE Vehicle Technologies Program Management and Activities: Assuring Appropriate and Effective Use of Taxpayer Funding;"
- 3) Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, on September 12, 2012. The hearing was entitled, "DOE's Nuclear Weapons Complex: Challenges to Safety, Security, and Taxpayer Stewardship;" and,
- 4) Strategic Forces Subcommittee, House Armed Services Committee, on September 13, 2012. The classified part of the hearing, at which the Inspector General testified, was entitled, "Y-12 Intrusion: Investigation, Response, and Accountability."

Legislative and Regulatory Reviews

The Inspector General Act of 1978, as amended, requires the OIG to review and comment upon legislation and regulations relating to Department programs and to make recommendations concerning the impact of such legislation or regulations on departmental economy and efficiency. The OIG coordinated and reviewed 27 items during this reporting period.

Hotline System

The OIG operates a Hotline System to facilitate the reporting of allegations involving the programs and activities under the auspices of the Department. During this reporting period, the

Hotline received 2,654 contacts (calls, letters, e-mails, walk-ins, and *Qui Tams*); 263 contacts were processed for further review and adjudication; and 2,380 contacts were immediately resolved, redirected, or required no further action. The OIG Hotline System can be reached by calling **1-800-541-1625** or **(202)-586-4073**.

Management Referral System

The OIG referred 109 complaints to Department management and other government agencies during the reporting period and specifically requested Department management to respond concerning the actions taken on 44 of these complaints.

Otherwise, Department management and others were asked to reply only if wrongdoing or misconduct was confirmed or indicators of fraud involving Department programs, contractors, or personnel were identified in response to an OIG referral. The following referrals for which responses were received during this reporting period are examples that demonstrate management's use of OIG provided information to stimulate positive change or corrective action:

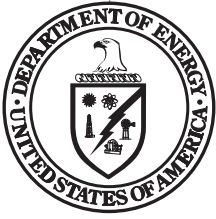
- The OIG referred to the Department environmental, safety and health concerns relating to the removal of reactor control rods by Hanford contractor employees. In response to the referral, the Department determined that contractor personnel failed to adequately review potential hazards associated with this project; however, no environmental detriment or significant personnel exposure occurred. Department management recommended corrective action to ensure improved communication, preparation, documentation and handling of future decontamination and demolition activities.
- In response to an OIG referral, an extent of condition review was conducted of completion rates for annual employee

performance evaluations at the Lawrence Berkeley National Laboratory (Berkeley). As a result of the referral, 2011 performance evaluations for Berkeley Directorate, as well as Berkeley's Nuclear Science and Engineering Divisions, were completed. Additionally, the Berkeley's Internal Audit Director will include an audit of performance evaluations in the FY 2013 Audit Plan. The referral followed allegations that Berkeley management officials had refused to sign employee performance evaluations and failed to distribute them to employees thereby undermining opportunities for advancement or opportunities to address poor performance.

- In response to an OIG referral, Bonneville confirmed allegations that a Field Inspector (Inspector) kept a personally owned pistol in the Inspector's assigned Government vehicle. The Inspector was suspended without pay for 2 weeks for violating Bonneville policy. The Inspector and other Bonneville employees were briefed on Bonneville's policies requiring firearms and Government vehicles.

Qui Tams

Since 1996, the OIG has been instrumental in working with the DOJ in *Qui Tam* cases. The OIG is currently working on 14 *Qui Tam* lawsuits involving alleged fraud against the Government with potential liability in the amount of approximately \$91.2 million. While these cases are highly resource intensive, requiring extensive OIG investigative and audit effort, they have proven to result in a high return on our investment.



Appendix 1 - Reports



Recovery Act and Recovery Act-Related Reports Issued

April 1, 2012 – September 30, 2012

Report Number	Title	Date Issued	Savings	Questioned Costs
OAS-RA-12-07	<i>The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of New York</i>	04-06-12		\$17,000
OAS-RA-12-08	<i>The Department of Energy's American Recovery and Reinvestment Act – New York State Energy Program</i>	04-19-12	\$1,200,000	\$12,825
OAS-RA-12-09	<i>The Department of Energy's Energy Efficiency and Conservation Block Grant Program Funded under the American Recovery and Reinvestment Act for the City of Philadelphia</i>	04-23-12		\$2,205,700
OAS-RA-12-10	<i>The Department of Energy's American Recovery and Reinvestment Act – Washington State Energy Program</i>	05-05-12		\$646,633
OAS-RA-12-11	<i>The Department of Energy's Transportation Electrification Program</i>	05-10-12		
OAS-RA-12-12	<i>The Department of Energy's Clean Cities Alternative Fuel Vehicle Grant Program Funded under the American Recovery and Reinvestment Act</i>	05-22-12		\$7,015,000
OAS-RA-12-13	<i>The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Ohio</i>	06-25-12		\$609,300



