

TABLE 10
COSTS OF FOREIGN TRAVEL

TRIP NUMBER	DATES OF TRIP	COUNTRY	PURPOSE	PARTICIPANTS*		COST**
				FEDS	NON-FEDS	
<u>1993</u>						
1	June 1-5	France	International Energy Agency Ministerial Meeting	8	0	\$43,645
2	Sept 24-Oct 2	Austria Russia	International Atomic Energy Agency General Conference Gore-Chernomyrdin Commission on Energy and Space Energy Policy Committee	35	0	\$186,025
3	Oct 22-26	England	Keynote address to the "Oil & Money" Conference	13	0	\$67,591
4	Dec 12-17	Russia	Gore-Chernomyrdin Commission on Energy and Space ***	6	0	\$13,455
<u>1994</u>						
5	Feb 5-8	Ivory Coast	Head of the Presidential Delegation for the Funeral of President Houphouet-Boigny ***	7	0	\$11,153
6	July 7-15	India	Presidential Mission on Sustainable Energy and Trade	42	38	\$739,320
7	Aug 31-Sept 5	Belgium	50th Anniversary of the Liberation of Belgium	6	0	\$17,780
8	Sept 16-25	Austria Pakistan	International Atomic Energy Agency General Conference Presidential Mission on Energy Investment	65	47	\$590,999
9	Dec 12-19	Russia Sweden	Gore-Chernomyrdin Commission on Energy and Space *** Tour of Swedish Nuclear Waste Facility	19	0	\$104,395
<u>1995</u>						
10	Feb 9-25	India Hong Kong China	Return Journey to India Prelude to Presidential Mission to China Presidential Mission on Sustainable Energy and Trade	85	53	\$1,079,894
11	May 17-27	France Azerbaijan Italy	International Energy Agency Ministerial Meeting Principal Speaker at International Caspian Oil & Gas Exhibition *** Keynote Speaker at the 1995 World Geothermal Conference	30	2	\$291,524
12	June 7-11	Costa Rica	Joint Implementation Workshop/Signature of Agreement	14	1	\$53,270
13	June 26-July 1	Russia	Gore-Chernomyrdin Commission on Energy and Space	14	0	\$64,538
14	August 18-28	South Africa	Clinton Administration Delegation on Sustainable Energy and Empowerment to South Africa	64	50	\$1,010,392
15	Sept 13-20	Czech Rep. Austria	U.S. Country Studies Workshop; Center for Clean Air Policy Joint Implementation Project International Atomic Energy Agency General Conference	25	8	\$181,612
16	Nov 29-Dec 7	South Africa	Gore-Mbeki Binational Commission ***	12	8	<u>\$125,078</u>
Total Foreign Travel Costs						\$4,580,671

*Includes all Federal and non-Federal individuals identified as using Government-arranged air. For those trips with multiple destinations, the numbers reflect individuals that were at any of the trip destinations.

**Includes the identified DOE airfare, meals and incidental expenses, lodging costs, contractor support costs, and embassy support costs as identified in the DOE accounting system.

***Some air transportation paid for by another Government agency.

The trade missions costs are shown in Table 11. This table includes costs for travel, embassy support, and contractor support services for the four trade missions.

The first column, “Travel Costs,” shows the costs for charter and commercial airfare services, and other services such as lodging, meals and incidentals. The second column, “Embassy Support Costs,” shows the costs Department officials identified in the accounting system as amounts charged the Department to reimburse U.S. embassies for costs they incurred in support of the trade missions. The third column, “Contractor Support Cost,” shows the costs for services provided by the Department’s management and operating subcontractors and support services contractors. Each of these three columns will be discussed in the following three sections.

TABLE 11
TRADE MISSION COST SUMMARY

COUNTRY/ DESTINATION	TRAVEL COSTS	EMBASSY COSTS	CONTRACTOR SUPPORT COSTS	TOTAL DOE COSTS
India	\$ 670,912	\$ 42,764	\$ 25,644	\$ 739,320
Austria/Pakistan*	488,360	99,053	3,586	590,999
India/Hong Kong/China**	799,573	188,018	92,303	1,079,894
South Africa	601,390	193,799	215,203	1,010,392
TOTAL COSTS	\$ 2,560,235	\$ 523,634	\$ 336,736	\$ 3,420,605

*Department commented that \$54,595 of costs were incurred in Austria and not on the Pakistan Trade Mission.

**Department commented that \$23,492 of costs were incurred in India and not on the China Trade Mission.

2. Travel Costs

Our review of trade mission travel costs included: (1) an audit of the Federal travel vouchers for the India and Pakistan trade missions, (2) a limited review of Federal travel vouchers for the China and South Africa trade missions, which were audited by the Department, and (3) an assessment of the Department’s system for approving foreign travel and auditing foreign travel vouchers. As shown in Table 12, total travel costs for the four trade missions were \$2,560,235 which were comprised of costs associated with charter and commercial air transportation services (columns 1 and 2) and other services such as lodging and meals, and incidental expenses (column 3). Travel costs were

determined based on accounting reports showing costs paid by the Department as a result of travel vouchers submitted by travelers. DOE spent \$3.37 million in travel costs supporting the Secretary's 16 trips.

TABLE 12
TRADE MISSION TRAVEL COSTS

Country/ Destination	Charter Costs to DOE	Commercial Airfare Costs	Other Costs*	Total Travel Costs
India	\$ 498,965	\$ 92,675	\$ 79,272	\$ 670,912
Austria/Pakistan	236,632	100,920	150,808	488,360
India/Hong Kong/China	331,716	208,989	258,868	799,573
South Africa	280,646	175,625	145,119	601,390
Total	\$ 1,347,959	\$ 578,209	\$ 634,067	\$ 2,560,235

*Lodging, meals and incidental expenses.

We audited 94 foreign travel vouchers covering \$157,040 of the travel costs. Of the 94 vouchers we audited, 16 were for foreign travel by the Secretary from June 1993 to December 1995; 36 were for travelers who went to India during June/July 1994; and 42 were for travelers who went to Pakistan during September 1994.

Our audit of vouchers included the following:

- Identifying reimbursement for unallowable costs.
- Verifying per diem rates and accurate mathematical calculations.
- Reviewing justifications for air transportation seating upgrades.
- Reviewing travel authorizations and vouchers for proper authorization and approval.

The audit of travel vouchers was based on Federal and Department of Energy requirements for foreign travel. These requirements were included in Title 41, Code of

Federal Regulations, Chapter 301, Travel Allowances and DOE Orders 1500.2A, Travel Policy and Procedures, and 1500.3, Foreign Travel Authorization. We also held discussions with representatives of the Office of Headquarters Accounting Operations regarding the results of our audit of travel vouchers.

Travel Voucher Audit Results

Our review of 94 foreign travel vouchers identified an average of one error per voucher, which resulted in identifying \$1,841 in unallowable costs. We also identified the payment of incorrect per diem rates and mathematical errors. We discussed these findings with officials from the Department's Office of Headquarters Accounting Operations, who stated that they generally agreed with our results and that they believed most of the types of errors identified should be eliminated in the future by use of the Department's automated Travel Management system. They stated that this system was implemented in 1993 and was required to be used by program offices for travel vouchers and travel authorizations effective April 22, 1996.

The \$1,841 of unallowable costs included reimbursements for laundry expenses when authorized to receive a fixed rate for meals and incidental expenses (M&IE), overpayments of personal phone calls and reimbursements of photography without the required prior approval. Although there were a variety of unallowable costs, the reimbursement for laundry expenses, when on fixed M&IE was \$1,062, or 55 percent of total unallowable costs. The unallowable laundry costs were primarily found on the Secretary's travel vouchers -- \$952. We noted that the Secretary had reimbursed the Department \$451 of the \$952 prior to our review. In response to a May 16, 1996, memorandum from the Office of Chief Financial Officer, the Secretary paid the Department the balance of unallowable laundry expenses included on her travel vouchers.

Management Comments. Management commented that:

"Department of Energy personnel are allowed certain expenses within the bounds of their travel documents. Administrative staff most specifically, will allot an amount in the miscellaneous portion of their travel authorization to cover such expenses. These travel authorization are signed and approved by at least two separate individuals. Further clarification on this issue would be helpful. As cited: '... equipment handling without prior approval . . .', in one instance, due to change in airports porters with large dollies were needed to transfer equipment. Charge was f25 or approximately \$40."

Inspector Comments. During our review of trade mission travel costs it was determined that the travelers' costs associated with equipment handling costs were unallowable. Equipment handling costs were considered unallowable if prior authorization was not received. These unallowable costs for equipment handling were discussed with officials from the Department's Office of Headquarters Accounting Operations, and they agreed that the costs associated with equipment handling were unallowable and should be

collected from the traveler. After further review it was determined that prior approval was included on the travel authorizations for "excess baggage," which includes handling of Government property, and these costs should be allowable. The unallowable costs discussed in the report have been reduced to \$1,841 and "equipment handling" has been deleted from the report as an unallowable cost.

Furthermore, we found that the wrong per diem rates were used approximately 65 times on the vouchers we reviewed. Per diem is a daily payment of allowances for taxes, lodging, meals, and incidental expenses. The errors regarding per diem rates consisted of wrong M&IE and lodging rates, incorrect prorated per diem, reimbursement of actual lodging when on a fixed per diem rate and vice versa, payment of actual lodging when the traveler was not authorized actual lodging and reimbursement of M&IE and/or lodging rates for the wrong number of days. We also found 13 mathematical errors.

Finally, our review of the 94 foreign travel vouchers identified that travel authorizations were properly approved. We also found that 27 travelers upgraded to business class from coach. All upgrades were accompanied with justifications.

The Director of the Office of Headquarters Accounting Operations generally concurred with the results of our review. In a document dated March 29, 1996, he stated that although he did not see any obvious examples of waste, fraud or abuse in the errors that we found, he believed our analysis to be highly accurate.

The Director stated that the majority of errors we identified were clerical in nature and in the future will be caught by using Travel Manager software. Implementation of the Travel Manager system by the Office of Chief Financial Officer began in 1993. This software provided a user-friendly and accurate automated system in which to prepare travel authorizations and vouchers. The use of Travel Manager software recently became a requirement as a result of streamlining within the Department.

A memorandum dated March 26, 1996, entitled, "Travel Authorization and Voucher Processing to Heads of Headquarters Elements," required all Headquarters travel authorizations and vouchers to be prepared using the Travel Manager software by April 22, 1996. A CFO official stated that use of this software will streamline and simplify travel processing for both the traveler and the Travel Audit Section. The official also stated that using Travel Manager software will eliminate most types of errors identified in our review.

Reduction of Meals and Incidental Expenses

We found that all DOE travelers whose vouchers we reviewed, except one person, claimed full per diem for each day of travel. During each trade mission, breakfast, lunch, or dinner was shown on an itinerary as part of an official function. According to Title 41, Code of Federal Regulations, Chapter 301-7.12, "Reductions in Maximum Per Diem Rates When Appropriate," travelers are required to reduce their per diem allowance appropriately when meals are furnished by the Federal government.

Based on interviews and a review of official itineraries for the four trade mission trips, we identified 30 functions where breakfast, lunch, and dinner were provided. According to one Department official who traveled on these trade missions, many DOE travelers attended these functions. We reviewed 220 vouchers for the four trade missions and determined only one traveler reduced his M&IE. Not only was there little offset of M&IE, but some of these meals were paid for by DOE through the embassy.

Management Comments. Management commented that:

“The report does not mention that many of the Federal employees on the trade missions worked ‘behind the scenes.’ They did not attend or eat at the functions discussed in the report, and therefore were not required to deduct anything from their per diem.”

Inspector Comments. It is also our understanding that many of the trade mission travelers worked “behind the scenes” and may not have attended or eaten at the functions discussed in the report. The Office of the Chief Financial Officer has asked each trade mission traveler to review trade mission vouchers and modify them to properly reduce their per diem amounts to reflect provided meals.

Table 13 identifies the allowable amount of M&IE per day, the amount that the M&IE should have been reduced for each type of function, and the number of functions for each of the trade missions where meals may have been provided. The table also identifies the number of Federal travelers whose vouchers we reviewed for meal offset, the number of Department of Energy official delegates who were on the trade missions, and the number of instances where we identified a Federal traveler who reduced M&IE costs to reflect the receipt of free meals.

One Federal traveler who participated in all four trade missions stated that she did not reduce her M&IE for meals that were provided. She also stated that she did not remember discussing with anyone the requirements for reducing or not reducing M&IE for meals that were provided. Another Federal traveler stated that he recalled eating mostly at official meals and did not pay for “a lot of food.” He also stated that he did not recall how he paid, but it would be indicated on his travel voucher. The voucher for this individual was not reduced for meals provided.

We discussed the issue regarding the lack of reduction in M&IE with the Director of the Office of Headquarters Accounting Operations. The Director stated that the Travel Audits Office was not aware of this information when they audited the vouchers and had no way of identifying that travelers attended functions where meals were provided. He also stated his office would be unable to determine who ate the meals provided at

TABLE 13
Inventory of Meals and Associated M&IE Offsets

Country/ Destination	Date	Functions Designated as Meals	Total M&IE per day	Appropriate Reduction per Meal	Number of Federal Travelers Reviewed for Meal Offsets	Number of DOE Official ¹ Delegates	Number of Federal Travelers Who Reduced M&IE ²
India	9-Jul-94	Dinner hosted by Chadbourne & Parke	\$ 45.00	\$ 18.00	37	9	0
	10-Jul-94	Luncheon hosted by Minister Salve	45.00	11.00			
	11-Jul-94	Luncheon-Confederation of Indian Industry	45.00	11.00			
	12-Jul-94	Breakfast with Minister Kumar & O'Leary	45.00	7.00			
	12-Jul-94	Luncheon-Energy Summit	45.00	11.00			
	12-Jul-94	Dinner hosted by Rama Goenka	45.00	18.00			
	13-Jul-94	Roundtable Luncheon hosted by Minister of Environment Nath	45.00	11.00			
	14-Jul-94	Dinner hosted by Maharasha State Chief Minister Pawar	41.00	17.00			
		Sub Total		\$ 104.00			
Austria/ Pakistan	22-Sep-94	Breakfast Meeting with Prime Minister Bhutto	\$ 38.00	\$ 6.00	42	13	1
	22-Sep-94	Dinner at Lahore Fort	31.00	12.00			
	23-Sep-94	Financing Breakfast at State Guest House	31.00	5.00			
	23-Sep-94	Dinner Hosted by Secretary O'Leary & Ambassador Monjo	38.00	15.00			
	24-Sep-94	Luncheon hosted by Prime Minister Bhutto	38.00	10.00			
	24-Sep-94	Dinner hosted by President Leghari	38.00	15.00			
India/Hong Kong/ China		Sub Total		\$ 63.00	80	19	0
	20-Feb-95	Delegation Breakfast	\$ 95.00	\$ 14.00			
	20-Feb-95	Lunch hosted by Vice Mayor Hua Jianmin	95.00	24.00			
	21-Feb-95	Welcome Dinner hosted by the Peoples Republic of China	70.00	28.00			
	22-Feb-95	American Chamber of Commerce Luncheon	70.00	17.00			
	22-Feb-95	Renewable Energy Dinner	70.00	28.00			
	23-Feb-95	Secretarial Oil & Gas Breakfast	70.00	11.00			
	23-Feb-95	Secretarial Sustainable Energy Luncheon	70.00	17.00			
	24-Feb-95	US/China Business Council Luncheon	70.00	17.00			
		Sub Total		\$ 156.00			
South Africa	20-Aug-95	Delegation Breakfast	\$ 48.00	\$ 7.00	61	17	0
	21-Aug-95	Delegation Breakfast & Meeting	48.00	7.00			
	21-Aug-95	Business Delegation Lunch	48.00	12.00			
	23-Aug-95	Delegation Meeting & Breakfast	50.00	8.00			
	23-Aug-95	Energy Summit Lunch	50.00	12.00			
	24-Aug-95	Delegation Breakfast & Meeting	50.00	8.00			
	24-Aug-95	Dinner Hosted by American Chamber of Commerce	50.00	20.00			
	26-Aug-95	Luncheon Hosted Premier Dipico	50.00	12.00			
		Sub Total		\$ 86.00	220		
		Total		\$ 409.00			

Note: Unable to determine number of travelers who attended the functions.

1. Number of Official Delegates the Department listed in documents provided to Chairman Barton.

2. M&IE - Meals and Incidental Expenses; Note that one traveler claimed a reduction of \$84 for the Pakistan trip.

these functions. The Director stated that officials in his office will discuss the possibility of sending a letter to all travelers, who attended the trade missions, asking them to reimburse the government for the amount that their M&IE should have been reduced because they attended functions where meals were provided.

RECOMMENDATION 8: We recommend the Chief Financial Officer include provisions in DOE N 551.1, "International Travel," to remind travelers of Federal travel regulations requiring that they reduce their M&IE for meals they are provided.

Management Update on Status of Corrective Actions. Management stated that the CFO "has ensured final policy was modified to include reminder," "has issued a DOE Cast [Department-wide E-mail message] addressing this issue," and "is working with the Travel Manager software to improve checks and balances."

The Department provided a June 12, 1996, "Memorandum for Trade Mission Participants," which stated that:

"The Inspector General's draft report indicates that many trade mission travelers did not deduct meals that were provided to them. The Office of the Chief Financial Officer is therefore conducting a review to ensure that all travelers properly reduce their per diem amounts to reflect the meals that were provided to them on these missions."

This memorandum included attachments consisting of DOE Order 1500.2A Chg. 11, IV-5, dated April 16, 1993; Federal Travel Regulation, Chapter 301 - Travel Allowances; Instructions for Per Diem/M&IE [Calculations]; and Table 13 - Inventory of Meals and Associated M&IE Offsets from the "Initial Draft Report on the Inspection of the Secretary of Energy's Foreign Travel." Additionally, the Department provided "DOE Employees M&IE Reimbursement for Trade Missions" reflecting the status of the recoupment of the M&IE offset costs.

DOE M 551.1-1 includes a provision relating to the reduction of M&IE for meals provided to Federal travelers. DOE M 551.1-1, "Meal Deductions," states that "Federal travelers are required to deduct the designated amounts from the meal portion of their allowances for every meal provided to them incident to their official travel (e.g., meals provided in connection with an official luncheon meeting)."

Inspector Comments. The Department's update on the status of corrective actions did not include a copy of the DOE Cast addressing this issue or documentation regarding the status of the work that is being done with the Travel Manager software to improve checks and balances. DOE M 551.1-1 does include a provision relating to the reduction of M&IE. This recommendation should remain open until the work is completed on the planned changes to Travel Manager.

Subsequent Management Comments on the Official Draft Report. Management stated that:

"In the Initial Draft Report you requested that we include a reminder in the international travel policy concerning reduction of expenses for meals which are provided. On July 31, 1996, we issued DOE M-551, which included this reminder.

"In the Official Draft Report, you request that we forward to you a copy of the DOECast on this issue, and demonstrate to you the changes we made to the Travel Manager software. We are attaching a hard copy of the DOECast requested, which was made widely available to DOE employees. With respect to changing the Travel Manager software, an on-screen prompt already exists reminding travelers to reduce miscellaneous and incidental expenses by meals that are provided. In addition, we will reemphasize the reminder of DOE M-551.1 and the automatic prompt in the Travel Manager software in our continuing program of training on the use of this software."

Inspector Comments: We consider management's actions to be responsive; therefore, this recommendation may be closed.

RECOMMENDATION 9: We recommend the Chief Financial Officer contact all Federal travelers that submitted vouchers on the four trade mission trips, inform these employees of the M&IE offset issue, and request that the employees reimburse the Department for the amount appropriate.

Management Update on Status of Corrective Actions. Management stated that a "[m]emorandum was issued on 6/12/96 to travelers requesting review and reimbursement and responses have been received from a majority of trade mission participants."

Inspector Comments. The Department provided a letter dated May 16, 1996, from the Deputy General Counsel, subject: "Per diem and Meals-and-Incidental-Expenses Deductions When Complimentary Meals are Received During Official Travel," which described (1) pertinent ground rules concerning official traveler who receives meals paid for by the Government and (2) a DOE official traveler who receives meals paid for by anyone other than the traveler while on official travel. This letter also included attachments consisting of DOE Order 1500.2A Chg. 11, IV-5, dated April 16, 1993, and 41 C.F.R. 301-7.12, "Reduction in maximum per diem rates when appropriate."

The Department also provided the June 12, 1996, "Memorandum for Trade Mission Participants," which stated that "EACH TRADE MISSION TRAVELER SHOULD REVIEW TRADE MISSION VOUCHERS AND MODIFY THEM TO REFLECT PROVIDED MEALS."

According to the documentation provided by the Department, as of August 1, 1996, the Department has recouped approximately \$2,424 for M&IE offset costs.

This recommendation should remain open until all of the applicable M&IE offset costs are recouped from the trade mission Federal travelers.

Subsequent Management Comments on the Official Draft Report. Management stated that:

"In the Initial Draft Report, you requested that we contact all Federal employees on the trade missions and obtain reimbursement for appropriate miscellaneous and incidental expenses. We have located and contacted 129 of the 139 employees involved and collected the \$3259.21 due. With respect to the remaining 10 employees all of whom have left the Department, we are continuing our efforts to locate them through all available sources so that they can identify for us whether they inappropriately received payment for miscellaneous and incidental expenses; and ensuring they have complied fully with the proper requirements."

"In the Official Draft Report you request that we completely recoup outstanding amounts. We will continue to pursue all amounts due for meals and incidental expenses received."

Inspector Comments. We consider management's actions to be responsive; therefore, this recommendation may be closed.

3. Embassy Support Costs

As of May 1, 1996, DOE accounting system records showed Department officials had identified \$819,091 in embassy support costs with 12 of the Secretary's foreign trips. These costs included \$523,634, which were identified with the four trade missions, leaving a balance of \$295,457 for the eight other foreign trips. Of the \$523,634 identified with the four trade missions, \$325,828 were still in a DOE suspense account used for embassy costs until Human Resources officials could determine the validity of these costs. Further, an additional \$279,155 (not included in the \$819,091) in embassy support costs that were not identified with specific trips, also had been applied to the DOE suspense account.

As a separate effort, we reviewed documents other than the accounting system records and identified, through this approach, embassy support charges totaling \$549,299. These charges were identified by a review of "1221 Summaries" prepared by DOE accounting officials, records provided by Human Resources officials, and other documents.

Embassy Support Cost Process

This section describes the embassy support cost process Department officials followed to obtain support from U.S. embassies and to reimburse them for costs incurred in support of the Department's foreign travel. Our discussion is based primarily on a review of the process used to acquire embassy support for the four trade missions. This section will

focus on (1) policies and procedures used by the Department for the trade missions; (2) Department actions to identify and apply embassy support costs; (3) interim policies and procedures; (4) four trade missions where embassy support costs were incurred; (5) “reception and representation” expenditures; (6) personal and other improper expenses paid by the Department; (7) inadequate internal controls; and 8) Accounting and Program Office coordination.

Policies and Procedures Used by the Department for the Trade Missions

At the time the four trade missions occurred, Human Resources officials did not have written procedures for obtaining U.S. Embassy support. However, Office of Headquarters Accounting Operations (Accounting) officials had written procedures for applying embassy support costs to a particular trip once they were incurred. Department officials generally used the following process in obtaining embassy support and applying embassy support costs. Human Resources officials assigned at least one unique Contract Identification Number (CID) to an account for each trip to which embassy support costs could be applied. The CIDs could be for general expenses for the trip or specifically for reception and representation expenses. These officials requested through memoranda that Accounting officials obligate a specified amount of funds as a limit on the embassy support costs that could be applied to each trip CID.

Based on the memoranda, Accounting officials obligated the specified amount of funds for each trade mission and notified Human Resources officials that the funds were available. Human Resources officials then authorized embassy officials to procure goods and services such as lodging, transportation, and communications. The authorizations by the Department for the individual trade missions were communicated through draft cables provided to the State Department (State) or, in some instances, memoranda directly to the embassies. The series of draft cables may have included: appropriation number, which is an account at the Treasury Department (Treasury) to which embassy support costs could be charged; CID Numbers; CID obligation amounts; traveler information; hotel accommodations required; travel arrangements; and security-related information.

Based on the cables, Embassy officials were to begin ordering and obtaining requested goods and services. Often preadvance or advance teams would be in country to coordinate the procurement of goods and services. Each month State officials paid amounts related to the vendor from DOE's appropriation and prepared a Standard Form (SF) 1221, “Statement of Transaction,” which summarized costs the embassies incurred to support the Department. Copies of the SF 1221s were sent to the Department and the Treasury. State officials also provided the Department a “Voucher Auditor’s Detail Report” (VADR), which included some details supporting charges shown on the SF 1221s. Upon receipt of the SF 1221s and VADRs, Department Accounting applied these costs to a specific trip CID or suspense account in the Department’s accounting system. An Accounting official stated that they had some difficulty in assigning costs to a particular trip because the VADRs normally did not indicate which CID should be charged. The official stated that Accounting applied costs to a specific CID based on the country location,

currency, and date the costs were incurred. Accounting officials also stated that copies of the VADRs were sent to designated officials for approval. The following describes actions taken by the Department after the four trade missions to assist them in applying embassy support costs to trip CIDs.

Department Actions to Identify and Apply Embassy Support Costs

Department officials took several steps to identify and apply embassy support costs for the four trade missions after a U.S. General Accounting Office review. They requested voucher and invoice data from State for the foreign trips where embassy support costs were incurred. The Department would not normally receive this information from the State Department, unless requested. Human Resources officials developed a list of costs based on information supplied directly from State for the four trade missions. Accounting officials also developed a list of embassy support costs ("1221 Summaries") for each of the four trade missions. The "1221 Summaries" generally listed the cost by month, vendor and general descriptions of the goods or services acquired. Accounting officials sent the "1221 Summaries" to Human Resources officials for approval. Based on Human Resources officials' approval, Accounting officials would then apply costs or deduct costs from a particular trip CID. Additional steps taken by Accounting and Human Resources officials included developing interim policies and procedures for obtaining embassy support and reimbursing the embassy. The following describes the interim policies and procedures the Department issued.

Interim Policies and Procedures

On April 15, 1996, Department officials issued DOE Notice 551.1, "INTERNATIONAL TRAVEL," to Department Elements for comments. The Notice discussed key areas such as advance planning, cost control, aircraft acquisition, acquisition of goods and services through U.S. embassies, recouping costs from private sector participants, and accountability. The Notice addressed the following: (1) DOE's preparation of a detailed cable to the embassy; (2) who can authorize expenditures or request changes to the expenditures; (3) DOE's request to the embassies for copies of all invoices and supporting documentation; (4) Trip Logistics officer or Event Logistics officer's approval of all goods and services in advance and in writing; and (5) DOE approved budget limits for each trip. The following describes policies and procedures State codified and reissued after the trade missions occurred.

State officials, with input from DOE, developed written guidance for the various agencies that require embassy support. On April 8, 1996, State officials issued guidance to the Chief Financial Officers Council members. According to a State official, the guidance is a codification of existing policies and procedures. The official stated that embassy policies and procedures for transacting business were not changed by the April 1996, guidance.

Management Comments. Management commented that:

"The Internal Control section of the report states that 'no one was assigned responsibility for obligating, controlling and approving services that were ordered and costs that were incurred.' This is incorrect. The Administrative Lead Officer had this responsibility."

Management also commented that:

"In administering costs through the embassies, the Department followed a decades-old system, in use throughout the Federal government. The draft report inaccurately describes this process.

"This government-wide process makes the traveling agency responsible for requesting only goods and services that it is allowed to spend money on and are necessary for the completion of the trip. The supporting embassy is responsible for buying all the requested goods and services, in accordance with applicable government rules, paying for only what it bought, and ensuring that it does not spend more than the amount given to it by the traveling agency."

Inspector Comments. We wrote to the Acting Chief Financial Officer and asked who the Administrative Lead Officer was on the four trade missions. In response to this question, two Chief Financial Officer officials identified one Human Resources official as having the responsibility of obligating, controlling and approving services for each of the four trade missions. In subsequent discussions with this Human Resources official, he stated that he was the Administrative Lead Officer for the four trade missions, however, he did not have total responsibility for obligating, controlling and approving services. Specifically, the official stated that he had responsibility to obligate and approve services that were ordered and costs that were incurred which he directed to be incurred. The official stated that several Department officials directed embassy officials to obtain goods and services. He further stated that these Department officials did not report to him that the services or goods were being ordered before they were ordered or after they were ordered. He also stated that during the meetings prior to arriving in country or after arriving in country, Department officials were not directed to proceed through him to obtain goods and services.

There is other evidence to support that more than one Department official was responsible for the obligating, controlling and approving the procurement of the goods and services on the four trade missions. For example, the Office of General Counsel opinion on "reception and representation" expenses reported that a number of Department employees were directing the embassy and vendors to procure on behalf of the Department. Specifically, the Office of General Counsel stated, that "even if they [advance staff] did not intend to interact with hotel, embassy, or private sector personnel for the purpose of procuring goods or services, these individuals were directing those activities and so might have been considered by outside sources as authoritative representatives of the Department." The review further stated that other individuals besides advance or administrative officials were given some responsibility to make arrangements for specific events were interacting with

hotel, embassy and private sector. Office of General Counsel officials also stated that: "Thus, it is not possible to ascertain whether this group of individuals, or any of them, acted in a fashion to ensure the Department did not incur unplanned and unintended obligations. . . ."

Office of General Counsel identified several examples in which Department officials other than the Administrative Lead Officer, directed the embassy or the hotel to procure goods and services on behalf of the Department. For example, General Counsel officials interviewed an Office of Policy official about his authorization to make commitments involving the obligations of Department funds. The Policy official stated that he was in "charge of the Energy Summit, so in that capacity he needed to get certain things done . . . He dealt directly with the hotel and vendors, not going through the embassy . . . All business was done by 'word of mouth' (orally). There was no paperwork and he does not recall signing or being asked to sign . . . He just made sure everything got done, and was not concerned with who would be paying for it. He dealt with the hotel without knowing who ultimately would pay." The official further stated that "he was given no direction at all on ensuring that the agency did not overspend or spend inappropriately its appropriations."

Also, during testimony before the U.S. House of Representatives, Subcommittee on Oversight and Investigations, Committee on Commerce, on June 13, 1996, the Secretary testified that two people had the authority to make arrangement for the Department. During the testimony, the Secretary could not recall the names of the two people, but stated that she would provide these names for the record to the Subcommittee. The Secretary's response for the record did not include the specific names.

Based on our interviews, as well as the Office of General Counsel's opinion on "reception and representation" expenses, it appears that a number of Department officials directed the embassy to procure goods and services. It also appears that a number of Department officials worked directly with the vendors (hotels) to order goods or services.

Regarding management's comment that an embassy should ensure "that it does not spend more than the amount given to it by the traveling agency," the information we obtained showed that the Department did not normally provide dollar limitations to the State Department. The person designated by the Department as the Administrative Lead Officer confirmed that the Department did not normally provide dollar limitations to the State Department. Further this is supported by copies of State Department cables and cable sections that we have obtained. The following summarizes the funding limitations in the cables and cable sections we have:

INDIA - Funding citation given for general expenses (excluded "reception and representation expenses"), but no dollar limitation.

Funding citation given for "reception and representation" with \$2,500 limitation.

PAKISTAN--Funding citations given for general expenses, but no

dollar limitation.

DOE memorandum to embassy with funding citation for rooms with \$18,000 limit.

No mention of “reception and representation” expenses.

CHINA -- Funding citation for general expenses (excluded “reception and representation”), but no dollar limitation.

SOUTH AFRICA -- Funding citation for general expenses, but no dollar limitation.

No mention of “reception and representation” expenses.

We discussed the Department’s comments on the Initial Draft Report with the CFO official who had responsibility for preparing the Department’s comments. The official stated that there were cables sent to the embassies which included limitations for general expenses and “reception and representation” expenses for the trade missions. Although we requested copies of these cables, the Department has not provided copies of the cables for our review.

Because the Department did not normally provide the embassy a maximum dollar obligation limit, we believe it would be impossible for the embassy to ensure that the embassy did not spend more than allotted by the Department. Further, as discussed elsewhere, the Department did not, as required, always allocate funding in the DOE accounting systems to cover the expense with the trip until after the trip was completed.

Management Comments. Management commented that:

“All expenses incurred by the embassy on behalf of the visiting agency, including the embassy’s own overtime and travel costs, are then charged directly against the fund cite, BEFORE any review by the traveling agency can be conducted.”

The comments further stated that the Department requested the original invoices from the embassy vendors in order to substantiate the financial system notifications from Treasury.

The Department also commented that: “To our knowledge, this is the first time that the Department of Energy has requested vendor invoices from an embassy during this kind of review. Receiving these invoices has been a slow process that is still ongoing.”

Inspector Comments. We discussed this issue with a senior State Department official who stated that DOE officials “misstated” the embassy support cost process, thereby creating a “false impression” of this process. The State Department official stated that DOE officials’ statements, suggested that the review process begins when the Department receives the

Treasury reports. The State Department official further stated that the review process should begin when DOE was at the post, not after DOE officials have departed. The official stated that beginning the review process upon the receipt of the Treasury report "is not the norm" for most visiting agencies. He stated that in most instances, the visiting agencies either requested copies of embassy support costs prior to leaving the embassy; or maintained logs of the incurred expenses. As a result, the visiting agency is able to review the expenses as they are incurred rather than after the expenses have been paid. The official stated this process allows the visiting agency then to match up the embassy support costs to the charges against the agency's fund cite upon receipt of the Treasury reports. The official further stated that, in the case of the Department of Energy, because DOE officials did not collect invoices nor maintain logs of the expenses, DOE is reconstructing these costs after receiving the Treasury reports. He also stated that, as a result, the DOE officials are working from the "tail end" to reconstruct the embassy support costs.

Regarding initiating steps to collect invoices, we acknowledged in the Initial Draft Report that the Department had taken steps to request invoices for the foreign trips where embassy support costs were incurred. However, as noted elsewhere, we believe that proper management of the embassy costs would have dictated that the Department collected invoices or maintained a log of expenses as they occurred, not 2 to 16 months after these expenses were incurred.

Management Comments. Management commented that:

"Page 108 of the draft report paraphrases a State Department official as saying 'the embassy does not verify the accuracy...of the costs incurred by the Department of Energy.' This is simply not true, and is inconsistent with the State Department policy as set forth in the 'State Department Guidance for Administrative Support of Overseas Cabinet Level and VIP Visits.'"

Management also commented that:

"However, the report makes no mention of the fact that many of the issues identified by the report are clearly within the State Department's area of responsibility, according to its own policy. This clarification is necessary for the readers to understand that DOE needs to improve its review of State Department charges, but that many errors were initiated by the embassy."

Management further commented that:

"The report then implies that DOE allowed these excessive costs to be charged, when in fact the amounts were charged before any DOE review could occur. Holding DOE responsible for these events does not make good common sense

and directly contradicts the allocation of functions under the State Department policy.”

Inspector Comments. The complete sentence of the Initial Draft Report read that: “A State Department official stated that the embassy does not verify the accuracy or the appropriateness of the costs incurred by the Department of Energy.” We discussed the statement in the Initial Draft Report with a senior State Department official. The official stated that the State Department verified the accuracy of the costs, but verifies only the general appropriateness of the costs. The official stated that the certifying official reviews the vouchers for accuracy, i.e., the service was ordered, the service was provided and the price was correct. He further stated that the State Department uses a “level of discretion regarding appropriateness.” He stated that the State Department would utilize a general criteria for the appropriateness of the visiting agency’s request. The official stated, for example, if the Department requested 15 vehicles and the State Department believed 10 vehicles were sufficient, the State Department may not question the appropriateness of the Department’s request. However, if the visiting agency requested 15 limousines, the State Department may question this request.

A State Department official told us that many of the disputed items have not been reversed by the State Department, and most will not be reversed. The official further stated that the charges were legitimate costs incurred on behalf of the Department with the Department’s approval. The official also stated these disputed costs should be paid by the Department. Based on our review, we do not believe that the majority of the issues identified in the report were initiated by the State Department or are clearly within the State Department’s area of responsibility. The various “errors” as cited by DOE are further discussed in the South Africa and the “reception and representation” sections of this report.

Regarding the representation expenses incurred during the trade missions, we discussed this issue with a senior State Department official. The official stated that “normal process” required the traveling agency’s approval for these services. The State Department official also stated that the Department had an Administrative official on site who was directing the embassy to procure goods and services. The State Department official stated that as a result of these directions, the Government incurred an obligation, i.e., had a reception activity and this obligation must be paid. He further stated that it is contrary to the State Department’s appropriation authority to pay the expenses of another agency.

We believe that the Department did not adequately manage the ordering and payment for goods and services on the trade missions, particularly the South Africa mission. Our review of that mission revealed that the Department: (1) did not have any plan for how the administrative fees collected from business travelers would be used to cover the costs of events even though they stated that they planned not to use “reception and representation” funds; (2) numerous employees were directing the embassy and private businesses to procure on behalf of the Department; (3) The Mitchell Group, a subcontractor, collected registration fees, and these fees were applied to their account, instead of to DOE’s benefit; (4) DOE was apparently not aware that the collected fees had not been applied to DOE’s

benefit; and (5) DOE officials did not routinely collect invoices or review costs prior to leaving the sites.

Given the (1) lack of a management plan for the use of the administrative fees, (2) lack of concern over who would pay for services ordered, (3) the fact that services were not always ordered through the embassy, and (4) no effort was made to collect invoices to determine what costs were incurred, we believe it would be inappropriate to hold the embassy responsible for paying obligations for events the Department organized and attended.

Following is a discussion of embassy support costs that the Department applied to the four trade mission trips and the results of our review of some support for the costs.

Four Trade Missions Where Embassy Support Costs Were Incurred

As of May 1, 1996, \$523,634 of embassy support costs had been applied to trip CIDs and to a DOE suspense account identified with the four trade missions. Table 14 provides details for the embassy support costs applied for each individual trade mission. In addition to these costs, Accounting officials have applied \$279,155 of embassy support costs to a suspense account that was not identified with a particular foreign trip. These costs have, therefore, been absorbed by DOE but not assigned to a particular trip.

TABLE 14
TRADE MISSION EMBASSY SUPPORT COSTS
IDENTIFIED TO CIDS AND SUSPENSE

Cost Identified to DOE Trip CIDs:	India	Austria/ Pakistan*	India/Hong Kong/China**	South Africa	Total
Cost Applied	\$ 30,610	\$ 30,837	\$ 11,115	\$ 125,244	\$ 197,806
Cost in Suspense	12,154	68,216	176,903	68,555	325,828
Total per DOE Accounting Records	\$ 42,764	\$ 99,053	\$ 188,018	\$ 193,799	\$ 523,634

*The Department commented that \$54,595 of costs were incurred in Austria and not on the Pakistan Trade Mission.

**The Department commented that \$23,492 of costs were incurred in India and not on the China Trade Mission.

The following describes the various categories in Table 14:

“Cost Applied” are embassy support costs that Department Accounting officials had applied to the CIDs as of May 1, 1996.

“Cost in Suspense” are embassy support costs that Department Accounting officials had applied as of May 1, 1996, to the “Suspense account” for the four trade missions. Department officials had not applied these costs to the trade missions because they questioned some aspect of the costs or have not yet reviewed the support for the costs.

“Total per DOE Accounting Records” are the total embassy support costs applied to the individual trade mission CID or Suspense account associated with the trade missions.

As a separate effort, we reviewed documents other than the accounting system records and identified embassy support charges totaling \$549,299. These charges were identified by review of “1221 Summaries” prepared by DOE accounting officials, records provided by Human Resources officials, and other documents. Table 15, “Trade Mission Embassy Support Costs,” presents our analysis of these costs for the four trade missions.

TABLE 15
TRADE MISSION EMBASSY SUPPORT COSTS

State Department Costs to DOE:	India	Austria/ Pakistan*	India/Hong Kong/China**	South Africa	Total
DOE Accounting Records:					
Transportation:					
Ground	\$ 3,995	\$ 37,263	\$ 15,801	\$ 102,739	\$ 159,798
Air	-	3,836	9,920	13,910	27,666
Lodging/Rooms	473	13,926	-	1,818	16,217
Meals (Food & Beverage)	462	28	543	2,936	3,969
Business Operations:					
Phone & Facsimile	6,154	7,358	53,879	24,390	91,781
Phone Installation	8,552	1,934	3,846	873	15,205
Business Center	2,566	-	38,898	16,104	57,568
Conference Rooms	8,232	7,721	24,493	1,900	42,346
Catering (Reception/Banquet)	2,644	4,096	7,424	22,325	36,489
Embassy Overtime/Supt Cost	4,706	11,091	22,704	2,058	40,559
Photography	407	2,313	6,150	5,551	14,421
Video	-	1,340	650	817	2,807
Other	6,358	10,997	17,137	5,981	40,473
Total:	\$ 44,549	\$ 101,903	\$ 201,445	\$ 201,402	\$ 549,299

*The Department commented that \$54,595 of costs were incurred in Austria and not on the Pakistan Trade Mission.

**The Department commented that \$23,492 of costs were incurred in India and not on the China Trade Mission.

Following is a brief description of categories found in Table 15.

“Ground Transportation” costs incurred were \$159,798. These costs were primarily for rental of automobiles, minivans, trucks, buses, and drivers, and were incurred to transport the Secretary, her staff, and other business delegates so they could attend various functions. The car rentals were also used by security, communications, and administrative advance personnel.

“Air Transportation” costs in the amount of \$27,666 included airline tickets, costs relating to procurement of airline tickets, and air freight costs. For example, the Department paid airfare for embassy employees flying between Shanghai, Beijing and returning. The airfare for freight was the cost incurred for transporting equipment carried by Secretarial staff to perform their duties upon arrival. The shipments consisted of containers that held computers, printers, and other supplies. In some cases, airline tickets for embassy employees were included in other costs, thus, not all airline tickets may be identified in this cost.

There were \$16,217 in “Lodging Costs” incurred for hotel rooms purchased through an embassy to house DOE employees, invitational travelers, and embassy employees. Some costs were for blocks of rooms procured at a special rate by the embassy. These room costs included costs for “Holding rooms” used by the Secretary for layover periods between locations or flights.

“Meals” costs, which totaled \$3,969, included food and beverages at official functions as well as embassy staff meals for personnel assigned to the Secretary’s visit.

The “Phone and Facsimile” costs of \$91,781 included rental charges for cellular telephones and standard telephone service charges for the Secretary, her staff and security, communications, and administrative advance teams. These costs also included, at each stop, at least two International Direct Dial lines installed in the command post or staff room. In some cases, the cost for installation of telephone lines was included in the service cost because the invoice did not separate installation cost from the service charge.

“Phone Installation” costs of \$15,205 were separately identified in instances where the actual installation is identified on the hotel billing. The telephone lines were installed in various hotel rooms used by the Secretary, her staff, security, and administrative personnel.

The “Business Center” costs of \$57,568 were incurred in the course of business operations on the trip. The costs include rental of a suite for the command post (a suite was usually rented because a regular room was too small), and a suite for the staff room (to conduct staff meetings and have a place for the staff to work). Also included in this cost were copying and other office operating costs.

The “Conference Rooms” charges totaled \$42,346 for the four trade mission trips. The cost included such items as rental of large meeting rooms and smaller breakout rooms that were used by the Secretary and the delegation.

The “Catering/Banquet” cost of \$36,489 included charges for official receptions and banquets. These costs are normally associated with expenses charged to the Official Reception and Representation Account. In some instances, they were applied to the Official Reception and Representation Account. In other instances, these costs had been initially applied to various trips and then relegated to the suspense account awaiting further determination as to where they would be applied.

The “Embassy Costs/Overtime” of \$40,559 included charges for embassy employees who worked overtime or on holidays while detailed to assist with the Secretary’s visit. In addition, this cost included other administrative type costs incurred by the embassy or embassy staff.

The “Photography and Video” costs of \$17,228 were incurred for the purpose of documenting the various meetings, events, and special signing occasions that took place during the four trade mission trips. In addition to the cost of still photos, \$2,807 was incurred for video photography during visits to Pakistan, China, and South Africa.

“Other” costs totaling \$40,473 included costs for which there is insufficient information available to specifically identify the costs. These costs included such items as miscellaneous labor and supplies, petty cash, printing and reproduction. The costs, in some cases, were commingled with other costs and were not specifically identifiable so they could be assigned to any other category discussed above.

Management Comments. Management commented that International Direct Dial (IDD) lines were important because of improved quality of lines; the availability of international lines without going through a hotel operator, security of the lines, and lack of availability of similar number of hotel lines to the Command Post, Staff Room, etc. Management also stated that communications capabilities in all locations were very limited and waiting periods to obtain phone service could exceed several years.

India

Accounting officials obligated \$80,826 for the India trade mission to CIDs 0194AD21990 and 0194AD21992. In an August 19, 1994, memorandum, Human Resources officials requested that Accounting officials obligate \$15,000 for car rental, command post setup, and communication links (administrative expenses) for the India trade mission. On September 29, 1994, Human Resources officials issued a second memorandum requesting obligations of \$15,413 for lodging accommodations. The original request of \$15,000 was increased by \$413 resulting in \$30,826 being obligated for the India trade mission. In a September 30, 1994, memorandum, Human Resources officials requested an additional obligation of \$50,000 for administrative type expenses, bringing the total obligated amount for the India CIDs to \$80,826.

As of May 1, 1996, Accounting officials had applied \$30,610 to the two CIDs for the India trade mission, and \$12,154 to the suspense account identified with the India trade mission. Thus, the accounting records showed \$42,764 identified with the India trip.

As a separate effort, we reviewed documents other than the accounting system records and identified, through this approach, 53 embassy support charges totaling \$44,549. These charges were identified by review of "1221 Summaries" prepared by DOE accounting officials. An analysis of these costs showed that Department officials did not have invoices for \$1,667. Following is a discussion of the embassy support costs incurred by the Department.

Department officials incurred \$14,707 for telephone installation and service charges. A local phone company charged the embassy \$6,609 to install eight phones in the Maurya Sheraton Hotel. The same phone company also charged \$1,934 for additional installation. The second bill did not describe the number of phones installed. The combined invoices for telephone installation totaled \$8,552. A Human Resources official stated that the cost of the installation included International Direct Dial voice, facsimile and data lines. He also stated that the lines were in the rooms used by the Secretary, her staff, security, and administrative personnel. The official further stated that the Department paid a premium for the installation of these lines because installation was requested within a two-week period and installation could take as long as two years for local residents. The balance of the charges, \$6,154 was for telephone calls and facsimile transmissions through the two hotels.

We also reviewed Business Center costs of \$2,566. These cost were for command centers and staff rooms where copying and telecommunication services were made available to the travelers. According to a Department Human Resources official, the Business Centers were established for the duration of the trip.

The Department was charged a total of \$2,644 for reception/banquet activities. Details of these costs can be found later in this section of the report under Reception and

Representation Expenditures. The Department was also charged a total of \$462 by the Taj Mahal and the Maurya hotels for room services for meals and beverages .

The Department incurred \$4,706 in embassy support costs for embassy employees assigned to support the Secretary's trade mission to India. These expenses included per diem, baggage handling, telephone and overtime.

Department officials incurred embassy support costs prior to obligating funds for the trip. For example, the first memorandum requesting that Accounting officials obligate funding for the trip was August 19, 1994, one month after Department officials had returned from India. In addition, a number of VADRs were generated for the India trade mission prior to the Department obligating funding.