Recovery Act and Recovery Act-Related Reports Issued

April 1, 2012 – September 30, 2012

Report Number	Title	Date Issued	Savings	Questioned Costs
OAS-RA-12-14	<i>Inquiry into the Procurement of Law Firm Services and Management of Law Firm-Disclosed Organizational Conflicts of Interest by the Department of Energy's Loan Programs Office</i>	08-28-12		
OAS-RA-L-12-04	<i>The Department of Energy's American Recovery and Reinvestment Act – Tennessee State Energy Program</i>	04-30-12	\$652,104	
OAS-RA-L-12-05	<i>Follow-up on the Department of Energy's Implementation of the Advanced Batteries and Hybrid Components Program Funded under the American Recovery and Reinvestment Act</i>	07-10-12		
OAS-RA-L-12-06	<i>The Department of Energy's American Recovery and Reinvestment Act – Missouri State Energy Program</i>	07-20-12		
OAS-RA-L-12-07	<i>Examination Report "The Department of Energy's American Recovery and Reinvestment Act – Ohio State Energy Program"</i>	09-20-12		

Other Audit Reports Issued

April 1, 2012 – September 30, 2012

Report Number	Title	Date Issued	Savings	Questioned Costs
IG-0862	<i>Use of Noncompetitive Procurements to Obtain Services at the Savannah River Site</i>	04-10-12		
IG-0863	<i>The Department of Energy's \$12.2 Billion Waste Treatment and Immobilization Plant – Quality Assurance Issues – Black Cell Vessels</i>	04-25-12		\$15,000,000
IG-0864	<i>Extended Assignments at Princeton Plasma Physics Laboratory</i>	05-17-12		
IG-0865	<i>Efforts by the Department of Energy to Ensure Energy-Efficient Management of its Data Centers</i>	05-25-12		
IG-0866	<i>Integrated Safety Management at Sandia National Laboratories</i>	05-31-12		
IG-0867	<i>The National Nuclear Security Administration Contractors' Disability Compensation and Return-to-Work Programs</i>	06-18-12	\$3,304,093	\$1,260,000
IG-0868	<i>Inquiry into the Security Breach at the National Nuclear Security Administration's Y-12 National Security Complex</i>	08-29-12		
IG-0869	<i>Opportunities for Energy Savings at Department of Energy Facilities</i>	08-31-12	\$6,600,000	
IG-0870	<i>Follow-up Audit of the National Nuclear Security Administration's W76 Nuclear Warhead Refurbishment Program</i>	09-26-12		
OAS-M-12-04	<i>The Department of Energy's Renewable Energy Efforts</i>	04-30-12		
OAS-M-12-05	<i>Office of Secure Transportation Capabilities</i>	06-29-12		
OAS-L-12-04	<i>Questioned, Unresolved and Potentially Unallowable Costs Incurred by Los Alamos National Laboratory during Fiscal Years 2008 and 2009</i>	04-19-12		

Other Audit Reports Issued

April 1, 2012 – September 30, 2012

Report Number	Title	Date Issued	Savings	Questioned Costs
OAS-L-12-05	<i>The Joint Actinide Shock Physics Experiment Research Facility at the Nevada National Security Site</i>	04-23-12		
OAS-L-12-06	<i>Oak Ridge National Laboratory's Waste Diversion Efforts</i>	07-20-12		
OAS-L-12-07	<i>The Global Threat Reduction Initiative's Molybdenum-99 Program</i>	07-20-12		
OAS-L-12-08	<i>Y-12 National Security Complex's Waste Diversion Efforts</i>	07-20-12		
OAS-L-12-09	<i>Tank Waste Feed Delivery System Readiness at the Hanford Site</i>	08-23-12		
OAS-L-12-10	<i>Follow-up Audit of the Stockpile Surveillance Program</i>	09-13-12		
OAS-L-12-11	<i>Inquiry into the De-Inventory of Special Nuclear Material at Lawrence Livermore National Laboratory</i>	09-21-12		
OAS-FS-12-09	<i>Management Letter on the Department of Energy's Isotope Development and Production for Research and Applications Program's</i>	06-18-12		
OAS-FS-12-10	<i>Southwestern Federal Power System's Fiscal Year 2010 Financial Statement Audit</i>	07-30-12		
OAS-V-12-05	<i>Audit Coverage of Cost Allowability for Los Alamos National Laboratory during Fiscal Years 2008 and 2009 under Department of Energy Contract No. DE-AC52-06NA25396</i>	04-03-12		\$439,084,955
OAS-V-12-06	<i>Audit Coverage of Cost Allowability for Princeton Plasma Physics Laboratory during Fiscal Years 2009-2010 under Department of Energy Contract Numbers DE-AC02-76CH03073 and DE-AC02-09CH11466</i>	05-08-12		\$1,040,000