We found that the Department continued to move embassy support costs that were originally applied to the India trade mission. General Accounting Office (GAO) officials reported that DOE could not substantiate approximately \$80,000 in embassy support costs for the India trip. During a GAO review of the India trade mission, it was determined that embassy support costs may have been incorrectly applied to the India CID account.

Specifically, GAO officials questioned \$31,000 in lodging for hotels in Vienna, Austria; New Delhi, India; and Stockholm, Sweden (\$10,709), which was charged to the India CID. After the review, Accounting officials removed the \$10,709 in costs from the India CID and applied the Stockholm, Sweden lodging costs to the Secretary's Russia trip. Accounting officials subsequently applied the costs to the suspense account until Human Resources officials' reviewed these costs to determine where the costs should be applied. A Human Resources official stated that he had not reviewed all of the costs in suspense or the Russia account. As a result, the \$10,709 in costs, which were incurred in 1994, still have not been applied to a trip CID.

We also found that Accounting officials had applied \$37,832 of embassy costs initially applied to India CIDs to other trips CIDs or to the suspense account. In reviewing the VADRs for these costs, we found three totaling \$5,944, which were originally charged to the State Department's appropriation "19" and subsequently "corrected" and charged to DOE. In the three instances, the VADRs read "to correct overtime charges for DOE"; or "OT erroneously charged to the Depart[ment] of State correctly charged to DOE." The VADRs did not have sufficient information to determine if the costs were actually incurred by DOE, another agency or the State Department. In discussing these costs with a Human Resources official, the official stated that he had not reviewed the costs, nor was he aware that the costs had been originally charged to the State Department's appropriation. He stated that he would review the matter further to determine if the costs were valid DOE costs .

Pakistan

Department officials obligated \$137,140 for the Pakistan trade mission under four CIDs. In an August 19, 1994, memorandum, Human Resources officials made two requests to

Accounting to obligate funds for the Pakistan trade mission. One request to obligate \$25,000 to CID 0194AD21982 was for car rentals, command post setup, and communication links. Another request to obligate \$20,000 to CID 0194AD21981 was for administrative expenses associated with the Vienna portion of the Pakistan trade. This amount was subsequently increased to \$22,000. In a September 30, 1994, memorandum, after the trip concluded, Human Resources officials again made two requests to Accounting to increase the obligations for the Pakistan trade mission. Human Resources officials requested that CID 0194AD21982 be increased to \$50,000 for administrative expenses. This amount was subsequently increased to \$67,103. The second request by Human Resources officials was to obligate \$30,000 for shipment of official Government equipment through CID 0194AD21991. We also reviewed CID 0194AD00098 for \$18,037 for the Pakistan trade mission.

As of May 1, 1996, DOE accounting records showed Department officials had identified in the accounting system \$99,053 in embassy support costs for the Pakistan trade mission. Accounting officials had applied \$30,837 to three of the Pakistan CIDs and \$68,216 to the suspense account identified with the Pakistan trip.

As a separate effort, we reviewed documents other than the accounting system records and identified, through this approach, 63 embassy support charges totaling \$101,903. These charges were identified by review of "1221 Summaries" provided by DOE accounting officials, records provided by Human Resources officials and other documents. The Department did not provide invoices describing the nature of \$53,564 of these charges. We noted that these charges were primarily incurred during the Secretary's trip to Vienna, Austria, before traveling to Pakistan. The following discusses costs incurred during the Pakistan trade mission.

A total of \$9,291 in telephone costs was incurred during the Pakistan trade mission. Of these costs, \$1,934 was incurred for telephone installation and \$7,357 for phone and facsimile charges. According to management's comments, the IDD lines that were installed were for voice, facsimile, and data requirements. Approximately \$4,505 of the telephone charges were incurred in Vienna at the International Atomic Energy Agency (IAEA). Department officials did not provide invoices supporting the telephone charges for Vienna. Thus, we did not determine if the costs were for phone installation, calls or facsimile.

Also included in the embassy costs were Conference Room costs of \$7,721. Inspectors were informed by Human Resources officials that during the Pakistan trip, four conference rooms were established in hotels at Lahore and Islamabad. According to the Human Resources official, the Business Centers were set up by the advance party and remained available during the duration of the trip.

Transportation costs totaled \$37,263. These costs were incurred to provide advance security and communications staff vehicles and to provide transportation for the travelers upon their arrival. The Pakistan trip embassy support costs also included approximately

\$31,305 for transportation in Vienna at the IAEA. A Human Resources official was unable to identify the number of cars and buses that Department officials rented during the IAEA conference. The official stated that he could not address questions regarding the Vienna aspect of the Pakistan trip because he had not reviewed the State Department's documentation supporting these costs.

Embassy costs including overtime, per diem and mileage totaled \$11,091. These expenses included \$8,352 for overtime.

The Department incurred \$653 to record and edit the Secretary's trips to Lahore, Wapda and Shahi Fort. Following is a brief summary of issues and observations regarding the Pakistan trade mission.

During our review of the Pakistan trade mission, we found VADRs that showed Pakistan travelers incurred \$2,026 for bus tours, meals and telephone charges during a stop in Vienna. We reviewed a February 10, 1995, letter from a Human Resources official to the U.S. Embassy in Vienna in which the official provided the Department's appropriation number and the Pakistan CID number to charge these expenses. In that letter, the official requested that copies of the invoices be forwarded to the Department. The official further stated that DOE would request reimbursement from the travelers.

Management Comments. Office of General Counsel's review regarding "reception and representation" expenditures for the Vienna excursion during the Pakistan trade mission determined that \$1,556.65 was incurred for this excursion.

Inspector Comments. Of the \$2,026 for the Vienna excursion, the Office of General Counsel only reviewed \$1,556.65. The balance of \$469.38 incurred for a mini bus and guide was not reviewed. We believe that the Office of General Counsel should review the additional \$469.38 and determine if additional funds should be allocated from the "reception and representation" fund.

Officials from the Secretary's Office and Human Resources stated DOE never anticipated paying for these services, and the costs were previously identified as personal costs to the individual travelers. The official in the Secretary's Office stated normally the participants on these type of excursions paid prior to boarding the buses, but in this situation, that did not occur. The official stated when the VADRs showing these costs arrived at DOE, Department officials were unable to identify who had gone on the excursion. As a result, the official stated these costs were never collected from the travelers who incurred the cost.

Our review also revealed that the Marriott Hotel in Islamabad erroneously double-billed DOE \$733 for lodging costs. In a September 9, 1996, letter from the State Department to DOE, the State Department stated that it would reverse the \$733 double lodging charge in Pakistan.

We reviewed a Voucher and invoice for a Department traveler in the amount of \$1,422. A Human Resources official stated he was unaware of why the traveler, cited in the supporting invoice, needed a Government Travel Request while in Pakistan. The official stated that he was recommending that the cost be borne by the traveler.

According to a Human Resources official, the Government of Pakistan upgraded the Pakistan trade mission to a "State visit." As a result of this upgrade, the Government of Pakistan paid approximately \$3,233 for the Secretary's lodging at the Marriott Hotel in Islamabad. In addition, Pakistan also provided lodging in its "State House" for the Secretary and other members of the delegation in Lahore. General Counsel officials stated that DOE officials who received the free lodging were not required to report these travel gifts under Federal Travel Regulations, Part 304-1 "ACCEPTANCE OF PAYMENT FROM A NON-FEDERAL SOURCE FOR TRAVEL EXPENSES" or Title 10, C.F.R. Part 1050, "FOREIGN GIFTS AND DECORATIONS," the implementing Regulation for Title 5, U.S.C. 7342, "Receipt and disposition of foreign gifts and decorations." Specifically, the official stated that Part 304-1.8 (a) provides an exception for gifts received under Title 5, U.S.C. 7342. The official further stated that Title 10, C.F.R. Part 1050 also provided an exception for reporting this type of gift under section 1050.301, "Reports," which normally required that foreign gifts be reported. The section stated that a report need not be filed if "the travel is in accordance with specific travel arrangement made by the Department in cooperation with the foreign government." The General Counsel official stated that the travel arrangements in this instance were made by the Department in cooperation with the foreign government and, therefore, neither the Secretary nor the DOE travelers were required to report these gifts.

China

The Department of Energy initially obligated \$190,687 for the China trade mission to pay for estimated embassy support costs of \$187,099 under CID 0195AD86001. During the China trade mission trip, the Secretary also visited New Delhi, India, and Hong Kong, enroute to Shanghai, and Beijing, China. An additional \$10,000 was obligated from the Official Reception and Representation Account under CID M6EN95019. There were also three other obligations initiated, one in the amount of \$1,000, for China interpreters, and two in the amount of \$500 each for miscellaneous expenses during the Hong Kong visit.

As of May 1, 1996, Accounting had applied \$11,115 in embassy support costs to the China trade mission trip CID 0195AD86001, placed \$176,903 in a suspense account, and applied \$4,250.00 to the Official Reception and Representation Account, CID M6EN95019. The remaining \$5,750 in the Official Reception and Representation Account, CID M6EN95019 was subsequently deobligated. The status of the three additional CIDs relating to the China trip as of May 1, 1996, was as follows:

<u>CID Number</u>	<u>Obligated Amount</u>	<u>Applied Amount</u>	<u>Purpose</u>
0195AD21179	\$1,000	-0-	Chinese interpreters
0195AD86003	418	\$418	Miscellaneous for Hong Kong
0195AD86004	500	-0-	Miscellaneous for Hong Kong

As a separate effort, we reviewed documents other than the accounting system records and identified, through this approach, embassy support charges totaling \$201,445. These charges were identified by review of "1221 Summaries" prepared by DOE accounting officials, records provided by Human Resources officials and other documents. The \$201,445 is comprised of \$191,349 that was identified on the "1221 Summaries" and \$10,096 from documents provided by a Human Resources official.

At the time of our fieldwork, the Department did not provide invoices or other documentation that would identify the nature of \$38,212 of the total \$201,445 in embassy support costs.

The VADRs for the China embassy support costs identified costs relating to ground and air transportation, lodging/rooms, and food and beverage. Additionally, there were costs relating to business operations that included phone/facsimile and phone installation, business center, conference rooms, catering, embassy overtime and costs, photography, and other costs. The following discussion concerns specific costs that relate to the China trip.

Ground transportation costs totaling \$15,801 were incurred to provide vehicles for the advance security and communications staff, and to provide transportation for the Secretary and the delegation upon their arrival. The vehicles were rented with drivers because the drivers were familiar with local routes.

Air transportation costs totaling \$9,920 included a cost of \$6,902 for transporting equipment and supply containers under diplomatic pouch status to the various cities that were visited. These shipments were made at a special rate through an embassy contract arrangement with the airline involved. This cost also included \$2,535 in airline ticket purchases charged while in Beijing. A DOE Human Resources official said that this was not a correct charge in that the Federal employees had open ended tickets and had simply confirmed reservations while at the Embassy. Also included was the cost of airline tickets for embassy personnel who were flying between Shanghai and Beijing to assist with the Secretary's visit.

The meals (food and beverage) charge of \$543 was incurred for meals of embassy employees assigned to the Secretary's visit.

The telephone service costs during the China trip totaled \$53,878. In addition to the service costs, there were identified telephone installation costs totaling \$3,846. The cost

of installation included the installation of International Direct Dial voice, facsimile, and data telephone lines that allowed the caller to direct dial anywhere in country and around the world. A Human Resources official said DOE paid premium costs for installation of the various telephone lines. The official said it takes approximately two years for local residents to obtain telephone service and DOE requested that the phone lines be installed within one week. There were also special requests, such as the installation of a no-ring phone extension to one of the voice International Direct Dial lines in the Secretary's Suite for her personal use.

Business center costs incurred during the China trip totaled \$38,898. A DOE Human Resources official said that the business center costs included costs incurred to facilitate a command post, a staff room, and a business center area to be used by non-Federal personnel. The command post was usually a suite used by the communications and security staff personnel to conduct their regular duties. The staff room was a separate suite used by the Secretary's staff to hold meetings and to conduct their daily business. Also included in the business center was the cost of the room for local security personnel, if required. Additionally, our analysis revealed a total of \$3,864 was charged the Department as business center costs incurred at the Portman Shangri-La Hotel, Shanghai, China. Detail of this expense illustrated that \$1,997 of these costs were incurred making 7,396 copies. During an interview, the Administrative Coordinator for this leg of the China trip said that the Secretary's media consultant directed that he make 100 copies of an 86-page compilation of news articles from U.S. newspapers and other papers around the world about the trade mission trip to China, so they could be given to all the members of the business delegation traveling with the Secretary. When the coordinator expressed concern about the reproduction cost, the media consultant directed him to make the copies regardless of the cost because this was what the Secretary wanted. The coordinator ultimately made 86 copies of the document for a total of 7,396 pages at a cost of approximately \$1,997.

The cost for procurement of conference room facilities totaled \$24,493. These costs were incurred renting meeting rooms for the travelers during the entire trip.

DOE incurred a total catering/banquet cost of \$7,424. Catering costs resulted from three specific costs: (1) \$2,308 at the Portman Shangri-La Hotel, (2) \$866 at the New Jin Jiang Tower Hotel, both in Shanghai, China, and (3) \$4,250 in banquet costs because a scheduled banquet to be hosted by the Secretary in Beijing was canceled because she was taken ill. An analysis of the Portman Shangri-La Hotel invoice showed that on February 19, 1995, there were cocktails served at the Portman Shangri-La Hotel, with a guaranteed minimum of 100 persons for the Hors D'oeuvres, and an open bar starting at 5:00 p.m. until 7:00 p.m. The resulting beverage charges totaled \$2,308. Additionally, the \$866 incurred at the New Jin Jiang Tower Hotel was for champagne served during the Round Table Discussions and the Signing Ceremony. These costs are the type that normally could have been charged to the Official Reception and Representation Account (as discussed later in this section). In the case of the canceled banquet, the \$4,250 cost was applied to the Reception and Representation Account. However, there were not

sufficient funds remaining in that account to apply the remaining \$3,174 in costs. Therefore, Accounting has placed these costs in the suspense account until a determination is made as to where they are to be applied.

Embassy overtime and other support costs totaled \$22,704. Of the total amount, \$11,391 in costs were charged by the State Department to DOE for overtime and, in some cases, holiday pay incurred by the embassy employees performing tasks to accommodate the Secretary's visits to the various locations during the China trip. The remaining \$11,313 embassy support costs were for items such as simultaneous translation services, Miscellaneous supplies and labor and costs (i.e., embassy employee food, facsimile, and telephone) that were not individually identified, and, therefore, could not be specifically categorized.

Photography and Video costs totaling \$6,800 were incurred in the course of documenting the various events that took place during the Secretary's trade mission trip to China. Both still and video photos taken of the events. For example, a still photographer was hired in New Delhi, Hong Kong, and Beijing at a combined cost of \$6,150. Additionally, in Beijing a video engineering crew was engaged to make a video tape of events at a cost of \$650.

The other costs category totaled \$17,137, which included costs relating to missing headsets, no-show costs, and other unsupported costs. Therefore, we could not categorize these costs. For example, the Department incurred a cost of \$1,200 to pay for four missing headsets.

The Department was charged \$2,277 because they had reserved a block of rooms at the China World Hotel, Beijing, China, and some of the rooms were not used. Human Resources personnel said that there were four persons who were scheduled to stay at the hotel but did not stay there, and the Department was charged for those four rooms. A Human Resources official said that they have determined that one of the individuals who did not use a room reserved for them was the Chinese language interpreter on Temporary Duty from the U.S. Information Agency. At the time of our review, the other three individuals who did not stay at the hotel had not been individually identified. A Human Resources official said that the rooms are requested in a block based on information available at the time the rooms are reserved. The official went on to say that efforts were made to adjust the number of rooms required as far in advance as possible. However, on this occasion, last minute changes were made and adjustments could not be made in sufficient time to avoid the charge for the unused rooms.

South Africa

As of May 5, 1995, \$150,000 for administrative costs was obligated to CID 0195AD86012 for the trip to South Africa. On the same date, the U.S. Embassy in Pretoria was cabled to charge costs for the Secretary's trip to South Africa to this CID; the Department did not specify a funding ceiling. On May 7, 1995, a DOE advance party traveled to South Africa to discuss trip requirements in-country. On May 17, 1995, after the return of this

preadvance party, \$50,000 was deobligated from the CID. Subsequently, on June 28, 1995, an additional \$25,000 was obligated. The trip to South Africa was completed on August 28, 1995. On September 1, 1995, an additional \$50,000 was obligated, bringing the total obligated amount to date to \$175,000.

Although \$175,000 had been obligated to this CID, Departmental accounting records showed that \$125,244 had been applied to this trip as of May 1, 1996, and an additional \$68,555 was in the liquidation status report suspense account for this trip. The total of these applied costs and costs in suspense was \$193,799, or \$18,799 more than the \$175,000 currently obligated.

As a separate effort, we reviewed documents other than the accounting system records and identified, through this approach, 90 embassy support charges totaling \$201,402. These charges were identified by review of "1221 Summaries" prepared by DOE accounting officials, records provided by Human Resources officials and other documents. Eighty-five of these items, totaling \$186,921, were included on DOE Headquarters Accounting's listing of "SF 1221 Charges" (VADRs) for the South Africa trip. The remaining five items, totaling \$14,481, were charges that have been identified as incurred in conjunction with the trip to South Africa but for which a Voucher had not been identified.

The \$201,402 in total charges included some items that have possibly been charged in error to this trip. Although the trip ended on August 28, 1995, over eight months ago, DOE officials were still trying to establish the validity of various charges and to secure reimbursement for some items incorrectly paid by the U.S. Embassy on behalf of the Department. Recovery examples would include a \$7,085 charge for a reception, (actually \$7,104 due to an exchange rate variance), which was apparently double-billed by a hotel, and a \$6,346 erroneous payment to an oil company.

Vendor invoices or other source documentation were not in all cases available to assist the Department in their review process. At the time of our fieldwork, the Department could not provide supporting invoices or other source documentation for 38 of 90 items, totaling \$38,930; the Department also had six invoices, totaling approximately \$1,914 for which Voucher charges could not be identified.

A discussion by category of the \$201,402 charged by the U.S. Embassy in support of the South Africa trip follows:

A total of \$102,739 was spent for ground transportation. The following four charges accounted for \$97,756 of this total:

- \$9,426 - Bright's Car Hire. From one to six cars per day, with drivers, were hired in Cape Town during August 10-23, 1995;
- \$17,541 - Specialized Tours. Four coaches, three cars, four microbuses, and driver/guides were hired in Cape Town during August 19-22, 1995;

- \$65,880 - International Chauffeur Drive. From one to 21 microbuses, from one to six cars, and from two to three 44 passenger buses were rented at various times in Pretoria during the period August 6-27, 1995. On each day during the period August 22 through August 25, the Department was charged for renting 21 microbuses, three Camrys, two Mercedes, one Audi, and two 44 passenger buses (three buses on August 25). An invoice documenting these numbers and types of vehicles rented by day is shown in Exhibit 3, and;
- \$4,909 - Imperial Car Rental. The Department has no invoice or other source documentation supporting this charge.

The remaining \$4,934 making up total ground transportation charges were 14 various charges, to include car rentals by embassy staff, local commuting costs, and baggage handling.

We discussed "ground transportation" with the Human Resources official responsible for reviewing invoices, and he provided the following comments. He said because crime was a concern, safety was a major consideration in selecting the mode of transportation. The travelers did not use taxis as it had been advised that taxis could be unsafe. Cars were hired with drivers, as the travelers frequently would not have known the best way to their destination.

This Human Resources official further said that there was no contract in place specifying the numbers of vehicles that would be made available to DOE. Frequently, from day to day it was not known what the schedule would be, and transportation had to be available to accommodate flexibility in the schedule. As one example, the official said that the U.S. Ambassador invited the delegation to his residence for a social function, and transportation was needed. Another example given was that all the travelers were invited by a South African official to attend a function held at a winery some 30 miles outside Cape Town.

Regarding the number of days that the vehicles were hired, the Human Resources official said that vehicles were hired beginning with use by the DOE advance party, which was responsible for, among other things, conducting security route checks and coordinating with their South African counterparts. He further said that while DOE did not necessarily use vehicles continuously throughout a day, DOE hired vehicles for long periods to ensure that transportation would be available when needed.

The Human Resources reviewing official told us he was going to challenge the number of microbuses being charged to the Department by International Chauffeur Drive in Pretoria. This Human Resources official had also questioned the U.S. Embassy in

EXHIBIT 3

EXHIBIT 3

EXHIBIT 3

Pretoria regarding a \$451 bill for a car rented by a delegation from the Export-Import Bank of the United States (Export-Import Bank). The U.S. Embassy wrote back that prior to the rental cost being incurred, a DOE official on the trip had been asked whether the embassy should use DOE fiscal data on the purchase order since this delegation was supporting the DOE trip. This DOE official replied, according to the U.S. Embassy, "I don't agree, but go ahead." We interviewed the Export-Import Bank employee on the trip who said that she allowed DOE to use her name as a trip participant, as requested, even though she was in South Africa on Export-Import Bank business. Regarding disposition of this charge, the U.S. Embassy advised the Human Resources reviewing official that, if this charge was a problem, to resolve it with the Export-Import Bank.

The embassy costs included 10 charges, totaling \$13,910, which we have classified as "air transportation." Supporting invoices totaling \$4,001 have been identified with these charges; another \$1,461 in air travel invoices have also been identified, but cannot be matched with specific charges. Some of the air travel was by embassy personnel supporting the trip. Also included was \$1,361 for transporting DOE equipment.

One invoice for \$1,266, paid through the U.S. Embassy, documented a round trip air charter from Johannesburg to Sun City on August 22, 1995. This trip transported the Secretary to Sun City for a meeting with Deputy President Mbeke. It was noted in our inspection that: (1) a duplicate payment for this same flight was made to the air charter agent in an amount of \$1,347; and (2) another aircraft had been chartered for this trip, but not used, for which the Department paid a cancellation fee of \$4,880. These three charges for the same flight are discussed further in Section E, "Aircraft Acquisition."

Included within the "air transportation" category were five charges totaling \$9,909 for which there were no supporting invoices other than \$1,461 in invoices which could not be matched with the charges. These charges were classified as "air transportation" based upon the payee/vendor, a travel agency, which arranged for other in-country air transportation.

Room charges for six different individuals, totaling \$1,818, were charged to the Department: charges totaling \$923 for four DOE employees; \$504 for an individual with a non-profit organization; and \$391 for a U.S. Embassy employee.

The U.S. Embassy paid \$2,936 for costs that we have categorized as "food and beverage." These costs were expended as follows:

- \$1,077 was expended on a casual social function at the Ambassador's residence on August 19, 1995, in Cape Town. The trip report characterized the function as an "In-Country Briefing and Welcome reception hosted by Ambassador Lyman." For this function the Department was billed \$259 for alcoholic and other beverages, and \$818 for catered food;

- \$235 was for refreshments and beverages at the Johannesburg International Airport VIP facilities on August 27, 1995;
- \$1,432 was for expenses at the Cape Sun hotel during the period August 19-September 1, 1995. \$1,358 of this total was for breakfast for 62 people on both August 20 and August 21. The balance, \$74, was for various mini bar and room service charges that were billed to DOE; and,
- \$192 was for expenses at the Carlton Hotel during the period August 22 through August 26. These charges were for various room service and other bills charged to the Department. The largest, \$112, was room service for 10 lunches on August 25.

A total of \$22,325 was charged to the DOE for reception and banquet activities. Included within reception and banquet charges was a double billing for the same reception in an amount of \$7,085. An official with the U.S. Embassy said that the embassy had received a refund of this amount from the host hotel, and would be crediting this refund to the Department. The remaining charges for banquet and reception activities, \$15,240, resulted from the following:

- \$2,858 for a luncheon, with bar, for 120 people at the Cape Sun Hotel on August 21, 1995. The luncheon included the business delegation and the Organization for Economic Development of the Western Cape;
- \$7,104 for a reception which the trip report said was hosted by the Secretary of Energy on the evening of August 23, 1995, at the Carlton Hotel. The reception included food for 300 people and an open bar;
- \$4,785 was paid to the American Chamber of Commerce. Per the trip report, the American Chamber of Commerce hosted a dinner on August 24, 1995. The DOE official reviewing invoices has questioned this payment. This official said that the American Chamber of Commerce did host a dinner, but charged each person attending \$55, and that DOE should not have been charged any costs for this function; and,
- \$493 was shown as a charge for printing invitations. We noted that the charge was "supported" by a proposal rather than an invoice. Furthermore, the proposal indicated three different costs for 200 invitations, depending upon one-color printing, two-color printing, or one-color printing with a gold foil border. The amount of the charge was the total for all three of these options.

A DOE Accounting official who had reviewed the Initial Draft Report told us that the \$493 charge for printing invitations has never been paid by the Department. The official further said that the charge should not have been included on the Human Resources approving

official's list of accepted charges, or on DOE Accounting's listing of "SF 1221 Charges," under "Other Charges Not Identified to SF 1221 Charge."

Telephone and fax charges totaled \$24,390. The following four charges made up \$23,586 of this amount:

- \$1,657 was billed by Telkom SA Limited for telephone calls from the Carlton Hotel in Johannesburg;
- \$3,452 was billed for telephone charges by the Cape Sun Hotel in Cape Town;
- \$7,242 was billed by Rent-A-Phone for 28 cellular phones rented during August 8-28, 1995, plus charges for calls. Not all 28 phones were rented for the entire period. The DOE official reviewing invoices commented that the 28 cellular phones were used for logistics and security purposes. He further commented that normal communications equipment could not be used as radio frequencies were not made available; and,
- \$11,235 was paid to Telkom SA Limited; a supporting invoice was not available to document these charges.

\$873 was charged by the Cape Sun Hotel in Cape Town for the installation of eight telephone lines in one room and four telephone lines in another room.

Business center costs totaled \$16,104, in large part for control rooms at two hotels. \$9,286 was incurred at the Cape Sun Hotel in Cape Town for two small suites used as a command post and a staff room. These rooms were used during August 12-22, 1995, at a cost of approximately \$425 per day per suite. From two to six rooms were rented at the Carlton Hotel in Johannesburg during the period August 8-26, 1995, at a cost of \$3,981. These six rooms were described as the press control room; business control room; U.S. embassy control room; South African police security room; DOE control room; and DOE staff room.

In addition to room charges, DOE was charged \$916 for a computer used in the Embassy control room; \$1,684 for copies; and \$238 for transcription services.

The Department was charged a total of \$1,900 for conference room use at the Cape Sun Hotel in Cape Town (\$1,425), the Carlton Hotel in Johannesburg (\$421), and for a meeting at one other location (\$55).

The Department was charged a total of \$2,058 for overtime paid to personnel in South Africa who supported the trip.

The Department paid five charges for photographic and video services totaling \$6,368. Two of these charges, totaling \$3,710, were not supported by invoices. One charge for

\$1,840 was for film, prints and 33 hours of time to photograph the Secretary's visit to Cape Town and Kimberley. The other two charges paid by the Department (\$410 and \$408) were supported by only one invoice for 1,500 rand, and appear to be duplicate payments, each converting 1,500 rand to U.S. dollars using different exchange rates. The invoice supporting these two charges was for video coverage of the Secretary's visit to Peninsula Technikon and Gugulethu on August 20, 1995.

Other costs charged to the Department totaled \$14,498, less a credit of \$8,517, for a net cost of \$5,981. These costs were as follows:

- \$3,573 total for 14 charges. There were no supporting invoices for these charges, and the Department's listing of charges does not provide the payee's name;
- \$3,360 for six charges for which there were no supporting invoices;
- \$1,103 were for miscellaneous charges, to include airport security for equipment, lighting and electrical, flip charts, and courier mail;
- \$117 was a charge by the Palace Hotel in Sun City for food, beverages and guide services at a wildlife preserve on August 22, 1995. These costs were incurred in conjunction with the Secretary's trip to meet with Deputy President Mbeke;
- \$6,346 was a charge by Shell S. A. Oil Company. This charge was questioned by the Department, and will be refunded, according to U.S. Embassy personnel in South Africa; and,
- \$8,517 was credited to the Department's Cape Sun Hotel bill in Cape Town. \$8,400 of this credit represented a \$200 charge to each of 42 business travelers that was transferred to the Department's hotel bill as a credit to help offset joint trip expenses which had been billed to the Department. The remaining \$117 was a tax credit.

Regarding the above \$117 charge by the Palace Hotel, this charge was shown on both the Human Resources approving official's listing of South Africa trip costs and on DOE Accounting's listing of "SF 1221 Charges," under "Other Charges Not Identified to SF 1221 Charge." A DOE Accounting official who had reviewed the Initial Draft Report said that the Department was sent a copy of this invoice for information purposes, and, to date, the Department has not been billed for this cost.

In addition to the \$201,402 identified above as paid through the U.S. Embassy, our review disclosed an additional \$20,440 paid to the Carlton Hotel in Johannesburg for the Energy Summit Conference. These additional costs were incurred during August 22-25, 1995, for the following:

- \$8,121 for meeting rooms;

- \$1,470 for miscellaneous food and beverages;
- \$7,522 for a luncheon for 324 people on August 23; and,
- \$3,327 for three breakfasts for 120-145 people.

To fund these costs, 44 non-Federal travelers were each assessed an administrative fee of \$400 collected by the Carlton Hotel, for a total of \$17,600; the source of the remaining \$2,840 is not known, but may have been fees collected at the door for various events.

One problem we noted with the manner in which these activities were funded, is that it may have resulted in the non-Federal travelers paying for per diem costs (meals) for the Federal travelers. The issue of Federal travelers' per diems was discussed in Section C-2, "Travel Costs," of this report. The adequacy of the administrative fees charged to the non-Federal travelers is discussed in Section C-6, "Full Cost Recovery."

Management Comments. Management stated that "Overall, the Department has contested \$98,405 of embassy charges as inappropriate." Management further commented that:

"Nonetheless, during the Department's trade missions, the actions of the embassies often yielded erroneous charges to the Department's account. The South African embassy erroneously charged the Department's fund cite for airline fuel (\$6,346), hotel charges (\$24,285), room service (\$670.91), rental cars (\$15,539), banquets (\$14,170), computer equipment (\$916) and numerous other items which are still undergoing review by the State Department and DOE. Similar issues exist for the three other trade missions, although on a smaller scale. Many of these disputed items have been reversed by the State Department when brought to its attention."

Inspector Comments. We wrote to the Acting CFO and requested a list of the \$98,405 of "inappropriate" charges from the Department. On September 17, 1996, a CFO official provided us a listing of the \$98,405 of "inappropriate" charges. However, a letter to the State Department, dated August 26, 1996, as well as the State Department's reply to this letter, dated September 9, 1996, indicated that \$117,308 was being protested by DOE. We discussed the disputed cost differences with the CFO official. The official stated that the initial \$98,405 was developed "early in the process and was a snap shot in time." The official stated that after reviewing additional SF 1221s, the Department revised the disputed charges, which were forwarded to the State Department in the August 26, 1996, letter. The official also stated that the August letter included a hotel bill of \$63,069 for the China trade mission. The official stated that while the Department believes that the bill is a legitimate charge, DOE did not receive sufficient support to verify this fact. Therefore, DOE disputed the charge and requested that the State Department forward additional invoices for the hotel bill. The CFO official further stated that, based on information he has received from the State Department, the CFO official does not believe that additional

invoices for the China mission will be forthcoming. He stated that he is trying to get a written statement from State Department officials which will indicate the final position for each disputed cost. We also discussed this issue with a senior State Department official who stated that he was unaware of what items made up the \$98,405 charges. He further stated that most of the charges which the Department has questioned have not been reversed by the State Department and are legitimate charges of DOE.

Regarding the “erroneous charges,” we are aware of two charges in South Africa which were “erroneous,” the airline fuel bill, and the double-billed reception. Both of these charges were identified as such in the Initial Draft Report. We are aware of no other charges in South Africa that the State Department has agreed to reverse. We discussed these comments with a senior State Department official. This official said that the Department’s comment that “the actions of the embassies often yielded erroneous charges to the Department’s account” was a “gross distortion of facts.” He further stated that he believed the State Department had only reversed one or two items including the fuel charge. Our specific comments on the charges cited by the Department as “erroneous” are as follows:

- \$6,346 airline fuel. Our Initial Draft Report discussed this amount as an erroneous charge to the Department.
- \$24,285 hotel charges. This amount consists of two items. The first item is the \$7,085 duplicate billing for a reception, which we identified in our Initial Draft Report. The second item is \$17,200, which the Department believed was collected from the business delegates as administrative fees; the actual amount collected was \$17,600. Department officials said that they have never received an accounting for this money from the U.S. Embassy, and until the funds are accounted for, they are claiming the funds as a credit due to the Department. Our review disclosed that the funds were collected by the Carlton Hotel in Johannesburg, and were placed in an account, separate from the Department’s hotel accounts paid by the U.S. Embassy, and were used to pay for Energy Summit Conference costs. Our interviews indicate that Department officials were aware of this separate account because they arranged with the hotel personnel that these administrative fees be placed in a separate account. There would have been no reason, then, for the hotel to send invoices from the Energy Summit Conference costs to the embassy because the costs were “paid” by various credits to this account. We have provided DOE personnel with a copy of the Energy Summit Conference hotel bill, which we obtained from the hotel, which accounts for the administrative fees collected by the hotel. Also, our interviews confirmed that DOE officials did receive some of the Energy Summit Conference bills from the hotel while in-country.
- \$671 room service. We agree that certain personal expenses were improperly charged to DOE. But we also believe that DOE personnel should have reviewed the Department’s hotel bill at check-out, and cleared up mischarges at that time.

- \$15,539 rental cars. The Department is disputing charges for 14 minivans (\$14,757) for which State Department provided supporting invoices, and three missing car rental invoices (\$782). We have no documentary evidence the parties have agreed that DOE has been mischarged and that refunds will be made.
- \$14,170 banquets. This amount consists of two charges for \$7,085 for the same reception. One of the \$7,085 charges was a duplicate billing, which was identified as such in the Initial Draft Report. (Note: This banquet was actually billed with different exchange rates of \$7,085 and \$7,104.) DOE believes that the other \$7,085 charge was incurred, but should have been paid for by the I CAN Foundation, which DOE expected to sponsor the reception. We discuss this situation further below in addressing the Department's comments on "reception and representation" expenses. We note that the same \$7,085 reception expense is also included above in the Department's \$24,285 "erroneous" hotel charges example.
- \$916 computer equipment. The Department has previously challenged this computer rental charge. U.S. Embassy personnel have responded to DOE that the computer rental was necessary and used in the embassy control room in support of the DOE visit to South Africa. We have no documentation that the embassy is going to absorb this cost.

"Reception and Representation" Expenditures

Our review of embassy costs disclosed that Department funds were used for "reception and representation" type expenditures from the Departmental Administration appropriation when specific funding for such activities was not available.

Public funds may only be used for the purpose for which they were appropriated. (31 U.S.C. 1301(a)) Appropriated funds are not available for entertainment, including free food, except under specific statutory authority. Absent specific authorizing language, such improper entertainment expenditures may be authorized through "reception and representation" appropriations. (5 Comp. Gen. 455; 26 Comp. Gen. 281; Comp. Gen. B-20085; GAO/OGC-92-5 Appropriations Law-Vol. I pp. 4-100-4-114)

"Reception and representation" funds are amounts designated by Congress for entertainment in connection with official agency business. Examples of "reception and representation" activities include, entertainment, official functions at overseas missions, social responsibilities and courtesies, meals, parties, luncheons, and entertainment of non-government personnel.

"Reception and representation" funds are provided through the Department of Energy "Departmental Administration" appropriation. The appropriation for Fiscal Year 1995 stated:

"General and Special Funds:

DEPARTMENTAL ADMINISTRATION

For salaries and expenses of [DOE] necessary for Departmental Administration and other activities in carrying out the purposes of the Department of Energy Organization Act {Public Law 95-91} 42 U.S.C. 7101, et. seq., including the hire of passenger motor vehicles and official reception and representation expenses (not to exceed \$35,000)"

The trip to South Africa took place on August 18-28, 1995. On previous trade missions some "reception and representation" funds had been obligated and expended. On August 17, 1995, a log maintained by an official external to the accounting system showed that the remaining balance in the \$35,000 Fiscal Year 1995 "reception and representation" fund was \$1,772; all but \$142 of this remaining balance was subsequently expended or obligated. According to a Department official, prior to the trip commencing, trip organizers were told that no money from the "reception and representation" fund would be available to fund trip activities or events. Although only \$1,772 was available prior to the trip starting, and the trip organizers were told no "reception and representation" funds were available, our review disclosed that the Department was charged for the following costs, none of which have been charged to the Fiscal Year 1995 "reception and representation" fund.

- \$1,077 was charged for food and beverages for a casual social function at the Ambassador's residence (August 19, 1995);
- \$1,358 was charged for breakfast for 62 people for two mornings at the Cape Sun Hotel (August 20 and 21, 1995);
- \$2,858 was charged for a luncheon, with bar, for 120 people at the Cape Sun Hotel (August 21, 1995);
- \$4,785 was charged for an American Chamber of Commerce dinner at the Carlton Hotel (August 24, 1995);
- \$235 was charged for refreshments and beverages at the Johannesburg International Airport (August 27, 1995); and,
- \$7,104 was charged to the Department for a reception with food for 300 people and an open bar, held at the Carlton Hotel (August 23, 1995);

We discussed the above charges with a Human Resources official who has been reviewing embassy costs, and he commented that the Department should not have been charged for many of these costs. For example, he said that the charges for the function at

the Ambassador's residence came as a complete surprise; they knew they had been invited, but they did not know they were going to be billed.

Regarding the American Chamber of Commerce banquet for \$4,785, the Human Resources reviewing official said that the participants were charged \$55 per person at the door for this event, and he questioned the embassy about why the Department was being billed. In response, an embassy official said that an agreement had been reached with DOE's advance team that a lump sum bill be submitted for this event, which was done (87 participants at \$55 each).

The \$7,104 charge for the August 23, 1995, reception is discussed in detail in response to management's comments at the end of this section.

As a general comment, the Human Resources reviewing official said that the administrative fees charged by the two hotels to each of the non-Federal trip participants were intended to cover the cost of these functions. The Carlton Hotel in Johannesburg charged \$400, and the Cape Sun Hotel in Cape Town charged \$200 to each non-Federal participant. We found that only the \$200 per person charge was shown as a credit on the hotel invoices to the Department. The other \$400 per person charge was accounted for separately and was spent for other activities at the Carlton Hotel in connection with the Energy Summit Conference. The issue of shared costs is discussed in Section C-6, "Full Cost Recovery" of this report.

Regardless of the Department's plans and intentions, the Department incurred \$17,417 of "reception and representation" types of costs on its South African trip when adequate "reception and representation" funds were not available.

In addition to the trip to South Africa, our review also found that the Department failed to properly charge its "reception and representation" account for events held during the Department's trip to China.

On February 19, 1995, an informal Welcome Reception was hosted by the Secretary from 5:00-5:30 p.m. at the Portman Shangri-La Hotel, Shanghai, China. The American Chamber of Commerce was to host the reception from 5:30-7:00 p.m. The Department was billed for a beverage charge of \$2,308, including service charges. This cost included \$510 for 125 glasses of beer, \$544 for 200 glasses of wine, and \$1,253 for 307 glasses of soft drinks. The American Chamber of Commerce did submit \$533 to defray the costs of the Secretary's visit in Shanghai; however, we have not been provided with any supporting documentation that the refund was directly associated with this expense. If the refund amount were to be applied in total to this expense, there would be a remaining amount of \$1,776 that should have been applied to the Official Reception and Representation Account. Sufficient funding, however, was not available to apply this cost to the account.

Management Comments. Management commented that:

"With regard to China, the Initial Draft Report inaccurately presents the facts surrounding the China mission representation expenses. The report states that the China trip overran its representation funds by \$1,776. However, the report does not state that the Department originally set aside \$10,000 in representation funds, more than enough to fund all representation costs, including the ones detailed in the report. Nor does the report explain that the Department reallocated \$5,000 of the \$10,000 only after the original bills from the embassy showed that the additional funds were unneeded. Had the embassies promptly billed the Department for the costs outlined in the Initial Draft Report, the Department's original funds would have been more than sufficient. These facts are directly relevant to the discussion of the availability of representation expenses and should be included in the report."

Inspector Comments. Our Initial Draft Report identified that: "An additional \$10,000 was obligated from the Official Reception and Representation Account under CID M6EN95019." The Initial Draft Report also stated that: "The remaining \$5,750 in the Official Reception and Representation Account, CID M6EN95019, was subsequently deobligated."

An analysis of the SF 1221 Summary of Charges for the China trip indicated that the costs relating to the Portman Shangri La Hotel appeared in the March 1995 listing. The Jin Jiang Tower Hotel costs relating to the Round Table Discussion and Signing Ceremony were included in the April 1995 SF 1221, Summary of Charges for the China trip. A DOE Accounting Contract History Report indicates that \$4,250 was applied to the account on July 24, 1995. Additionally, a "Public Voucher for Purchases and Services Other Than Personal," (Standard Form 1034) indicated \$5,000 was deobligated on July 19, 1995; and the remaining \$750 was deobligated on September 12, 1995.

The DOE SF 1221 listings of State Department billings, provided during our review, indicate that DOE was provided with the billing information several months before the funds were deobligated, however, these expenses had not been applied to the Official Reception and Representation Account for the China trip.

On March 17, 1995, the Department was charged \$866 for beverages and a service charge of \$113 by the Jin Jiang Tower Co., Ltd. for champagne served during the Round Table Discussions and the Signing Ceremony. The charge was not applied to the official "reception and representation" account. There was no available "reception and representation" funding for this cost.

On the India trade mission, Department officials obligated \$2,500 for "reception and representation" expenses. A total of \$2,644 was incurred by the U.S. Embassy for "reception and representation" type expenses. This amount included:

- \$1,621 for food and beverages consumed at business meetings on July 9 and July 11, 1994;

- \$753 for beverages at the Gateway Restaurant;
- \$106 for a luncheon for 12 persons, including DOE officials, U.S. Embassy officials and local power sector officials;
- \$146 for a dinner for 18 persons on July 9, 1994; and,
- \$18 for flowers.

As of April 11, 1996, Accounting officials had applied \$1,785 to the India Reception and Representation CID EN94039. Accounting officials had also deobligated \$454 from this CID, leaving a balance of \$262 available for "reception and representation" expenses. The amount applied included expenses for the July 9 and July 11, 1994, business meetings, as well as for the \$106 luncheon. The \$753 had not been applied to the CID. Based on our review of the account, there were insufficient funds to charge the \$753 to the India reception and representation CID.

Management Comments. Management commented that:

"On the India, Pakistan and China trips, each embassy was requested to arrange for various receptions and official functions and was instructed via cable the amount available to fund those activities. According to the draft report, each embassy then spent more on representation expenses than was made available by DOE."

Management also commented that: "The Draft Report does not contain any explanation of the availability of funds to cover the representation charges made by the embassies."

Inspector Comments. Management commented that each embassy for India, Pakistan and China was instructed via cable the amount available for receptions. The copies of cables and sections of cables that we obtained, discussed earlier, show that only for India do we have a section of a cable that provided a specific dollar limitation. That cable section stated \$2,500 was available for official "reception and representation" expenses. For China we have a section of a cable that provided a funding citation for "ALL CHARGES FOR ADMINISTRATIVE EXPENSES EXCLUDING REPRESENTATION." For Pakistan, funding citations were provided for other expenses, but there was no mention of "reception and representation" expenses. Also for South Africa the State Department cables that we have do not mention "reception and representation" expenses. As stated above, we have requested that the Chief Financial Officer officials provide us with any additional information or State Department cables sent to the embassies that might support Management's comments. The CFO officials have not provided additional information.

The Initial Draft Report did not state that the embassy spent more on representation expenses than was made available by DOE for the three trade missions. The report did not address the "representation" funds for Pakistan because we did not identify a

representation issue. Furthermore, as previously discussed, the Department had obligated \$10,000 for the China trade mission, therefore obligating sufficient funds for the China trade mission. However, subsequent to the China mission, the Department deobligated funds prior to applying the representation expenses incurred through the embassy on the China trip.

Regarding the India trade mission, the Initial Draft Report addressed the \$2,500 obligated for reception and representation for India. The Initial Draft Report also addressed the deobligation of funding from the India CID. As a result of this deobligation, sufficient funding was not available in the India account. The details of the amounts obligated and expended were discussed in the Initial Draft Report.

In response to recommendations in the Initial Draft Report, the Office of General Counsel issued an opinion regarding “reception and representation” expenditures. The review stated that “an additional \$144.02 should be obligated from reception and representation funds to cover this charge, if such obligation has not already been made.” We believe that due to the deobligations from this CID, as discussed above, an additional \$491 would need to be obligated to the India account.

The Departmental Administration appropriation for Fiscal Year 1995 clearly stated that funds allowed for “reception and representation” expenses are not to exceed \$35,000. On the occasions discussed above, Department funds were used for “reception and representation” types of activities when funds for such activities were not available. We asked a General Counsel attorney specializing in appropriations law whether “reception and representation” expenditures could be paid through the Departmental Administration appropriation when no “reception and representation” funds were available. We were told that, absent specific authorizing language, payment of “reception and representation” type activities with other than “reception and representation” funds may be construed as a possible misuse of appropriations funds.

Based on our review, we believe DOE’s funding of these “reception and representation” expenditures from the Departmental Administration appropriation, without adequate “reception and representation” funds, may be a possible misuse of appropriated funds.

Additionally, it is also important to note that the Antideficiency Act states that Agencies may not spend or commit themselves to spend, in advance of or in excess of appropriations (31 U.S.C. 1341) The Departmental Administration appropriation specifically states that “reception and representation” is not to exceed \$35,000.

Management Comments. Management commented that:

“On the South Africa mission, the Department prepared a cable to the State Department specifically stating that no representation expenses are to be charged to the Department’s account. However, the embassy did not receive this cable and charged DOE accounts for unallowed receptions and official

functions. Because the records of the cables do not correspond, the General Counsel review recommended in the report will examine this issue and suggest a course of action."

Inspector Comments. Our inspection noted that the actual cables sent to the U.S. Embassy in South Africa did not discuss "reception and representation" expenditures, and did not specify any cost limitations of any type. The Department has provided us with the draft text of a cable to South Africa retrieved from a computer hard disk which stated: "THE FOLLOWING DATA IS THE FUNDING CODES TO BE USED TO COVER ALL GOODS AND SERVICES EXCLUDING ANY REPRESENTATIONAL EXPENDITURES." There is no evidence that this cable text was ever sent to the U.S. Embassy in South Africa. Department officials stated that they believed the draft cable was faxed to the State Department, but have no documentation to support this position.

Management Comments. Management commented that:

"Regarding South Africa, the draft report misleads the reader [on] trip expenses. The report states that the Department spent money on representation activities (\$17,910) in South Africa when no money was available. While it is true that the Department had no funds set aside for these expenses in South Africa, that is because the Department did not intend to incur nor authorize such expenses. Not only did the Department inform the State Department that DOE funds were not to be used for representation expenses, it made arrangements with the hotel and the embassy to reflect this."