Other Audit Reports Issued

April 1, 2012 – September 30, 2012

Report Number	Title	Date Issued	Savings	Questioned Costs
OAS-V-12-07	<i>Audit Coverage of Cost Allowability for B&W Technical Services Y-12, LLC, under Department of Energy Contract No. DE-AC05-00OR22800 during Fiscal Year 2010</i>	05-30-12		\$93,496,157
OAS-V-12-08	<i>Audit Coverage of Cost Allowability for DM Petroleum Operations Company under Department of Energy Contract Number DE-AC96-03PO92207 during Fiscal Years 2009 through 2011</i>	07-11-12		
OAS-V-12-09	<i>Audit Coverage of Cost Allowability for Battelle Energy Alliance, LLC, under Department of Energy Contract No. E-AC07-05ID14517 during Fiscal Year 2010</i>	08-01-12		\$10,400,000
OAS-V-12-10	<i>Audit Coverage of Cost Allowability for Jefferson Science Associates, LLC, under Department of Energy Contract Number DE-AC05-06OR23177 during Fiscal Years 2006 – 2010</i>	08-24-12		
OAS-V-12-11	<i>Audit Coverage of Cost Allowability for Bechtel Marine Propulsion Corporation, under Department of Energy Contract No. DE-NR0000031 during October 1, 2010 through September 30, 2011</i>	09-27-12		

Other Inspection Reports Issued

April 1, 2012 – September 30, 2012

Report Number	Title	Date Issued	Savings	Questioned Costs
INS-L-12-03	<i>Alleged Health and Wellness Benefit Irregularities by a Department Contractor</i>	05-21-12		
INS-L-12-04	<i>Alleged Procurement and Hiring Practice Irregularities within the Office of Policy and International Affairs</i>	06-22-12		
INS-O-12-02	<i>Management of Explosives at Selected Department Sites</i>	07-02-12		
INS-L-12-05	<i>Alleged Ethical and Procurement Concerns at the Office of Nuclear Energy</i>	08-16-12		
INS-L-12-06	<i>Alleged Storage Capacity Concerns at the Strategic Petroleum Reserve</i>	09-26-12		
INS-L-12-07	<i>Alleged Waste and Abuse in the Office of Economic Impact and Diversity</i>	09-27-12		



Appendix 2 - Tables

Audit and Inspection Reports with Recommendations for Better Use of Funds

April 1, 2012 – September 30, 2012
(Dollars in Thousands)

The following table shows the total number of reports and the total dollar value of the recommendations that funds be put to better use by management:

	Total Number	One Time Savings	Recurring Savings	Total Savings
A. Those issued before the reporting period for which no management decision has been made: *	3	\$611,297,657	\$0	\$611,297,657
B. Those issued during the reporting period:	30	\$11,756,197	\$0	\$11,756,197
Subtotals (A + B)	33	\$623,053,854	\$0	\$623,053,854
C. Those for which a management decision was made during the reporting period: *	14	\$110,362,510	\$0	\$110,362,510
(i) Agreed to by management:		\$86,250,340	\$0	\$86,250,340
(ii) Not agreed by management:		\$11,900,000	\$0	\$11,900,000
D. Those for which a management decision is not required:	15	\$652,104	\$0	\$652,104
E. Those for which no management decision has been made at the end of the reporting period: *	4	\$524,903,514	\$0	\$524,903,514

Definition of Terms Used in the Table

Funds put to better use: Funds that could be used more efficiently by implementing recommended actions.

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

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

**The figures for dollar items included sums for which management decisions on the savings were deferred and, in some cases, awaiting determination by the Contracting Officer.*

Audit and Inspection Reports with Questioned Costs

April 1, 2012 – September 30, 2012

(Dollars in Thousands)

The following table shows the total number of reports and the total dollar value of questioned and unsupported costs.

	Total Number	Questioned Costs	Unsupported Costs
A. Those issued before the reporting period for which no management decision has been made:*	0	\$87,714,732	\$401,801
B. Those issued during the reporting period:	10	\$570,128,112	\$659,458
Subtotals (A + B)	10	\$657,842,844	\$1,061,259
C. Those for which a management decision was made during the reporting period:*	9	\$570,243,685	\$932,059
(i) Value of disallowed costs:		\$1,585,838	\$239,497
(ii) Value of costs not disallowed:		\$16,199,635	\$33,104
D. Those for which a management decision is not required:	0	\$0	\$0
E. Those for which no management decision has been made at the end of the reporting period:*	1	\$640,057,371	\$788,658

Definition of Terms Used in the Table

Questioned costs: A cost that is (1) unnecessary; (2) unreasonable; (3) unsupported; (4) or an alleged violation of law, regulation, contract, etc.