Inspector Comments. Regarding the comment "Not only did the Department inform the State Department that DOE funds were not to be used for representation expenses, it made arrangements with the hotel and the embassy to reflect this," a Department official responsible for preparing the Department's comments verbally told us that this comment referred to an initial meeting at the hotel where both embassy and hotel officials were informed of this requirement.

Contrary to the Department's comments, our report does not state that the Department intended to incur "reception and representation" expenses. The report does, however, make the point that regardless of the Department's plans and intentions, the Department was charged for \$17,417 of "reception and representation" types of costs on its South Africa trip when no "reception and representation" funds were available.

We asked Department officials to provide us with their plan on how the various South Africa trade mission functions which were "reception and representation" in nature were to have been funded, given their verbal instructions to both the embassy and hotel officials that: ". . . DOE funds were not to be used for representation expenses. . ." We were specifically interested in a plan which listed the various "reception and representation" functions, and indicated how each was to be funded, whether by business delegates'

administrative fees, fees collected at the door, etc. A Department official responsible for preparing the Department's comments stated that there had been no plan that he was aware of, either written or unwritten.

One consequence of the Department's failure to have a funding plan for these events was a loss of control over receipts for the Energy Summit Conference. During the conference a subcontractor was tasked to register participants for a "Summit on Sustainable Development." This registration included collecting a \$35 fee, to include a luncheon, from the business participants. A review by OIG determined that the fees collected by the contractor, The Mitchell Group, were never credited to the Department. The Department was apparently unaware of this fact. If a plan had been in place, then we believe this omission would have been detected by the Department. The Mitchell Group has been billed \$5,137, and we understand they have repaid this amount.

Management Comments. Management commented that:

"Of the \$17,910 in representation expenses cited in the report, \$12,966 were for three receptions that were held and hosted by others and were never authorized by DOE as government expenditures."

- "- \$1,077 was billed for a reception held by the American Ambassador to South Africa, a charge that the State Department has acknowledged was charged in error.
- "- \$7,104 was billed for a reception sponsored by the I CAN Foundation, a South African educational organization. The State Department has acknowledged that this cost should have been billed to the I CAN Foundation directly.
- "- \$4,785 was charged for a reception sponsored by the American Chamber of Commerce, where the report itself suggests that funds may have been collected at the door to cover the cost of this event."

Inspector Comments. The following addresses the three "reception and representation" expenses on which the Department specifically commented:

Regarding the \$1,077 reception by the American Ambassador -- We have not been provided with evidence that the State Department has reversed these charges. We discussed these charges with a senior State Department official. This official told us that he also was not aware of a reversal of these charges by the State Department.

Regarding the \$4,785 American Chamber of Commerce Dinner -- Irrespective of whether some individuals paid for this event at the door, the Department has been charged for an event that is "reception and representation" in nature. A February 9, 1996, U.S. Embassy memorandum signed by an embassy employee who had worked with DOE officials on the trip, stated: "During the discussion between Secretary's O'Leary's advance team and the

Am Cham regarding how to bill the O'Leary delegation for their seats at the banquet, the advance team suggested that Am Cham bill the party in a lump sum." This billing method is what the American Chamber of Commerce did.

Regarding the \$7,104 Reception -- In a June 13, 1996, letter to the Department of Energy, a senior State Department official wrote:

"The Embassy spent a great deal of time trying to clarify the intentions of the I Can Foundation with respect to paying the banquet fees at the Carlton Hotel. A telephone number . . . appears on the I Can Foundation stationary used for the letter dated January 26, 1996 [sic] provided by the Department of Energy. The telephone number is actually that of the organization Black Like Me, which in turn referred the Embassy to another number . . . After many fruitless attempts to contact this organization, it is clear that we will not be successful." (Note: this banquet was billed twice, with differing exchange rates resulting in costs of \$7,085 and \$7,104.)

Regarding the Department's comment that: "The State Department has acknowledged that this cost should have been billed to the I CAN Foundation directly," a DOE official responsible for preparing the Department's comments told us that the comment referred to a phone conversation between himself and a senior State Department official. This same State Department official told us, however, that the State Department has not acknowledged that the I CAN Foundation was responsible for the cost of this reception.

In reviewing this comment on our Initial Draft Report and the Office of General Counsel's (OGC) opinion on "reception and representation" expenditures, which was provided in response to a recommendation in the Initial Draft Report, we identified additional issues related to the Department's position that the I Can Foundation (I CAN) should have paid for the August 23, 1995, reception at the Carlton Hotel in Johannesburg. The following presents information on the Department's relationship with and procurement action regarding I CAN, and the reception on August 23, 1995.

The I CAN Procurement

On August 11, 1995, the Special Assistant to the Director, Office of Economic Impact and Diversity (ED), wrote a letter to The Mitchell Group (TMG) confirming her conversation of August 10, 1995, regarding TMG providing support to I CAN in support of the Secretary's trip to South Africa. TMG at the time had a contract with the Department, to support the trade mission. According to the letter, I CAN had agreed to set up a tour for the Department to the Northern Transvaal Technikon and convene a meeting of approximately 2,000 students for the Secretary to address concerning the Department's commitment to education. I CAN would also be responsible for the distribution of books and computers. The letter said that ED would provide \$6,000 to TMG to cover the expenses associated with this event.

A receipt dated August 16, 1995, shows that I CAN received from a TMG official \$4,000 in travelers checks. According to the receipt, the payment was made at the request of the ED Director. On August 17, 1995, an I CAN official wrote to TMG that the ED Special Assistant had asked that he contact TMG to obtain an additional \$1,000. The I CAN official also wrote that the ED Special Assistant would contact TMG to expedite the matter. Other documents from TMG files show that on August 17, 1995, \$1,000 was wired by TMG to a bank account of an I CAN official in South Africa. One accounting document is annotated that the funds were for "Subcontracting services."

The trip report for the Secretary's South Africa trip, dated September 13, 1995, showed that the Secretary departed Washington, D.C., for South Africa on August 18, 1995. The trip report reflects that on August 23, 1995, the Secretary hosted a reception at the Carlton Hotel, and on August 24, 1995, she traveled to the Northern Transvaal Technikon.

The purchase order to reimburse TMG for the I CAN expenditures was not executed until after the trade mission. On September 27, 1995, the Golden Field Office initiated a procurement request, indicating the Field Office Manager as the requester, in the amount of \$6,000 for "Logistic and support of South African 'I Can Foundation'." On September 28, 1995, a purchase order was issued by the Golden Field Office to TMG in the amount of \$6,000 for "Logistics and Support of the 'I Can Foundation'." On September 29, 1995, TMG wrote to a Golden Field Office procurement official that the additional \$6,000 contract funding was distributed as follows: \$5,000 disbursed to I Can Foundation For Observation Tour, and \$1,000 for "TMG's Management Fee." Subsequently, on October 16, 1995, the Golden Field Office approved payment of \$6,000 to TMG under the purchase order.

Golden Field Office procurement officials told us that based on the August 11, 1995, letter to TMG from the ED Special Assistant and instructions from the Golden Field Office Manager, they issued the purchase order to TMG in the amount of \$6,000 for support of I CAN. They said that I CAN was a subcontractor to TMG. They also told us that, although they did not have a statement of work for the purchase order in their file, they believed the purpose of the purchase order was for shipment of books to South Africa. Also, they believed a sole source statement had been in their file but it could not be found. Further, although services had already been ordered and provided, we were told that procedures that are used to formally ratify a procurement were not followed.

Our discussions with the ED Director and her Special Assistant provided additional information on who was involved in the events that led up to the August 11, 1995, letter from the ED Special Assistant to TMG. I CAN was assisting the African Electrification Foundation (AEF) in making arrangements for the trade mission. The AEF has a Cooperative Agreement with ED valued at \$4,000,000 and they were providing support for the trade mission. This Cooperative Agreement is briefly discussed in Section C-4 "Contractor Support Costs" of this report. We were told that I CAN expected to be paid \$11,000 by AEF for its assistance. However, AEF was unable to pay I CAN, we were told, because AEF wanted additional funding for this purpose and ED was unable to provide AEF additional funds at that time because the responsibility for administering the

Cooperative Agreement was in the process of being transferred from the Oak Ridge Operations Office to Headquarters procurement officials.

We were told that during the advance trip to South Africa an advance team member was calling various DOE Headquarters officials and saying that I CAN was reluctant to continue working unless it got paid and that ED officials had the responsibility for paying I CAN and were not paying I CAN. The I CAN work included arrangements at the Northern Transvaal Technikon for the Secretary's planned visit there. We were told that the ED Director believed that arrangements for the Secretary's visit would be jeopardized if I CAN was not paid.

The ED Special Assistant told us that she would not agree to provide \$11,000 to I CAN for what they were doing and the advance team member subsequently told her that an I CAN official had agreed to \$5,000 and she concurred. The ED Special Assistant told us that she later learned that this I CAN official had been "mad" about the reduced price. She said the official felt strongly that because he had agreed to assist with the book distribution and tour arrangements, and also had volunteered to host the Secretary's reception, that his involvement was worth the \$11,000.

The ED Special Assistant said that since ED could not use AEF at that time to provide funds to I CAN, she consulted with the Manager of the Golden Field Office to see if funds could be added to the TMG contract for this purpose. She told us that he said that funds could be added to the contract. A TMG official told us that he told the ED Special Assistant that they would not provide I CAN with funds unless they had a written direction to do so and that TMG would require a \$1,000 administrative fee because it was not certain how long it would take for TMG to be reimbursed. The TMG official also told us that he really did not consider this to be a subcontract but rather just "a pass through" providing funds to I CAN at the direction of the ED officials. The ED Director told us that the ED Special Assistant prepared the August 11, 1995, letter with her approval. Further, the OGC opinion on reception and representation expenses reported the following from their interview with the ED Director: "I CAN had done some advance work for the trip. She surmises they thought they would make money on that, and be able to use some for the reception."

The Reception

Department officials believed that no reception and representation funds remained for use on the South Africa trip. Management commented that: "While it is true that the Department had no funds set aside for these expenses [representation activities] in South Africa, that is because the Department did not intend to incur nor authorize such expenses." Department officials have told us that it was known long before the trip that the Department would be expected to host a reciprocal event while in South Africa. The invitation letter to trip participants signed by the Secretary provided an agenda of activities that would take place in South Africa and one activity was identified as a reception hosted by the Secretary. Further, the trip report for the South Africa trip refers to the August 23, 1995, reception as a reception hosted by the Secretary.

Several DOE staff who worked on the South Africa trade mission told us the arrangements regarding who would host the reception were not finalized until the advance team was in-country. Our records indicate that advance team members left for South Africa on August 4, 1995. OGC reported in their July 31, 1996, opinion on reception and representation expenses that one staff member said that while on the advance team, he overheard an I CAN official, a member of the advance team, and another individual discussing the possibility of I CAN co-hosting the reception. Also, that same advance team member was reported as saying that "there was a frantic scurry as time got close to determine who would host the reception."

One staff person who was on the advance team said that on the night of August 10, 1995, before he took a trip to Cape Town, he recalled that the issue of who would host the reception was being discussed and had not been resolved. Further, he recalled that either during his trip to Cape Town or upon his return to Johannesburg on August 14, 1995, he learned that I CAN would be hosting the reception. Based on this information, it appears that the Department's decision to accept I CAN's offer to sponsor the reception was finalized during the period August 11 to August 14, 1995.

There is evidence that prior to finalizing the arrangements on the advance trip there had been some expectation that I CAN would host the reception. The ED Director told us that in July 1995 a staff member involved in the trade mission arrangements brought I CAN officials to her office. She recalled that it was said that I CAN would be hosting the reception. Further, she confirmed that the staff member took the I CAN officials to meet the Secretary and have a picture taken.

We have been unable to identify any Department officials who could be described as having agreed to receive the reception itself. Since Management commented that I CAN should have been billed for the reception, we requested the Acting Chief Financial Officer by memorandum dated August 19, 1996, to identify the person(s) who agreed to accept the offer by I CAN to sponsor the reception. The Acting Chief Financial Officer has not yet responded to our memorandum.

In summary, the Department agreed to receive a reception, a thing of value, from I CAN during the conduct of a procurement for which I CAN was a competing contractor. This may have resulted in actions by individuals that were inconsistent with the procurement integrity provisions of the Office of Federal Procurement Policy Act (41 U.S.C. 423) that were in effect at the time of the reception. Accordingly, we have added the following recommendations for the Department.

RECOMMENDATION 30: We recommend that the General Counsel, who's office has a responsibility within the Department for interpretation of the procurement integrity provisions of 41 U.S.C. 423 and the implementing regulations in FAR 3.104, determine whether the provisions of 41 U.S.C. 423 were violated by the Department's acceptance of I

CAN's offer to sponsor the August 23, 1995, reception or by individuals personally attending the reception and take any actions as may be appropriate.

Subsequent Management Comments on the Official Draft Report. Management stated that:

"The Official Draft Report contained two new recommendations, both of which we have adopted."

Management also stated that:

"In response to this recommendation, we attach a memorandum from the Assistant General Counsel for General Law, which concludes that there was no violation of the procurement integrity laws."

The attached memorandum from the Assistant General Counsel for General Law stated that:

"Acceptance of the Reception by the Department"

"It is our view that, had the reception been funded by the I Can Foundation, the reception would have constituted a gift to the Department that could have been accepted under the Secretary's gift acceptance authority. The procurement integrity gift prohibition applies to gifts to procurement officials and not the acceptance of gifts by an agency that had statutory gift acceptance authority. The FAR excludes from the prohibition gifts which are accepted under specific statutory authority. (FAR 3.104-4(f)(1)(ii)) We have informally discussed this interpretation with a representative of the Office of Federal Procurement Policy, who agreed. Accordingly, we conclude that a violation of the procurement integrity gift prohibition could not have occurred.

"Acceptance of Invitations to Attend the Reception"

"Given the totality of the facts in this case, attendance at the reception should be viewed as gifts to the attendees from the Government. Invitations to the reception were sent out by the American Embassy. The I Can Foundation intended to add names to the invitation list, but advised the Office of Economic Impact and Diversity that it was unable to do so due to a lack of cooperation from the State Department. Thus, it appears that the Federal government exercised control concerning the invitation list to the reception. Since the Government decided who would be attending the reception, any procurement officials who attended the reception would have been accepting a gift from the Government, not from the I Can Foundation.

"Further, even if one were to argue that the reception should be viewed as a gift from the I Can Foundation to the attendees, the acceptance of the invitation must have been done "knowingly" in order to cause a violation. Both competing contractors and procurement officials have a duty to inquire whether any prospective conduct would violate the procurement integrity provisions. (FAR 3.104-8) In this case, there was confusion concerning funding of the I Can Foundation. Although the purchase order for the I Can Foundation was not issued until more than a month after the reception, it appears that, at the time of the reception, the individuals involved in the funding of the I Can Foundation thought the work had already been done under an existing contract with The Mitchell Group. [The Special Assistant's] August 11, 1995, letter and her August 21, 1996, interview with representatives from the Office of the Inspector General indicate that she thought that the I Can Foundation was going to be paid under the existing contract. Funds were in fact transferred to the Golden Field Office for these activities on August 11, 1995. In addition, The Mitchell Group sent correspondence to the Golden Field Office after the reception indicating their belief that the I Can Foundation was to be paid under the existing contract. It is illogical to conclude that attending the reception gave rise to a violation of the procurement integrity gift prohibition when the alleged gift was given at a time when those involved were unaware that a procurement was being

conducted. In any event, since the I Can Foundation never paid for the reception, any question concerning the propriety of individual attendees accepting a gift from it would appear to be moot."

Inspector Comments: We believe this recommendation should remain open until this office completes its analysis of the Office of General Counsel opinion.

RECOMMENDATION 31: We recommend that the Assistant Secretary for Human Resources and Administration review the circumstances surrounding the I CAN procurement to document procurement irregularities and identify "lessons learned" and take any actions that may be appropriate.

Subsequent Management Comments on the Official Draft Report. Management stated that:

"The Official Draft Report contained two new recommendations, both of which we have adopted."

Management also stated that:

"We have prepared an action plan for implementation of this recommendation. That plan is attached to this memorandum."

Inspector Comments. We consider management's actions to be responsive. However, we believe this recommendation should remain open until the November 15, 1996, date set in the Action Plan for a report to be issued.

Management Comments. In addition to specifically commenting on the three items of "reception and representation" expenses totaling \$12,956, management further commented on the "reception and representation" expenses, to include the remaining \$4,944 of expenses as follows:

"The General Counsel review will examine these charges, as well as the remaining \$4,944 of charges discussed in the draft report. The review will examine the facts in light of the Department's understanding that none of the receptions were being hosted or sponsored by the Department of Energy, and that all other business related representation expenses would be funded from the business delegate's administrative fee, paid to the hotel. That review has already begun, and will be completed by July 31, 1996. If any of the facts indicate that corrective action by the Department is necessary, the Office of the Chief Financial Officer will take that action."

Inspector Comments. In the absence of any plan for how the administrative fees were to be used and the fact that the Department arranged for receptions, breakfasts, and luncheons, it is not clear to us how the Department had the understanding that none of the receptions

were being hosted or sponsored by the Department of Energy. Also, regardless of who was to have paid for these events, the fact remains that the Department has been charged for these events, and has paid for them. The Department is faced with having made expenditures that are potentially both a misuse of appropriated funds, and a violation of the Antideficiency Act.

RECOMMENDATION 10: We recommend the Chief Financial Officer, in coordination with the General Counsel, properly classify “reception and representation” type costs incurred, and take other actions that may be required.

Management Update on Status of Corrective Actions. Management stated that the “CFO has disputed with State Dept many of the representation type expenditures highlighted in the report. CFO continues to work with State Dept to reverse improper charges. Meanwhile, GC is assessing remaining legal issues.” The update also stated that management considers its action on this recommendation to be complete.

However, on July 31, 1996, the Deputy General Counsel wrote to the Acting Chief Financial Officer concerning the results of OGC’s review of “reception and representation” fund issues. In its review, OGC identified \$35,086 of expenses that should be obligated from “reception and representation” funds.

Inspector Comments. This recommendation should remain open until the representation expenditures identified in the OGC’s review have been resolved, properly reclassified, and applied in the Department’s accounting system.

Subsequent Management Comments on the Official Draft Report. Management stated that:

“The Department has reviewed the expenses and agrees to the classifications found in the General Counsel’s review of representational fund expenses from the 4 trade missions. We are in final discussions with the State Department regarding who will pay for certain expenses and we expect that all issues will be resolved by and a final accounting will be completed by October 31.”

RECOMMENDATION 11: We recommend the General Counsel review the Department’s obligations and payments of expenditures that are representational in nature, to determine whether such obligations and payments, absent adequate “reception and representation” funds, constitute a misuse of appropriated funds.

Management Update on Status of Corrective Actions. Management stated that: “Prior request of GC asked to determine all Department funds available and how to handle any potential issues. GC is completing analysis and CFO will act on results of GC review.”

Inspector Comments. See our response to Recommendation 12.

Subsequent Management Comments on the Official Draft Report. Management stated that:

"The Office of General Counsel's review, referenced above, concluded that there had not been a misuse of appropriated funds. A copy of their findings was provided to you on July 31.

"In the Official Draft Report, you informed us that you have sought the views of the Comptroller General on the question whether representation funds are no-year money or are available only for one year. We have completed all action on this recommendation; however, we will review the Comptroller General's analysis when he responds to your request."

RECOMMENDATION 12: We recommend the General Counsel review the Department's obligations, and/or payments of expenditures that are representational in nature, to determine whether such obligations and payments, absent adequate "reception and representation" funds, constitute a violation of the Antideficiency Act (31 U.S.C. 1341)

Management Update on Status of Corrective Actions. Management stated that "CFO is disputing with State Dept many of the representation type expenditures highlighted in the report. CFO continue[s] to work with State Dept to reverse improper charges. Meanwhile, GC is assessing remaining legal issues."

On July 31, 1996, the Office of General Counsel provided the Acting Chief Financial Officer its opinion regarding "reception and representation" fund issues. In that opinion the OGC stated:

"... the Secretary has committed to implementation of all the recommendations contained in the Inspector General's initial draft report. To enable timely implementation of recommendations 10, 11, and 12, we proceeded simultaneously on several fronts: development of facts with respect to what the obligations and expenditures were, and the circumstances under which they may have been made; and research and analysis of the legal issues potentially implicated . . . This analysis revealed neither a misuse of appropriated funds nor a violation of the Antideficiency Act.

* * * * *

"Based on the . . . classification analysis, it appears that amounts totaling \$35,086.01 should be obligated from reception and representation funds. Amounts totaling \$4,206.34 should be obligated from other than reception and representation funds, . . . including other appropriate program accounts (or remain in a suspense account pending collection).

* * * * *

“ . . . we conclude that reception and representation funds remain available for their original purposes until expended, subject only to the limitation of the amount available from each appropriation; that sufficient carryover funds are available to meet the expenses discussed above which are properly chargeable to the reception and representation fund; and that, in view of the availability of adequate funds for the expenses related to the foreign travel examined in this memorandum, there has been neither a misuse of appropriated funds nor a reportable violation of the Antideficiency Act as set forth in sections 1341 (a)(1) or 1517 (a), title 31, United States Code.”

Inspector Comments. On August 29, 1996, the Office of Inspector General requested a Comptroller General opinion concerning the issue whether the Department’s “reception and representation” funds are “no year” funds, available until expended, or whether the annual expenditures are limited by the stated appropriation act amount. In their review, the Office of General Counsel concluded that the Department was not required to use funds only during the fiscal year for which appropriated; in fact, regarding the matter in controversy, the Office of General Counsel concluded that unobligated balances may be used for properly chargeable current expenses. The Office of General Counsel review identified \$49,008 of unobligated “reception and representation” funds available from the past 11 years that could be used in paying for the \$35,086 of “reception and representation” expenses it identified in its review.

In order to resolve this conflict between stated long-standing Department practice and the Office of General Counsel’s legal conclusion, we are asking for an opinion on the issue of whether Department of Energy “reception and representation” funds may in essence be carried over for reception and representation activities in another fiscal year.

Subsequent Management Comments on the Official Draft Report. Management stated that:

“The Office of General Counsel conducted such a review and concluded that DOE’s actions were consistent with the Antideficiency Act.

“In the Official Draft Report, you informed us that you have sought the views of the [C]omptroller General on the question whether representation funds are no-year money or are available only for one year. We have completed all action on this recommendation; however, as stated above, we will review the Comptroller General’s analysis when he responds to your request.”

Personal and Other Improper Expenditures Paid By the Department

Our review of costs paid through embassies disclosed that the Department was charged for various personal costs that should have been charged to individual travelers. The following costs were noted, which were improperly charged on the trip to South Africa:

- \$1,818 for room charges for six individuals;
- \$74 for room service and mini bar charges at the Cape Sun Hotel;
- \$192 for various room service and other bills at the Carlton Hotel; and,
- \$117 for food, beverages and guide services at the Palace Hotel;

Because, these personal costs were charged to DOE, it does not appear that Department officials adequately reviewed hotel bills prior to departing the country. Such a review would have disclosed these improperly billed costs, and enabled the Department to redirect the charges to the responsible individuals in a timely manner at the point of their occurrence.

There are other costs that the Department is currently questioning, which we believe should have been reviewed and resolved at the time of the trip. The Human Resources reviewing official said that he believes the Department was billed for too many vehicles in Johannesburg. If the Department was in fact charged for more vehicles than it ordered, then this over billing should have been detected and addressed while DOE personnel were in country, not eight months after the fact.

Another significant cost issue on which we found the Department to be unclear, and which we believe should have been addressed prior to departing South Africa, was the disposition of the \$400 administrative fees, totaling \$17,600, charged to the non-Federal travelers. While it was known by the Department that the non-Federal travelers had been charged the \$400 fee, the Department was unable to tell us if and how the \$17,600 was used to fund trip costs. The Human Resources reviewing official told us that the Carlton Hotel still owed the Department the \$17,600, and that the Department would be receiving credit for this amount. It was only by our contacting the hotel directly that we learned that the \$17,600 had been used to fund Energy Summit Conference costs in Johannesburg beyond what had been charged to the Department through the U.S. Embassy.

Based upon the above, we have concluded that the Department did not exercise adequate care in reviewing its bills and settling its accounts prior to departing South Africa.

RECOMMENDATION 13: We recommend the Chief Financial Officer recover personal expenses from responsible individuals.

Management Update on Status of Corrective Actions. Management stated that: "The Office of the Chief Financial Officer has identified personal expenses and is billing them to the individuals as appropriate by DOE rules and regulations. Additionally, the CFO stands ready to handle further actions if GC identifies additional personal expenses in the course of their other reviews."

Inspector Comments. This recommendation should remain open until efforts to recover all personal expenses from responsible individuals have been completed.

Subsequent Management Comments on the Official Draft Report. Management stated that:

"With respect to personal expenses that were incurred, we have completed our audit of all but three of the relevant travel vouchers. Six disclosed improperly billed personal expenses amounting to \$366.77, all of which has been recovered. Three remaining vouchers are still under review.

"We are aware that there are additional personal expenses that were or will be billed to DOE through U.S. Embassies overseas that will not appear on travel vouchers. We will work with the State Department to identify these amounts and take corrective action.

"With respect to any remaining improperly charged personal expenses, unless these expenses are voluntarily repaid, we will follow formal debt collection procedures, including the use of 30 day demand letters and referral to a collection agency."

Inspector Comments: The Department provided a matrix which indicated that corrective action for this recommendation will be completed by October 31, 1996.

RECOMMENDATION 14: We recommend the Chief Financial Officer take action to ensure proper review and approval of travel costs being charged to the Department, and that, to the extent available, bills are reviewed and accounts settled by DOE financial officer(s) prior to departing the country visited.

Management Update on Status of Corrective Actions. Management stated that: "DOE N 551.1 establishes policy for review and approval of travel costs, including review of available invoices prior to departure. The final policy statement and manual have been issued. CFO has circulated internal policies and procedures on this process."

Inspector Comments. We consider management's actions to be responsive; therefore, this recommendation may be closed.

Inadequate Internal Controls

We identified several internal control weaknesses in the process Department officials used during the four trade missions to obtain support from the U.S. Embassies and to reimburse them for cost incurred during these trips. For instance, Department officials did not have adequate internal controls to assure that embassy support costs were appropriate. We believe that a number of factors contributed to the lack of such controls. First, Department officials failed to control embassy support costs because the Department did not identify a single individual who would be responsible for the ordering of goods and services. Specifically, we found that on each of the trade missions, a number of individuals directed

the embassy to procure goods and services. Second, Department officials did not routinely collect invoices from the vendors or maintain a log of the expenses incurred during these trips. Copies of the invoices were available at the embassy, but Department officials failed to routinely request copies until the GAO review was underway that led to the January 4, 1996, testimony before the Subcommittee on Oversight and Investigations, House Committee on Commerce.

Due to lack of internal controls and limited data on State Department SF 1221s and Voucher reports, DOE officials were in some instances unable to validate the appropriateness of specific embassy support costs for the various trade missions or provide records to support all costs incurred for these missions. As a result, we noted several weaknesses regarding Accounting officials' procedures for applying embassy support costs. Accounting officials stated that the Office of Accounting received embassy support costs through the SF 1221s and Voucher reports. An official stated that these reports did not always contain CID numbers or other information necessary to correctly identify the specific trip in which the costs should be applied. The official stated that based upon limited information available on the Voucher reports, such as the currency, date of the report, and the State Department Regional Financial Center that recorded the costs, DOE Accounting officials applied the costs to the trip in which they believed the costs were incurred.

The Accounting official further stated that in some instances in which Accounting could not identify the specific trip, the unidentified costs were applied to the suspense account. The official stated that the applied costs, including the suspense costs, were then forwarded to the responsible Program Office officials for approval. The official stated if the Program Office official's approval had not been received within 90 days, it was assumed that the costs applied to the trip CIDs were correct, and Accounting took no further action. Regarding the suspense account costs, the official stated that these costs were subsequently applied to the trip in which Accounting officials believed they were incurred. As a result of this uncertainty, we found that Department officials improperly applied embassy support costs to the Secretary's foreign trips.

We found that DOE officials were unable to verify the appropriateness of the embassy support costs incurred during the foreign trips. The informal procedures followed by the Department did not assign responsibility to an individual to verify the appropriateness of the cost incurred by the embassy. We discussed this issue with an Accounting official who stated that Accounting relied upon the Department's Program officials to verify the appropriateness of the costs. The Program official stated that they relied upon embassy officials to verify the appropriateness of the costs because a Certifying Official from the State Department signed the vouchers. A State Department official stated that the embassy does not verify the accuracy or appropriateness of the costs incurred by the Department of Energy.

We also found that in India, Department officials incurred embassy support costs prior to obligating the required general expense funds for the trade mission. Specifically in India,

Department officials did not request that general expense funds be obligated until approximately one month after the trip and after embassy support costs were received by the U.S. Embassy. As a result of obligating funds after the fact, we found that Accounting officials, in some instances, simultaneously established obligations, recorded embassy support costs and made payments.

Management Comments. Management commented that the statement in the Initial Draft Report that obligations for India were established approximately one month after the trip and after embassy support costs were received by the U.S. Embassy “is inaccurate in the case of the Official Reception and Representation Fund. The obligation out of that fund was made in advance.” In support of this statement, the Acting Chief Financial Officer provided a copy of the June 30, 1994, India “reception and representation” obligation which showed that the original request was made prior to the trade mission.

Inspector Comments. The statement in the Initial Draft Report was referring to the general India CID not the “reception and representation” account. The India general CID information as discussed in the Initial Draft Report showed that the process of obligating funds was not initiated until after the India trip was completed. Accounting officials did not obligate funds until August 1994, after the trade mission was completed.

We believe the lack of supervisory controls is another internal control weakness. An Accounting official informed us that Accounting technicians, using the VADRs, recorded embassy support costs in the Accounting system as they were received by DOE. The official stated that technicians recorded the costs and made adjustments to costs in the system without supervisory approval. The official also stated that there were no requirements because “the Program Office has the control for determining if the costs are correct and can be applied to a predetermined CID number.”

RECOMMENDATION 15: We recommend the Chief Financial Officer develop policies and procedures which ensure that embassy support costs are appropriate, properly approved, and correctly applied.

Management Update on Status of Corrective Actions. Management stated that the final policy statement and manual have been issued. It also stated that DOE N 551.1 requires a negotiated advance understanding with the embassy or a detailed cable listing needed goods and services, specifically identifying individuals authorized to make changes, and requiring invoices, etc. prior to the end of the trip.

Inspector Comments. We consider management’s actions to be responsive; therefore, this recommendation may be closed.

RECOMMENDATION 16: We recommend the Chief Financial Officer ensure that, prior to initiation of the trip, sufficient funds are obligated for foreign trips which require embassy support.

Management Update on Status of Corrective Actions. Management stated that the final policy statement and manual have been issued. It also stated that DOE N 551.1 requires the CFO to review the detailed trip budget, certify availability of funds, ensure proper authorizations are in place, and then track expenses.

Inspector Comments. We consider management's actions to be responsive; therefore, this recommendation may be closed.

Accounting and Program Office Coordination

Our review determined that Accounting and Human Resources officials did not adequately coordinate activities relating to U.S. embassy support costs incurred during the trade mission trips. When requests were made for documents supporting the costs associated with the trade mission trips, Department officials had to request the support information from the State Department. Neither Accounting nor Human Resources had adequate supporting information concerning the trade mission trips. Although Accounting had developed "SF 1221 Summaries" to assist in applying costs associated with the trips, adequate support documentation was not being requested or maintained. There were no written policies and procedures delineating Human Resources' responsibilities to see that costs are applied and questioned costs resolved timely. Embassy support costs have been assigned and reassigned to various CIDs or to a suspense account where they remain unresolved. For example, costs associated with the India trade mission trip that took place in July 1994, are still maintained in a suspense account awaiting resolution. Coordination between Accounting and Human Resources must be improved in order to resolve the cost application problems in a timely manner.

RECOMMENDATION 17: We recommend the Chief Financial Officer develop written policies and procedures to ensure that embassy support costs for foreign trips be closely coordinated with the program office and to establish specific guidelines that would require timely application of embassy support costs.

Management Update on Status of Corrective Actions. Management stated that the final policy statement and manual have been issued. It also stated that DOE N 551.1 provides for program participation in developing administrative/logistical support levels and requires changes to these levels to be approved in writing prior to incurring costs. Post trip, the Senior Responsible Official is required to reconcile all costs and certify results.

Inspector Comments. We consider management's actions to be responsive; therefore, this recommendation may be closed.

4. Contractor Support Costs

Contractors provided preadvance and advance support on some of the Secretary's 16 foreign trips. We identified costs totaling \$387,292 associated with these contractor services. These costs are included in the costs in Table 10 and, for the four trade

missions, are included in Table 11 under the column titled, "CONTRACTOR SUPPORT COSTS."

The Mitchell Group

A former employee of the Office of Congressional and Intergovernmental Affairs identified The Mitchell Group (TMG) as a possible support services contractor for the South Africa trade mission. This former employee introduced TMG to the Director, Office of Economic Impact and Diversity. According to the Director, DOE needed help "capacity building," or identifying South African majority-owned companies that could be matched with U.S. minority-owned companies. The Director expressed her view that the U.S. Embassy in South Africa was unable to provide this support; TMG, therefore, was an alternative source to provide the needed assistance. The Director also said she transferred funds to the Golden Field Office in order to help fund TMG. She said the funds were transferred because the Manager, Golden Field Office, volunteered to do the procurement. According to the Manager, Golden Field Office, he volunteered to become involved with the TMG procurement process due to his responsibilities relating to the upcoming trade mission and his ability to manage the TMG procurements through his office.

TMG, a small disadvantaged firm, submitted a proposal to the DOE's Office of International Policy on June 12, 1995. TMG proposed to provide Management Support to the DOE/South Africa Summit on Sustainable Development for the period June 22, 1995, through September 30, 1995, at an estimated cost of \$563,632. TMG submitted a revised proposal to DOE on June 19, 1995. TMG again proposed to provide Management Support to the DOE/South Africa Summit on Sustainable Development for the reduced period July 1, 1995, through September 1, 1995, at a reduced estimated cost of \$124,606.

The Manager, Golden Field Office, on June 28, 1995, completed a requisition for the following services from TMG:

"Obtain services from The Mitchell Group (TMG) to research and identify a diverse group of participants representing a broad spectrum of large and small energy companies, financial institutions, women and minority-owned businesses, environmental groups and government specialists. TMG will directly identify local black-owned enterprises which would become candidates for immediate partnerships with similarly interested and diverse US-based energy related firms.

"Furthermore, TMG will identify opportunities for U.S. based Historically Black Colleges and Universities (HBCU) to participate in educational and training aspects of energy related activities."

The estimated cost for the above tasks was \$25,000.

The Golden Field Office executed a purchase order, Contract No. DE-AP36-95GO20228, with TMG on June 29, 1995, in the amount of \$24,962. The Golden Field Office completed a justification for other than full and open competition because of unusual and compelling urgency.

The above purchase order, under the section entitled "Deliverables," stated that TMG should complete weekly reports that should include, as a minimum, progress completed to date in text format, a list of businesses identified to date, a comparison of actual accomplishments vs. planned, a list of steps for the following week, and other comments. In addition, the above purchase order stated that the weekly reports should be received by July 10, 1995, and July 17, 1995, respectively.

The Golden Field Office, based on a July 14, 1995, requisition from the Manager, Golden Field Office, subsequently executed contract No. DE-AC36-95GO10107, with TMG on July 25, 1995, in the amount of \$110,000. The contract stated that it followed a bridge agreement purchase order with the Mitchell Group, which was signed June 29, 1995, and that the purchase order should fund TMG through July 14, 1995. To properly complete the designated tasks, and ensure continuity of work, a contract was needed to be immediately enacted. Due to this compelling time constraint, a market survey was not feasible. The Golden Field Office, therefore, completed a justification for other than full and open competition and "determined that a Contract for the Mitchell Group issued under unusual and compelling urgency is warranted in accordance with FAR 6.302.2. Furthermore, it is determined that the anticipated cost to the Government will be fair and reasonable."

The Office of Economic Impact and Diversity sent a letter, dated August 11, 1995, to TMG, to confirm an August 10, 1995, conversation regarding the "I Can Foundation" providing additional support for Secretary O'Leary's trip to South Africa. In this letter, the Special Assistant to the Director, Office of Economic Impact and Diversity, stated the following:

"The 'I Can Foundation' has agreed to set up a tour for the Department to the Northern Transvaal Technikon [in South Africa] and convene a meeting of approximately 2000 students for the Secretary to address concerning the Department's commitment to education. They will also be responsible for the distribution of the books and computers that have been donated to South Africa.

"The Office of Economic Impact and Diversity will increase its share of the Mitchell Group's fees by \$6000 to cover the expenses associated with the above event."

TMG subsequently sent a facsimile transmittal form, dated September 29, 1995, to the Golden Field Office, subject: "Additional \$6,000 Contract Funding." This facsimile stated:

"Per our discussion, please find attached a letter from DOE authorizing the additional \$6,000 of project expenditures undertaken by TMG under Contract

DE-AC36-95GO10107. The letter is self-explanatory and the funds were disbursed accordingly."

The above facsimile stated that \$5,000 was to be disbursed to the "I Can Foundation" and \$1,000 was TMG's management fee.

The Golden Field Office, based on a September 27, 1995, requisition from the Manager, Golden Field Office, subsequently executed Contract No. DE-AP36-95GO20368 with TMG on September 29, 1995, in the amount of \$6,000. However, per the above quote, TMG stated that the \$5,000 included in the \$6,000 purchase order had already been disbursed under Contract No. DE-AC36-95GO10107.

The circumstances surrounding this \$6,000 award to TMG and the payment to I CAN are discussed in more detail in Section C-3 "Embassy Costs."

In summary, TMG was paid \$140,962 for services performed under the three fixed-price procurements discussed above. As previously stated, the Manager, Golden Field Office, requested TMG's services for each of the three procurements. Additionally, for Contract No. DE-AC36-95GO10107, DOE's Contracting Officer's Representative for Post Award Administration was listed as the Manager, Golden Field Office. Per our discussions with the Manager, Golden Field Office, TMG generally performed the tasks related to the South Africa trade mission as he had anticipated, and delivered all deliverables of sufficient quality in a timely manner. However, an OIG review found that TMG had not performed all of the specified tasks and provided all deliverables. For example, the task to "identify opportunities for U.S. based historically Black Colleges and Universities to participate in educational and training aspects of energy related activities," was to be done by TMG as preparation for the Secretary's visit to South Africa, but was not performed. The Chief Counsel at the Golden Field Office advised the OIG by memorandum that: "I have found that this element of the statement of work was not addressed by TMG. It is my understanding that this element of work was unachievable due to the pressing needs the other elements of work and the critical time constraints posed by the Secretary's mission to complete those more critical elements." The OIG has recommended that the Office of Procurement and Assistance Management assist in determining if the contractor should be required to refund a percentage of the contract value or perform additional work to complete the tasks.

Among the TMG deliverables we reviewed was a Final Report entitled, "SERVICES TO SUPPORT THE SECRETARY OF ENERGY VISIT TO SOUTH AFRICA CONTRACT NO. DE-AP36-P5GO20228," dated September 1, 1995. (Note that the Final Report was specified in the third set of deliverables under Contract No. DE-AC36-95GO10107, not as a deliverable under Contract No. DE-AP36-P5GO20228.) In this Final Report, TMG made "Recommendations For Follow-up With The South African Government And The Business Community." The following was listed as one of the follow-up recommendations:

"Quickly implement the programs or joint ventures formed during the Presidential Mission and the South Africa-United States Summit on Sustainable Energy Development is the foremost recommendation offered. The awarding of 15 fellowships to the Oak Ridge (Tennessee) Manufacturing Institute is just one area that should receive maximum publicity to signal to the South Africans that the U.S. government and private sector are offering substantive assistance."

Based on TMG's recommendation, we were told the Golden Field Office executed an additional purchase order, Contract No. DE-AP36-95GO20356, with TMG on September 27, 1995. TMG was to provide "logistics and Support of South African visitors to Oak Ridge Manufacturing Research Technology Training." The Golden Field Office was unable to locate the executed purchase order. We did, however, confirm that the full amount of this purchase order, \$50,000, was paid to TMG on January 10, 1996. On July, 8, 1996, we received a copy of this purchase order from the Acting Chief Financial Officer.

Computer Data Systems Incorporated

Computer Data Systems Incorporated (CDSI), a support services contractor, provided communication support for several of the Secretary's foreign trips or other foreign trips by designated senior DOE personnel. According to the CDSI's statement of work, they supplied technical and on-site support for the Secretary and her staff in the areas of analysis, pre-trip preparation, on-site overseas support, and post-trip functions. Per a DOE official, from January to September 1995, DOE paid \$220,403 to CDSI for support of the Secretary's foreign travel and for support of a trip to Mexico by the then Deputy Secretary. Per our request, a DOE official provided cost data, including on-site overseas support, for the China and South Africa trade missions as well as the Vienna destination on September 1995. These costs were as follows: China trade mission - \$85,303; South Africa trade mission - \$47,266; and the September 1995 Vienna destination - \$18,098. We did not obtain similar cost-related information for the remainder of the Secretary's foreign trips.

CDSI's pre-trip preparations included testing of all equipment to ensure operability prior to shipment; acquiring as directed items required for the foreign travel support (e.g., adapters, converters, tools, supplies); assembling all hardware, software, and supplies necessary to support a specific foreign site; and packing all equipment and supplies for shipment to foreign sites. Pre-trip costs for the China trade mission trip were approximately \$42,966, and included labor costs of \$25,848, logistics expenses (tools, components, crates, supplies, accessories) of \$16,981, and other costs of \$137. Pre-trip costs for the South Africa mission were approximately \$14,880, which included labor costs and logistics expenses. Included in the pre-trip costs were efforts related to the preparation of 50 IBM PS/2 computers for DOE's donation in South Africa.

National Renewable Energy Laboratory (NREL)

National Renewable Energy Laboratory (NREL), an M&O contractor-operated laboratory, provided employees to support some of the Secretary's foreign trips. As previously stated, their travel-related costs are included in the trip costs in Table 10. NREL used a subcontractor to perform advance support on the India, China, and South Africa trade missions. For the India trade mission, this subcontractor reported that he was paid \$18,867. For the India portion of the China trade mission trip (February 1995), according to documentation received from this subcontractor, DOE paid \$7,000 for the subcontractor's support services. For the trade mission to South Africa, the same subcontractor was paid approximately \$26,975 for his support services.

NREL also used two other subcontractors to assist them with in-country preadvance support for the South Africa Gore-Mbeki Binational Commission trip. According to documentation provided to us, NREL paid one subcontractor approximately \$17,458 and the other subcontractor approximately \$15,000, for a total of \$32,458.

Neither the subcontractor participant for the India destination on the China trip, nor the subcontractor participants for the South Africa Gore-Mbeki Binational Commission trip, were previously identified as participants in these trips by DOE.

African Electrification Foundation

As a result of our review of management comments, we learned that the African Electrification Foundation (AEF) also provided support for the Secretary's August 1995 trip to South Africa under a cooperative agreement with the Department. This cooperative agreement has a total value of \$4,000,000. The purpose of the cooperative agreement is to develop a partnership with Historically Black Colleges and Universities to collaborate in strengthening the electric power system infrastructure in Africa. We have been told that support for the South Africa trade mission was provided under this cooperative agreement. Also, we identified a modification to the cooperative agreement to AEF for \$43,100 that specifically provided for support of the trade mission. The modification included the payment of travel and expenses for two Presidents of Historically Black Colleges and Universities and other support activities. Also included was payment of travel for an AEF official who was listed in the Department's trip report but not included in our tabulation of participants in Table 3 because we were unaware the Department had funded his travel. We did not complete analyzing and verifying the cost of the support provided by AEF for the Secretary's trip. Therefore, we have not included costs associated with AEF in the summary cost tables in this report or included the AEF official, mentioned above, in Table 3.

5. Overtime

While reviewing the costs of the 16 foreign trips taken by the Secretary, we identified a number of DOE employees who were paid overtime for these trips. In this section, we will discuss overtime earned by two categories of employees: executive protection personnel

and other support personnel. The overtime costs discussed in this section are not included in the total cost in the trips that we reported in Table 10.

Overtime Worked by Executive Protection Personnel

We identified \$276,442 in overtime that was spent by the Department for executive protection provided by the Department's Transportation Security Division (TSD) couriers and selected DOE Headquarters Office of Security Affairs (OSA) personnel for the 16 foreign trips. Table 16 shows for each trip the number of executive protection personnel, the number of overtime hours paid, and the overtime costs for executive protection.

As discussed previously, TSD provides couriers to OSA to participate on advance teams and protective details at the request of the OSA Executive Protection Program Manager.

According to the TSD Executive Protection Coordinator, TSD did not develop specific overtime policy for executive protection because executive protection assignments were not considered to be "significant reoccurring events." The Coordinator said that TSD considered overtime costs for executive protection to be minimal compared to overtime costs for regular TSD courier duties.

Overtime claimed by TSD couriers included overtime while conducting pre-protective duties at DOE Headquarters. These duties included: finalizing travel arrangements, reviewing the Secretary's itinerary, appointing the detail and shift leaders, obtaining maps of the countries or cities to be visited, finalizing security arrangements, and resolving security-related issues pertaining to the trip. TSD couriers also claimed overtime during advance activities; that is, when the TSD couriers traveled three to five days in advance of the Secretary to a foreign location(s) to prepare for her arrival.

Table 16
Overtime Identified for
Executive Protection Personnel

Trip No.	Trip Location	Number of Executive Protection Personnel	Total Protection Overtime Hours	Total Protection Overtime Cost
1	France	2	132	\$ 3,367
2	Austria/Russia	9	881	20,929
3	England	5	417	9,995
4	Russia	2	128	3,378
5	Ivory Coast	4	168	3,864
6	India	9	934	22,744
7	Belgium	4	407	11,701
8	Austria/Pakistan	15	1,649	40,372
9	Russia/Sweden	9	669	16,238
10	India/Hong Kong/China	17	1,794	48,179
11	France/Azerbaijan/Italy	13	1,182	30,410
12	Costa Rica	5	358	9,698
13	Russia	5	375	9,856
14	South Africa	7	831	22,104
15	Czech Rep./Austria	5	428	10,252
16	South Africa	5	485	13,355
Totals		10,839	\$ 276,442	

According to TSD couriers who we interviewed, one member of the executive protection team is assigned as the “lead city agent.” The lead city agent is responsible for verifying his overtime as well as the overtime of other members of the executive protection advance team. According to an OSA official, the detail leader is responsible for protecting the Secretary and initials off on advance team members’ overtime “out of courtesy.” The OSA official said that the detail leader does not verify the advance team’s overtime because the detail leader does not travel with the advance team and is not present during advance team activities. The OSA official said, however, that the detail leader’s “courtesy” acknowledgment of the advance teams’ overtime is not considered an official verification of the overtime hours worked by advance team members. According to the TSD courier overtime policy, TSD couriers who work overtime hours must have their overtime hours certified by their unit commanders. A TSD official said that TSD couriers performing executive protection submitted their overtime for certification to their respective unit commanders upon their return from an executive protection detail. The official said this was done even though the unit commanders were not on the trip. We were told that the unit commanders accepted the overtime as accurate based on the detail leader’s “courtesy” acknowledgment.