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

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

*The figures for dollar items included sums for which management decisions on the savings were deferred and, in some cases, awaiting determination by the Contracting Officer.

Reports Lacking Management Decision

The Department has a system in place to track audit and inspection reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by audit agencies and agreed to by management are addressed as efficiently and expeditiously as possible. There were no audit reports from prior Semiannual reporting periods that were issued before the beginning of this reporting period and for which no management decision had been made by the end of this reporting period.

Prior Significant Recommendations Not Implemented

As of September 30, 2012, closure actions on recommendations in 40 OIG reports had not been fully implemented within 12 months from the date of report issuance. The OIG is committed to working with management to expeditiously address the management decision and corrective action process, recognizing that certain initiatives will require long-term, sustained, and concerted efforts. The Department has closed 142 recommendations in the past 6 months. Management updates the Departmental Audit Report Tracking System on a quarterly basis, most recently on September 30, 2012. Information on the status of any report recommendation can be obtained through the OIG's Office of Audits and Inspections.

Summary of Investigative Activities

April 1, 2012 – September 30, 2012

Cases open as of April 1, 2012	251
Cases opened during period	63
Cases closed during period	70
Multi-Agency Task Force Cases Opened	25
<i>Qui Tam</i> investigations opened	3
Total Open <i>Qui Tam</i> investigations as of September 30, 2012	14
Cases currently open as of September 30, 2012	244
IMPACT OF INVESTIGATIONS:	
Administrative discipline and other management actions	39
Recommendations to management for positive change and other actions	33
Suspensions/Debarments	13
Accepted for prosecution*	18
Indictments	21
Criminal convictions	14
Pre-trial diversions	2
Civil actions	8
TOTAL DOLLAR IMPACT** (Fines, settlements, recoveries)	\$19,406,515

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

** Some of the money collected was the result of task force investigations involving multiple agencies.

Summary of Investigative Activities (con't)

HOTLINE ACTIVITY

April 1, 2012 – September 30, 2012

Total Hotline calls, emails, letters, and other complaints (contacts)	2,654
• Hotline contacts resolved immediately/redirected/no further action	2,380
• Hotline contacts predicated for further review and adjudication	263
• Hotline predications open at the end of previous reporting period	11
Total Hotline predications processed this reporting period:	274
• Hotline predications transferred to an OIG Program Office	35
• Hotline predications referred to Department management or other entity for information/action	109
• Hotline predications closed based upon preliminary OIG activity & review	77
• Hotline predications awaiting referral	11
• Hotline predications open at the end of the reporting period	42

Summary of Section 1553 Retaliation Complaints

April 1, 2012 – September 30, 2012

Recovery Act Whistleblower Retaliation Complaints received	5
Accepted Complaints carried over from prior period(s)	2
Disposition of Whistleblower Retaliation Complaints:	
• Reports issued	2
• Complaints Dismissed:	
- Elected another forum	0
- Complaints withdrawn	0
- Upon receipt of Complaint, determined not related to covered funds at the outset	0
- After investigation, determined not related to covered funds after investigation	0
Recovery Act Complaints that received extensions	1

Peer Reviews

April 1, 2012 – September 30, 2012

Results of Reviews Conducted by DOE/OIG: *Office of Audits and Inspections*

Date of Recent Peer Review(s)	Reviewed OIG	Outstanding Recommendations
09/2012	U.S. Agency for International Development	None*

Results of Reviews Conducted by DOE/OIG: *Office of Investigations*

Date of Recent Peer Review(s)	Reviewed OIG	Outstanding Recommendations
07/31/2012	Federal Deposit Insurance Commission-OIG	None*

Results of Reviews Conducted by Other OIGs: *Office of Audits Services*

Date of Recent Peer Review(s)	Reviewing OIG	Requirements For Review Frequency	Outstanding Recommendations/Link
N/A			

Results of Reviews Conducted by Other OIGs: *Office of Investigations*

Date of Recent Peer Review(s)	Reviewing OIG	Requirements For Review Frequency	Outstanding Recommendations/Link
N/A			

* There are no outstanding recommendations from any previous peer reviews.

Feedback Sheet

The contents of the September 2012 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 complete this feedback sheet and return it to:

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ATTN: Linda Snider

Name: _____

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Comments/Suggestions/Feedback:

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