Management Comments. Management commented that:

“While not formally a recommendation by the Office of the Inspector General’s office, the Office of Security Affairs has already implemented new procedures to enhance management and control of overtime by Executive Protection Personnel.

“Historically, there have been two different methods for authorizing and approving overtime for executive protection operations. One process applied to Transportation Safeguards Division (TSD) security personnel while the other applied to DOE headquarters personnel. These dual processes occurred because of the differences in the way each of the parent organizations processed and approved overtime requests. . . .”

The comments further stated that:

“In early 1996, an informal internal management review determined that the two overtime approval processes were causing confusion and improvements were needed. Accordingly, in April 1996, the Executive Protection Program Manager took action to standardize the authorization and approval of overtime. Since early May 1996, each City Lead and each member of a security detail has received an individual letter authorizing him/her to perform overtime and providing instructions on having their time sheets verified. Upon completion of the executive protection activity, the City Lead is responsible for verifying the number of overtime hours expended by each member of the detail. The City Lead’s overtime hours are verified by the Detail Leader. Upon return to their

respective duty stations, all security agents submit these validated hours to their appropriate line management for final approval. However, there are certain situations that dictate certifying officials rely on the integrity of the individual. Such is the case when only one security agent travels with the Secretary domestically. There is no existing mechanism to allow the certification official to certify the accuracy of claimed overtime. In such a case, someone on the Secretary's staff must verify the accuracy of the claim (sometimes the Secretary, herself) or the certification official must trust that the claimant is making an honest claim."

Executive Protection Personnel Overtime in St. Petersburg, Russia

On December 16, 1994, the Secretary traveled to St. Petersburg, Russia, as an intermediate destination between official business that was conducted in Moscow, Russia, and Stockholm, Sweden. The Secretary told us that no official business was scheduled while in St. Petersburg and that she only visited the Hermitage. According to the trip report, "Trip of the Secretary of Energy Hazel O'Leary to Russia and Sweden," dated December 19, 1994, the Secretary spent Saturday, December 17, until approximately 3:00 p.m. on a "city tour" and a "cultural program" in the city. Following these activities, the Secretary departed St. Petersburg for Stockholm, Sweden.

In a memorandum for the Secretary, dated December 1, 1995, Subject: "Travel to Moscow, St. Petersburg and Stockholm - December 1994," the Special Assistant to the Chief Financial Officer stated that "in consultation with the Office of General Counsel, we have examined the question whether the government sustained any incremental cost from your one-day stopover in St. Petersburg during your official trip late last year to Moscow and Stockholm Based upon that review, there were no incremental transportation costs to the government because [of] the stopover in St. Petersburg."

We found, however, that executive protection overtime cost was incurred because of the Secretary's stopover in St. Petersburg, Russia. Executive protection personnel worked 147 hours of overtime while performing advance work prior to the Secretary's arrival and executive protection duties after her arrival in St. Petersburg.

According to executive protection personnel who were assigned to the advance team for the Secretary's travel to St. Petersburg, they first traveled to Washington, D.C., from Amarillo, Texas, for preadvance work and to obtain their visas. Subsequently, about one week prior to the Secretary's arrival in St. Petersburg, they departed Washington, D.C. for St. Petersburg to begin their advance work. Their arrival in St. Petersburg was delayed by one day due to a ground accident at the airport in Prague, Czech Republic, where they had to spend the night.

Following their arrival the next day in St. Petersburg, they spent two days trying to regain possession of their weapons that had been confiscated by Russian authorities at the St. Petersburg airport upon their arrival. A State Department official told us that the weapons

were confiscated because the Regional Security Officer (RSO), who was supposed to meet the team upon their arrival, was not aware they were coming to St. Petersburg. According to the official, the cable sent by the State Department advising the RSO of the team's arrival had not been sent on a timely basis by State and, because of a Russian holiday, was not received by the RSO until after the team's arrival. If the RSO had been at the airport when the executive protection personnel arrived, he would have cleared their weapons through Russian authorities. Executive protection personnel told us that prior to the Secretary's arrival in St. Petersburg, the RSO issued them weapons assigned to the Consulate for their use in protecting the Secretary. We were also told that prior to boarding the aircraft for their return trip to the U.S., their weapons were returned to them by Russian authorities.

Executive protection personnel told us that following their attempts to regain possession of their weapons they began conducting their advance work in preparation of the Secretary's arrival. Our review of records show that they worked 38 hours of overtime on the two days they spent trying to regain possession of their weapons. Their advance work consisted of making arrangements for the Secretary's arrival at the St. Petersburg airport, arranging for ground transportation, becoming familiar with roads from the airport to the hotel, and making security arrangements at the hotel. We were told by DOE officials that Conducting the advance in St. Petersburg was difficult because of the language barrier between the executive protection personnel and the local Russians. Also, obtaining ground transportation in St. Petersburg was difficult because they had no means of paying for vehicles and drivers. They had to obtain a funding source from DOE Headquarters so the U.S. Consulate could obtain two vehicles with drivers prior to the Secretary's arrival. According to travel records, executive protection personnel left St. Petersburg the morning following the Secretary's departure on December 17, 1994.

Overtime Worked by Other Support Personnel

A review of overtime worked by other support personnel was conducted as a result of our observation that several administrative and communications employees had charged overtime hours while participating on the Secretary's trade missions. Table 17 shows by trade mission, the number of support personnel that worked overtime, the total overtime hours worked, and the estimated cost of the overtime that we identified.

As shown in Table 17, we identified that a total of 3,932 overtime hours at an estimated cost of \$89,749 were incurred by support personnel during the four trade missions. Administrative personnel discussed in this section include personnel from Human Resources who supported the trip plus others that did administrative work for specific individuals and/or offices, but are not identified in other tables in this report as providing support. We were told that support personnel established a "Command Center," among other duties, which served to coordinate activities of the trade missions. Administrative personnel told us that on the trade missions they typically performed functions that included trip coordination and logistical support and maintaining coordination with host country government and business officials, as well as American embassy staff. Communications

personnel told us that they established and maintained computer support, as well as telephone and radio communications at the Command Center.

We determined that between nine and 15 support personnel incurred overtime expenses on each of the four trade missions. We were told by these support personnel that the trade mission Command Centers coordinated events in the host country, as well as served as a communications links between trip participants and officials in the United States. On many occasions the Command Center was staffed on a 24-hour per day basis to facilitate communications with DOE Headquarters, which was required due to the differences in time zones. Additionally, we were told that these personnel were frequently required to arrange for ground transportation, type trade agreements from handwritten notes, and type other correspondence. We found that in many instances, administrative and communications personnel worked over eight hours of overtime per day to meet these work requirements, and that the overtime was approved by their supervisors.

TABLE 17
OVERTIME IDENTIFIED FOR
OTHER SUPPORT PERSONNEL

Trip Location	Number of Support Personnel	Support Overtime Hours Paid	Total Other Support Overtime Cost
India	9	685	\$15,329
Austria/Pakistan	9	794	17,959
India/Hong Kong/ China	15	1,357	30,882
South Africa	9	1,096	25,579
Totals	42	3,932	\$89,749

Note: This data is based upon hours reported as worked during the trade missions, and could have been subsequently amended. Additionally, payment for overtime hours worked may have been subject to salary caps.

6. Full Cost Recovery

This section of the report discusses Department officials' response to the November 1994 report in which we suggested that full cost recovery for foreign travel costs be implemented, and the results of our review of the Department's actions to recover full costs for the four trade mission trips.

Prior Audit Report and Actions Taken

Our November 1994 report entitled "Audit of Department of Energy International Charter Flights," noted that Department officials had not implemented a full cost recovery policy and procedure for its foreign travel costs. Department officials advised us at the time that they believed non-Federal passengers should pay for their full pro-rata share of air transportation costs in advance. For the Secretary's India trade mission, Department officials decided to charge non-Federal passengers the round-trip coach fare of \$2,800 instead of the full pro-rata cost of the charter flight estimated at the time at \$12,860. A Department official stated that a General Counsel official misinterpreted Federal Regulations prior to the India trip. The Department had not collected airfare costs from non-Federal passengers prior to the India trip and had not attempted to collect these costs at the time of our 1994 audit -- more than three months after the India trip was completed. In contrast, Department officials attempted to collect, in advance, the full pro-rata air transportation cost of \$6,477 from non-Federal passengers traveling on the Pakistan trade mission. However, the Department had been unable to collect from all passengers in advance and had not established accounts receivable for these amounts.

The 1994 audit report included suggestions that Department officials: (1) establish accounts receivable for the amounts due from non-Federal passengers on the India and Pakistan trade mission trips and aggressively pursue their collection, (2) implement a full cost recovery policy for non-Federal passengers traveling on Government-furnished air transportation in the future, and (3) establish a procedure which would ensure that the Department collects passenger airfare before a trip occurs. Following is a discussion of our review of the Department's efforts to implement these suggestions.

Establishment and Collection of Accounts Receivable for India and Pakistan

Consistent with the suggestion in our November 1994 report, in February 1995 the Department established 13 accounts receivable totaling \$75,486 for the Pakistan trip. Also in March 1995, 44 accounts receivable totaling \$95,200 were established for the India trip. As of April 26, 1996, approximately \$37,000 of these accounts receivable remained outstanding -- \$19,831 for the Pakistan trip and \$16,700 for the India trip. Following is a discussion of Federal and Department requirements for collecting accounts receivable and the Department's efforts to collect amounts due.

Criteria

Currently, the DOE Accounting Handbook, which is part of DOE Order 534.1, "Accounting," provides the policy and procedure to account for and collect accounts receivable. This order superseded DOE Order 2200.6A "Financial Accounting" on September 29, 1995. However, since DOE Order 2200.6A was in effect at the time of the India and Pakistan trips, we used it as criteria for determining whether DOE had properly established accounts receivable and aggressively pursued their collection.

DOE Order 2200.6A stated that accounts receivable are to be established as soon as possible after the event that gives rise to it, but in no case later than the end of the month

following the month in which the event occurred. Once established, three requests for payment should be sent to debtors. The written request or demand for payment of moneys can be in the form of a letter, an invoice, or another billing. A total of three progressively stronger written demands at not more than approximately 30-day intervals are to be made unless a response to the first or second demand or other information indicates that further demands would be futile or unnecessary.

Department policy also provides that payments not received within [generally 30] days of the first invoice are to accrue interest on the amount due from the invoice date based on the Department of the Treasury "current annual value-of-funds interest rate, per annum." A charge to pay for costs incurred for processing and handling a delinquent account shall be assessed. This charge is currently \$7.25 for each bill issued. Further, a 6-percent-per-annum penalty on any principal amount not paid within 90 days of the due date can be assessed for the period of delinquency. Debts greater than \$100 and more than 61 days delinquent can be reported to a collection agency for collection as well as a credit reporting agency. Outstanding balances can be reported to the Internal Revenue Service for administrative collection against future tax refunds and/or referred to the Department of Justice for litigation.

DOE Efforts to Collect

The Department had pursued collection of the India and Pakistan debts, although not as aggressively as allowed by DOE policy. For instance, as of December 1995, the start of this review, the Department had sent only two of the three required letters to the debtors demanding payment even though the accounts receivable had been established almost a year earlier. These billings had not been sent at the 30-day time intervals recommended by DOE Order 2200.6A, nor did they fully advise the debtors of the consequences of nonpayment. Letters were mailed to India travelers March 1, 1995, and generally again in October 1995. Nonpaying Pakistan travelers were initially billed in January 1995. The majority of the second demand letters were mailed in September 1995. Department officials advised that in addition to these billings, nonpaying passengers were telephonically contacted on several occasions to pursue collection of these debts.

According to Department officials, efforts to collect had not been aggressive or in accordance with Department policy because there was some concern whether the Department had a legal basis to bill passengers, particularly those on the India trip. Specifically, in response to the March 1, 1995, billing, some passengers on the India trade mission stated that they were not advised that they would be required to pay the airfare costs of the trip. Consequently there was concern by Department officials whether the Department could demand payment from these individuals. There was also some concern with regard to the Pakistan trade mission, even though those passengers were advised prior to the trip that the participation fee would be about \$7,000, which included the cost of one business class seat on the U.S. Government-chartered aircraft. Table 18 shows the accounts receivable that remain open and reasons provided by passengers for nonpayment.

Due to the concern whether the Department had a legal basis for pursuing collections of these debts, officials from the Office of the Chief Financial Officer requested an opinion from the Office of General Counsel on this matter. On March 22, 1996, the Office of General Counsel found that the Department had a legal basis to pursue collection of the Pakistan debts. A decision on the India debts was not provided at that time.

As a result of the decision on Pakistan, the Department issued the third and final demand letters on April 1, 1996, to all except one debtor who owed \$100. In these letters, debtors were advised of the adverse actions that the Department could take as a result of their failure to pay. Specifically, they were advised that (1) for each 30-day period of delinquency past the letter, interest would accrue at the rate of three percent per annum; (2) an additional six percent per annum penalty would be assessed on any unpaid principal amount that was 91 days delinquent; and (3) account information would be reported to a credit report bureau and accounts would be sent to a commercial collection agency if payment was not received within 30 days of the notices. Additionally, debtors were advised that any balance owed would be submitted to the Internal Revenue Service for administrative collection against future tax refunds and/or referred to the Department of Justice for litigation. A third letter was not sent to the debtor who owed \$100 because Department personnel wanted to review their records to ensure the debt had not already been paid.

While Office of General Counsel did not make a decision on the India receivables at the time of the Pakistan ruling, the Office of Chief Financial Officer also sent third demand letters to all but one of the India debtors. The content of these letters however was not consistent with the normal third and final demand letters. These letters again requested payment from the debtors and advised that late payment interest and penalties would accrue if the accounts were not resolved within 15 days from the dates of the letters. The Department did not send a third letter to one debtor because a decision had been made to collect the debt by an interagency transaction. However, on May 2, 1996, Office of General Counsel ruled that the Department could pursue collection of the India accounts despite the possible lack of an expressed contractual understanding between the travelers and the Department that the business travelers would be required to bear this cost.

In our opinion, the Department implemented the prior audit report suggestion with respect to the establishment of accounts receivable for the India and Pakistan trips. However, due to the reasons stated above, attempts to collect the unpaid balances had not been as aggressive as permitted by DOE policy. Now that Office of General Counsel has ruled that the Department can legally pursue collection of both the India and Pakistan accounts receivable, collection efforts should be resumed in accordance with Department policy.

TABLE 18
ACCOUNTS RECEIVABLE

(Information as of April 26, 1996)

Country	Traveler	Amount Owed	Reason for Nonpayment ¹
India	<u>Non-Federal</u>		
	A ²	\$ 2,700	OIG unable to contact
	B	2,800	OIG unable to contact
	C ³	1,400	Asked to help fill plane - not advised of cost
	D ³	1,400	OIG unable to contact
Subtotal		\$ 8,300	
India	<u>Federal</u>		
	E	\$ 2,800	Not advised of cost
	F	2,800	Not advised of cost
	G	2,800	Not advised of cost
		\$ 8,400	
Subtotal			
Pakistan	<u>Non-Federal</u>		
	H	\$ 6,577	Not advised of cost, willing to pay
	I	6,577	Debtor said paid ⁴
	J	100	Not advised of cost ⁵
	K	6,577	Debtor said paid ⁴
Subtotal		\$ 19,831	
Total		\$ 36,531	

1. Explanations provided by travelers to DOE OIG.
2. Paid \$100.
3. Traveled one way.
4. Payments not received according to DOE officials.
5. Willing to pay cost of commercial airfare, paid \$6,477.

RECOMMENDATION 18. We recommend the Chief Financial Officer take timely action consistent with the Office of General Counsel opinion and the Federal and Department accounts receivable collection requirements.

Management Comments. Management commented that actions had been completed on all accounts receivable for the India and Pakistan trade missions. Of the remaining five individuals with accounts receivables, three had been placed on an installment plan and two had been referred to collection agencies.

Inspector Comments. We consider management's actions to be responsive; therefore, this recommendation may be closed.

Implementation of Full Cost Recovery for China and South Africa

China

The Department attempted full cost recovery of foreign travel costs on this trip by requiring non-Federal travelers to make payment for charter airlift services directly to Omega World Travel (Omega), the Department's centralized travel service.

Department officials sent letters of invitation to the participants for the China trade mission stated that the estimated cost of a seat on the charter aircraft for the trade mission was \$9,200. According to a Department memorandum, the officials reached an agreement with Omega prior to the flight, which included the provision that Federal travelers would tender Travel Authorizations to Omega for their seats on the chartered aircraft and Omega would process those payments as any other routine travel. The memorandum further stated that Omega was to collect all monies from non-Federal participants prior to the flight. In addition, the memorandum stated ". . . Omega would bill the Department for unanticipated costs arising from enroute changes in itinerary, unfilled seats, unforeseen taxes or fees, etc."

Omega had not collected all amounts due from non-Federal passengers prior to the trip, and a Department official allowed a number of the nonpaying passengers to board the charter flight. As a result, Omega asked the Department to pay \$93,626, which included \$2,935 of interest due from non-Federal passengers as of October 1995.

Department officials from the Office of Chief Financial Officer advised Omega that the Department was not liable for these amounts. However, in a February 1996 letter to Omega, a Department official in the Office of the Chief Financial Officer stated that a Chief Financial official had been working with Omega in collecting from the non-Federal passengers. As of May 1996, according to a Department accounting official, a non-Federal passenger still owed Omega \$ 9,881.

South Africa

The Department also attempted full cost recovery of foreign travel costs on this trip. For example, the Department's invitation letter to the non-Federal participants advised them that their pro-rata share of the air transportation costs was \$7,553.

Department officials arranged for the charter company to accept responsibility for collecting the pro-rata cost of air transportation costs from non-Federal passengers prior to the trip. The Department also arranged to pay the charter company through a Government Transportation Request intending to pay the costs of the seats used for Department passengers.

While the charter company apparently collected initially pro-rata amounts due from non-Federal passengers in advance of the trip, we found that the Department may have paid more than necessary for air charter costs and that there were other costs which the Department did not recover from non-Federal passengers. For example, during our review

of travel voucher and charter costs for the South Africa trade mission, we noted that, for two invitational travelers, the Department paid airfare costs for services not utilized by the travelers. At DOE expense, one traveler departed Orlando, Florida, via commercial air on August 21, 1995, and arrived in Johannesburg on August 22, 1995. This traveler departed South Africa on the charter aircraft to Dulles Airport and took commercial air from Dulles Airport back to Tallahassee, Florida, on August 28, 1995. In addition to \$3,238 for his commercial air ticket, the Department also paid basic round-trip charter costs of \$7,553, even though the traveler only flew on the charter one-way. The Department also paid \$744 in charter costs from Johannesburg to Kimberly and \$1,413 for a return flight to Cape Town.

The second traveler departed Atlanta, Georgia, via commercial air on August 18, 1995, and arrived at Dulles Airport the same morning, at a cost to the Department of \$199. On the same day, this traveler continued on the charter aircraft to Cape Town. The traveler departed from South Africa on commercial air on August 25, 1995, and arrived back in Atlanta on August 26. In addition to \$2,928 for this return commercial air ticket, the Department also paid basic round-trip charter costs of \$7,553, even though the traveler only flew on the charter one-way. Furthermore, the Department paid an additional \$744 in costs for this traveler for charter costs from Johannesburg to Kimberly on August 26, 1995, even though, as we previously noted, the traveler had departed South Africa on August 25, 1995.

In summary, the Department paid \$8,297, for charter services not used by these two invitational travelers. This cost was in addition to charter costs of \$9,710 and commercial air costs of \$6,365 paid by the Department for air services used by the two travelers. Thus, total charter and commercial airfare costs for these two invitational travelers totaled \$24,372 for the South Africa trade mission.

Management Comments. Management commented that:

“ . . . the Inspector General states that the Department paid charter costs of \$7,553 for traveler one. Office of Energy Research review of the traveler’s travel voucher shows that Energy Research paid \$3,976 for the charter portion of the trip because, as stated in the report, the traveler only flew on the charter one-way.

* * * * *

“ . . . the Inspector General report states that the Department paid \$7,553 for charter airfare for traveler two. Energy Research review of traveler two’s travel voucher shows that Energy Research paid \$3,776 for the charter portion of the trip because, as stated in the report, the traveler only flew on the charter one-way. Energy Research has no record that it paid round-trip charter costs of \$7,553 each for the two travelers. If round-trip fare was paid, it did not come out of Energy Research funds. Paragraph 4 erroneously

identifies traveler two as the passenger on the Johannesburg to Kimberly leg of the flight when in fact it was traveler one.

"In summary . . . , Energy Research did not pay \$8,297 for charter services not used by these two travelers. Energy Research paid \$7,752 in charter costs, not \$9,710.38 as reported by the Inspector General. The Inspector General correctly stated \$6,364 in commercial air costs. The total charter and commercial airfare costs for these two travelers totaled \$14,116, not \$24,372 as stated in the report."

Inspector Comments. It appears that the management comments only considered the Travel Manager (travel voucher) input and never considered other modifications, approved by ER officials, which are reflected in the Department's accounting records. We brought this to the attention of the CFO official responsible for preparing the comments on the Initial Draft Report. He stated that an internal review would be performed to identify applicable charges. This report continues to reflect the costs for the charter as they are recorded in the accounting system.

The Department's accounting records reflected that both travelers were charged for the Johannesburg to Kimberly leg of the flight. The Initial Draft Report stated that actual records showed that DOE paid charter costs for traveler two to fly from Johannesburg to Kimberly even though he did not make the trip.

We also identified other costs that DOE did not recover from non-Federal travelers. Non-Federal travelers were not required to pay for a share of the Kimberly and Cape Town segments of the trip. The amount of administrative fees collected from non-Federal travelers did not pay for administrative costs associated with their delegation activities.

Department officials stated that as result of a discussion between the Secretary and officials of the South Africa government, an additional stop in Kimberly was added to the South Africa mission. The incremental aircraft cost for the Kimberly stop was \$18,595. The Assistant General Counsel for General Law determined that the Department need not charge the non-Federal passengers for the stop and that the Department could pay the full amount of the incremental cost.

Also, the charter company charged the Department \$32,000 for an unscheduled return trip to Cape Town during the South Africa trade mission. Documentation from the charter company stated that the unscheduled stop in Cape Town was requested by DOE because additional cargo had to be transported to the U.S. DOE was provided with three options:

- (1) Leave cargo and operate as scheduled;
- (2) Stop in Cape Town for fuel and allow eight hours crew rest; then fly to Recife, Brazil, for refueling; and then to Dulles International Airport; or

- (3) Stay overnight in Johannesburg and leave in the early morning when weather conditions would allow a nonstop flight to Recife, Brazil, for refueling; and then to Dulles International Airport with the extra cargo.

Department officials selected Option #2 and paid an additional \$32,000, which resulted in the flight being re-routed from Johannesburg through Cape Town, South Africa, to the United States. The on-scene DOE officials stated that the re-routing was needed due to weather conditions involving temperature and tail winds.

The inspection also found that non-Federal travelers were undercharged for the common costs. Our review of the trip costs the Department incurred through the U.S. Embassy in South Africa identified the following common costs billed to the Department for which, in our opinion, the non-Federal travelers should have borne a proportional share:

Ground transportation	\$ 97,756
Food and beverage	2,435
Reception and banquet	14,747
Telephone and facsimile	24,390
Telephone installation	873
Business center	16,104
Conference rooms	<u>1,900</u>
Total costs	\$158,205

To help pay for these common costs, the Department arranged for non-Federal travelers to pay two administrative fees through their hotel bills. Forty-two of the 54 non-Federal travelers each paid a \$200 administrative fee, totaling \$8,400, through the Cape Sun Hotel in Cape Town. This \$8,400 was credited to the Department's hotel bill and offset some of the above costs.

Forty-four travelers paid a \$400 administrative fee, totaling \$17,600 through their Carlton Hotel bill in Johannesburg. This \$17,600, however, was not used to fund the above \$158,205 paid through the U.S. Embassy, but for other costs, principally meeting rooms and meals, that were incurred in connection with the Energy Summit Conference held during the trip. Thus, the non-Federal travelers contributed \$8,400 towards the above \$158,205 common costs, which was far less than a proportional share.

Management Comments. Management commented that:

"Some of the administrative expenses identified in the report as appropriate for private sector cost recovery were in fact for the Department's benefit alone (e.g. telephone installation and communications, facsimile capability, and certain transportation expenses). They were necessary to support the

Secretary when out of the country or to support other non-trade mission business, such as national security and non-proliferation discussions."

Inspector Comments. We understand that possibly not all of the costs we included as "common costs" were incurred costs from which business travelers benefited. However, while it may be appropriate to adjust our estimate of the total common costs to exclude costs which did not result in benefit to the business travelers, a specific reduction was not provided by DOE. Further, the \$97,756 spent for ground transportation cost alone would exceed full cost recovery. The CFO official with responsibility for preparing the Department's comments told us that there is an analysis of these costs which would indicate what portion the business travelers should have paid. We requested a copy of this cost allocation analysis on August 1, 1996. On September 17, 1996, a CFO official provided a two page handwritten document regarding the fees collected in Johannesburg and Cape Town. We interviewed the Department official who had originally prepared the document. The official stated that the document was prepared for a General Counsel official and that it was not a formal analysis. Even this informal analysis showed an overall shortfall of \$1,361 in attaining full cost recovery. However, because this was not a formal analysis, we have not further evaluated the analysis.

Although we did not attempt to identify common costs for the other three trade mission trips, we noted that the Department assessed administrative fees to non-Federal travelers as follows:

<u>Trade Mission</u>	<u>Fee Assessed</u>	<u>Total Collected</u>
India	No Fee	0
Pakistan	\$100	\$2,600
China	\$300	\$15,000

According to DOE Accounting documents, the total administrative fees collected for the Pakistan and China missions were placed in the Miscellaneous Receipts Accounts and returned to the Department of Treasury. Additionally, when a comparison is made to the number of business travelers, presented in Table 5, it appears administrative fees were not collected from all the business travelers. In addition, as indicated above, the Department arranged for the hotels to collect \$26,000 in administrative fees on the South Africa trade mission trip.

Department's Position on Full Cost Recovery

Finally, we found that the Department had established draft policy and procedures that would require full cost recovery of air transportation and other common travel costs of the Department's international travel. In a January 23, 1996, letter to the Subcommittee on Oversight and Investigations, House Committee on Commerce, the Department stated that the Department believes non-Federal participants on trade missions who were asked to

pay their own travel expenses should pay on a full cost recovery basis, and the Department has restructured commercial air charters to achieve this end.

Draft Policies and Procedures

Department officials issued two sets of policies on international travel: (1) "Interim International Travel Policies and Procedures," dated March 14, 1996, and (2) DOE Notice 551.1, "International Travel," dated April 15, 1996. These policies and procedures require non-Federal international travelers to fund their full share of trip costs, including air and ground transportation, lodging, administrative and other expenses costs.

DOE Order 2110.1A, "Pricing of DOE Materials and Services," dated July 14, 1988, requires non-Federal travelers on aircraft chartered by DOE to be charged at the comparable common carrier coach fare. The order appears contrary to the requirements in DOE Notice 551.1. We discussed the language in DOE Order 2110.1A with an official in the Office of General Counsel who stated that the order does not apply to the Secretary's trade missions.

Management Comments. Management commented that:

"... the advice to charge coach was based at the time on the explicit wording of OMB Circular A-126 and related regulations. Subsequent to the trip the Office of General Counsel was advised by OMB orally to recover as much as possible from the private sector notwithstanding the apparent requirements of Circular A-126."

RECOMMENDATION 19: We recommend the Chief Financial Officer ensure that requirements outlined in DOE Order 2110.1A and DOE Notice 551.1 are consistent with the full cost recovery policy.

Management Comments. Management commented that:

"The draft report reviews the costs of the trade missions and recommends that the Department ensure its orders are consistent with full cost recovery policies. Yet the report does not address some of the Federal Regulatory limitations (i.e. OMB Circular A-126) that may bear on implementing a full-cost recovery policy."

Inspector Comments. In a letter dated January 23, 1996, to the Chairman of the Subcommittee on Oversight and Investigations, House Committee on Commerce, Department officials stated that certain portions of the OMB circular did not apply to DOE travel. "... whereas, attachment A to OMB Circular A-126 would suggest the aliquot shares of the full cost recovery rate might be charged. Moreover, since the travel at issue does not perfectly fit any of the categories of travel by non-Federal personnel described in these provisions, it would be possible to conclude that they do not apply at all. In any event, the Department believes the non-Federal participants in these trade missions who are

asked to pay their own travel expenses should do so on a full cost recovery basis, and has restructured commercial air charters to achieve this end.”

Management Update on Status of Corrective Actions. Management stated that the CFO will ensure the final order is consistent with full cost recovery.

Inspector Comments. This recommendation should remain open until DOE Order 2110.1A, paragraph 25, is revised to clarify the policy concerning the airfare to be charged to non-Federal passengers traveling aboard DOE-chartered aircraft. Currently, DOE Order 2110.1A states that non-Federal passengers traveling aboard DOE-chartered aircraft should be charged the “comparable common carrier coach fare”; whereas DOE M 551.1 states that non-Federal personnel “traveling with the other trip members must pay their full prorated share of the arranged transportation costs by the date established for payment.”

Subsequent Management Comments on the Official Draft Report. Management stated that:

“In the Initial Draft Report, you requested that we revise DOE Order 2110.1A (which calls for non-Federal travelers on DOE aircraft to be charged full coach fare) and DOE Order M-551.1 [sic] (which calls for full cost recovery) for consistency. In response, we examined and consulted with members of your staff on whether the two rules were, in fact, inconsistent.

“In the Official Draft Report, you reiterated your requested [sic] that we modify DOE Order 2110.1A to clarify that DOE’s policy is to recover the full cost of transportation by all travelers. We will complete this action by October 31.

D. Source of Funds

We identified 12 appropriation accounts DOE officials used to pay \$3.16 million of \$3.42 million in costs for the four trade missions. Trade mission costs included expenses for chartered aircraft, commercial airfare, embassy support, and management and operating contractor and subcontractor support. The majority of the trade mission

costs -- \$2.25 million or 66 percent -- were funded using the DOE Administration Operating Expenses appropriation account. Another \$910,895 or 27 percent was paid for with funds from 11 other appropriation accounts. We did not determine the source of funds used to pay \$261,094 in travel-related costs for management and operating contractor and subcontractor support expenses. Table 19 shows these costs and the costs for each trade mission the Department charged to the 12 appropriation accounts.

TABLE 19
TRADE MISSION SOURCE OF FUNDS

APPROPRIATION DESCRIPTION	INDIA	AUSTRIA/ PAKISTAN	INDIA/HONG KONG/CHINA	SOUTH AFRICA	TOTAL COSTS
Departmental Administration, Operating Expenses	685,183	389,493	660,639	513,301	2,248,616
Energy Supply, R&D Activities, Operating Expenses	7,239	22,381	82,561	113,194	225,375
Energy Conservation	6,263	16,776	38,570	151,956	213,565
Materials Production and Other Defense Programs	-	105,210	9,226	58,656	173,092
Fossil Energy Research and Development	13,047	19,166	78,890	40,955	152,058
Clean Coal Technology	-	-	34,784	11,012	45,796
Weapons Activities	3,666	13,043	12,887	3,409	33,005
Federal Energy Regulatory Commission	-	13,755	-	8,982	22,737
Emergency Preparedness	-	-	15,688	-	15,688
Defense Env. Restoration and Waste Management	-	-	11,435	-	11,435
Energy Information Administration	-	-	5,023	5,532	10,555
Bonneville Power Administration		7,589	-	-	7,589
Miscellaneous*	23,922	3,586	130,191	103,395	261,094
TOTAL	\$ 739,320	\$ 590,999	\$ 1,079,894	\$ 1,010,392	\$ 3,420,605

*M&O and Contractor Support Costs. We did not determine the appropriation used to pay these costs.

DOE Administration Operating Expenses Appropriation

The Department funded \$2.25 million or 66 percent of trade mission travel costs with this appropriation account. These costs included \$685,183 or 93 percent of the trip costs for the India trade mission; \$389,493 or 66 percent of the trip costs for the Pakistan trade mission; \$660,639 or 61 percent of the trip costs for the China trade mission; and \$513,301 or 51 percent of the trip costs for the South Africa trade mission.

This appropriation account supports the following DOE Offices: the Office of the Secretary; Human Resources and Administration; Chief Financial Officer; Congressional, Public, and Intergovernmental Affairs; General Counsel; Policy; Economic Impact and Diversity; and the Board of Contract Appeals. In addition, this appropriation pays for the Department's Cost of Work for Others program. Further, this appropriation account was used to account for revenues from the sale of goods and services under the Cost of the Work for Others program, as well as, miscellaneous revenues from a variety of other sources. Finally, this appropriation account included the reception and representation fund of \$35,000 designated by Congress for official entertainment expenses.

Energy Supply, Research and Development Activities, Operating Expenses Appropriation

The Department funded \$225,375 of trade mission travel costs using this appropriation account. This account supports a variety of energy research and applied technology programs as well as programs providing environmental oversight and mitigation. Organizations with programs supported by this appropriation include Energy Efficiency and Renewable Energy; Nuclear Energy; Environmental Management; Environment, Safety and Health; Energy Research; and Field Management.

Energy Conservation Appropriation

The Department funded \$213,565 of trade mission travel costs using this appropriation account. This account supports the mission of the Office of Energy Efficiency and Renewable Energy, which is to work with customers to lead the nation to a stronger economy, a cleaner environment, and a more secure future by developing and deploying sustainable energy technologies.

Materials Production and Other Defense Programs Appropriation

The Department funded \$173,092 of trade mission travel costs using this appropriation account. This account supports the mission of the Materials Support program, which has been to provide nuclear materials to meet national defense requirements, Government research and development activities in support of civilian research, commercial, and medical applications.

Fossil Energy Research and Development Appropriation

The Department funded \$152,058 of trade mission travel costs using this appropriation account. This account supports the Department's mission to stimulate sustainable development and utilization of the nation's fossil fuel resources and technologies to assure an ample, secure, clean and low cost domestic supply of energy.

Clean Coal Technology Appropriation

The Department funded \$45,796 of trade mission travel costs using this appropriation account. This account supports technology development efforts jointly funded by Government and industry to demonstrate the most promising advanced coal-based technologies and to generate data needed for the marketplace to judge their commercial potential.

Weapons Activities Appropriation

The Department funded \$33,005 of trade mission travel costs using this appropriation account. This account supports the mission of Defense Programs, which is to maintain the safety, security, and reliability of the nation's enduring nuclear weapons stockpile within the constraints of a comprehensive test ban, utilizing a science-based approach to stockpile stewardship and management.

Federal Energy Regulatory Commission Appropriation

The Department funded \$22,737 of trade mission travel costs using this appropriation account. This account supports the overseeing of operations of key parts of America's energy industries, for example, natural gas and oil pipelines, electric utilities, and hydropower facilities.

Emergency Preparedness Appropriation

The Department funded \$15,688 of trade mission travel costs using this appropriation account. This account supports the Department's efforts to develop and direct energy emergency preparedness planning, operational, and response programs to meet the goal of reducing U.S. vulnerability to the adverse impacts of domestic and international supply distributions.

Defense Environmental Restoration and Waste Management Appropriation

The Department funded \$11,435 of trade mission travel costs using this appropriation account. This account supports Environmental Restoration activities, Waste Management functions, Nuclear Material and Facility Stabilization efforts, Science and Technology activities, and Site Operations activities and privatization efforts, as well as program

direction and administrative activities, including management and evaluation, and planning, policy and budget.

Energy Information Administration Appropriation

The Department funded \$10,555 of trade mission travel costs using this appropriation account. This account supports the mission of the Energy Information Administration, which is to be the Nation's primary source of comprehensive energy information, providing high quality energy data, analyses and forecasts to customers in Government, industry and the public in a manner that promotes sound policy making, efficient markets and public understanding.

Bonneville Power Administration

The Department funded \$7,589 of trade mission travel costs using this appropriation account. This account supports 80 percent of the electric power transmission capacity for the Pacific Northwest as a Federal electric power marketing agency.

Miscellaneous

The Department paid \$261,094 for management and operating contract and subcontractor travel costs. These costs are included in the Miscellaneous category of Table 19 because we did not determine the appropriation the Department used to pay these costs.

Source Of Funds For Security Costs

DOE changed the source of funding for future foreign security travel costs in May 1995, when it reprogrammed \$400,000 within its Defense Programs appropriation -- \$241,166 from four Defense Materials Support projects and \$158,834 from one New Production Reactor project. These reprogrammed funds were provided to the Office of Nonproliferation and National Security to fund security costs for international trips.

A senior Chief Financial Officer (CFO) official stated that this reprogramming had occurred because, historically, security travel costs for the Secretary had been funded from two appropriation accounts, Defense Programs and DOE Administration. When the Secretary traveled domestically, security travel costs had been funded from Defense Programs, and when the Secretary traveled internationally, security had been funded from the DOE Administration account. The senior CFO official also stated that in the past, international travel had been on an "ad hoc" basis and that DOE Administration officials had not really planned to spend much money on security for foreign travel. However, he stated that as a result of the Energy Policy Act of 1992, it was anticipated that the Secretary would increase international travel because the Act established a requirement to foster international cooperation by developing international markets for domestically produced sustainable energy technologies. Furthermore, the senior CFO official stated that in the past, the Secretary's international travel had not been tied to a specific program

office mission; however, in "March or April 1995," funding sources had been proposed for the Secretary's future foreign travel and the Department had realized that security for the Secretary's travel, unlike in the past, was tied to the Defense Program Office mission. As a result, Department officials made a policy change to fund security for international and domestic travel using the same appropriation account that funds the Defense Program Office -- the Materials Support and Other Defense Programs Appropriations.

Specifically, in a memorandum dated April 21, 1995, a CFO official from the Budget Analysis Division, Defense Programs Branch, requested an internal reprogramming action totaling \$400,000 to pay for travel requirements in the Office of Nonproliferation and National Security. According to a DOE memorandum, dated May 5, 1995, the reprogramming action was completed and was to be effective upon approval of the Department's May-approved funding programs.

Reprogramming guidance for programs and activities funded in the Energy and Water Development Appropriation Act was provided in the Committee on Appropriations Report 99-195. This Report contained Reprogramming Procedures and stated that:

"The Committee requires the Department to ensure that the Appropriations Committee is promptly and fully informed whenever a necessary change in program execution is desired. To assist the Department in this effort, the following guidance is provided by the Committee for the Department's reprogramming actions for programs and activities funded in the Energy and Water Development Appropriation Act.

"Definition. Reprogramming, as defined in these procedures, includes the reallocation of funds from one activity to another within an appropriation. For construction projects, a reprogramming constitutes the reallocation of funds from one construction project identified in the justification to another or a significant change in the scope of an approved project. A reprogramming shall also consist of any significant departure from a program, project, or activity described in the agency's budget justifications as presented to and approved by Congress.

"Criteria for Reprogramming. A reprogramming should be made only when an unforeseen situation arises; and then only if postponement of the project or the activity until the next appropriation year would result in detrimental impact to an agency program or priority. Mere convenience or desire should not be factors for consideration.

"Reprogramming should not be employed to initiate new programs or to change allocations specifically denied, limited or increased by the Congress in the Act or the report. In cases where unforeseen events or conditions are deemed to require such changes, proposals shall be submitted in advance to

the Committee, regardless of amounts involved, and be fully explained and justified.

“Reporting and Approval Procedures. To provide some management latitude within the Department, any proposed reprogramming must be submitted to the Committee in writing prior to implementation if it exceeds \$1,000,000 annually or results in an increase or decrease of more than 10 percent annually in affected programs. In any case, all reprogramming shall be reported to the Committee quarterly.”

We found that information regarding the reprogramming of the \$400,000 was included in the Department’s quarterly report entitled Energy and Water Development, “FY 1995 Base Table Summary of Current Changes for the Period 4/1/95 through 6/30/96,” which was sent to the Congressional Committees on appropriations. The documents we reviewed suggested that the reprogramming within the Materials Support and Other Defense Programs appropriation was completed by the Department in accordance with the Congressional Committee reprogramming guidelines.

Source Of Funds For Invitational Travelers

We identified \$217,140 in travel costs where DOE extended invitational travel to participants on 27 occasions associated with the Secretary’s four trade missions. The appropriations used to pay these costs were as follows: \$23,672 from the Clean Coal Technology appropriation; \$11,435 from the Defense Environmental Restoration and Waste Management appropriation; \$54,241 from the Energy Supply, Research and Development Activities, Operating Expenses appropriation; \$21,504 from the Fossil Energy Research and Development appropriation; \$45,481 from the Energy Conservation appropriation; \$11,002 from Materials Production and other Defense Programs; and \$48,139 from the DOE Administration, Operating Expenses appropriation. We did not identify which appropriation was used to pay \$1,666 in costs for contractors who were extended invitational travel.

Department’s Use Of Funds From Non-Federal Travelers To Pay Charter Costs

Prior to DOE procuring chartered air transportation for the Pakistan trade mission, discussions occurred between DOE Human Resources and Administration, Office of Chief Financial Officer and Office of General Counsel officials regarding the Department’s financial responsibility for the cost of the aircraft . According to a Human Resources official, DOE’s Office of Aviation Policy raised questions regarding DOE’s ability to use funds from non-DOE Federal and private sector passengers to pay costs for chartered air transportation. These questions were based on their understanding that DOE policy required that collections received by DOE should be deposited as miscellaneous receipts to the General Fund of the Department of Treasury. The Human Resources official stated that the Office of Aviation Policy suggested that DOE officials procure services from the Department of Interior (Interior) to use its working capital fund to apply non-DOE Federal

and private sector passengers' collections to the cost of the chartered air transportation. The Human Resources official also stated that a determination for this process had been requested from General Counsel officials, however, none was provided at the time.

On September 16, 1994, DOE contracted with Flight Time International, an air charter broker, to provide charter air transportation to Pakistan at an estimated cost of \$415,000. Subsequently, DOE entered into a \$12,500 Interagency Agreement with Interior to act as DOE's collection and payment agent for chartered aircraft services. The agreement stated that Interior would: (1) pay Flight Time International for providing air transportation services, (2) collect the pro-rata cost of air transportation from private sector and non-DOE Federal passengers, and (3) collect from DOE the difference between the amount paid to Flight Time and the amounts collected from non-DOE passengers.

At the time DOE contracted with Flight Time International, Department officials obligated \$415,000 to pay the estimated costs of the chartered plane. Department officials also obligated \$12,450 to pay Interior for their services. DOE sent an invitation letter to potential non-DOE passengers inviting them to participate on the Pakistan trip and advising them that the estimated participation cost including traveling on the charter aircraft was about \$7,000.

Interior used its own funds to pay Flight Time International \$415,000 for providing air transportation to DOE on the Pakistan trade mission. Interior recovered the \$415,000 and its \$12,450 service fee due from DOE by collecting \$184,340 from private sector travelers, \$25,908 from non-DOE Federal travelers, and the balance of \$217,202 from DOE. However, DOE's reliance on payments from private sector and non-DOE Federal passengers to pay some of this cost was contrary to the "miscellaneous receipts" statute of the United States Code (Title 31 U.S.C. Section 3302(b)). This statute states that:

"(b) Except as provided in section 3718 (b) of this title, an official or agent of the Government receiving money for the Government from any source shall deposit the money in the Treasury as soon as practicable without deduction for any charge or claim."

The General Accounting Office has interpreted the provisions of 31 U.S.C. 3302 in its "Principles of Federal Appropriations Law" stating that:

"It is difficult to see,' said an early [Comptroller General] decision, 'how a legislative prohibition could be more clearly expressed.' 10 Comp. Gen. 382, 384 (1931). Simply stated, any money an agency receives from a source outside of the agency must be deposited into the Treasury. This means deposited into the general fund ('miscellaneous receipts') of the Treasury, not into the agency's own appropriations, even though the agency's appropriations may be technically still 'in the Treasury' until the agency actually spends them. The Comptroller of the Treasury explained the distinction in the following terms:

“ ‘It [31 U.S.C. 3302 (b)] could hardly be made more comprehensive as to the moneys that are meant and these moneys are required to be paid “into the Treasury.” This does not mean that the moneys are to be added to a fund that has been appropriated from the Treasury and may be in the Treasury or outside. [Emphasis in original.] It seems to me that it can only mean that they shall go into the general fund of the Treasury which is subject to any disposition which Congress might choose to make of it. This has been the holding of the accounting officers for many years. [Citations omitted.] If Congress intended that these moneys should be returned to the appropriation from which a similar amount had once been expended it could have been readily so stated, and it was not.’ ”

The Department has implemented the provisions of the “miscellaneous receipts” statute in DOE Order 2200.6A, “Financial Accounting.” This order states that:

- “(1) As a general rule, all collections received by DOE shall be deposited as miscellaneous receipts to the General Fund of the Department of the Treasury unless otherwise authorized by statute or this chapter.
- “(2) Retaining and using collections that DOE should have deposited as miscellaneous receipts constitutes an improper augmentation of DOE’s appropriations and is a violation of title 31, section 3302, of the United States Code.”

The “miscellaneous receipts” statute and the DOE order provide exceptions to this general rule. Two primary exceptions under the statute, generally stated, include instances in which: (1) an agency has specific statutory authority to retain the funds; and (2) receipts qualify as a repayment to an appropriation and therefore can be retained to the credit of that appropriation.

These exceptions and those in the DOE order, however, were not used by the Department where DOE collected revenue from non-Federal travelers on the India and Pakistan trips. For instance, the Department had collected \$87,231 directly from non-DOE travelers on the India and Pakistan trips, and deposited the amounts collected to the miscellaneous receipts of the Treasury.

Also, in a March 1995 note to the Department’s Controller, a senior accounting manager stated that concern had been expressed that the Department may have to return the funds, which Interior collected from non-DOE travelers, to the U.S. Treasury. He stated in the note that Office of General Counsel and Human Resources officials were challenging the issue. We determined that as of January 1996 the Department had maintained an obligation of \$210,248 against the two contracts it awarded. The amount remaining obligated equals the amount that Interior collected on DOE’s behalf from non-DOE travelers on the Pakistan mission.

We discussed the circumstances presented above separately with two attorneys in the Department's Office of General Counsel. Both attorneys agreed that the circumstances appeared to support the position that Interior was acting as an agent for DOE in collecting the \$210,248 from non-DOE travelers on the Pakistan trip and that DOE should have returned these funds to the U.S. Treasury miscellaneous receipts account. One of the attorneys said the Office of General Counsel would need to review the specific circumstances in order to render an official opinion.

RECOMMENDATION 20: We recommend the Chief Financial Officer consider requesting an appropriation account to fund future foreign trade missions.

Management Update on Status of Corrective Actions. Management included a July 31, 1996, memorandum to the Acting Chief Financial Officer from the Special Assistant to the Chief Financial Officer that provided two options regarding the consideration of an appropriation account to fund future foreign trade missions: (1) Request Trade Mission Funding as a Single Appropriation, or (2) Continue Program Office Funding of Trade Mission. The memorandum stated that the Department chose the second option and will continue to fund trade missions through the relevant program offices. Further, the memorandum also included a statement that the CFO should examine the ability of the accounting and finance systems to separately track trade mission expenses.

Inspector Comments. A CFO official subsequently informed us that the Department has not determined a method for tracking trade mission costs. Therefore, this recommendation should remain open until a system has been defined and implemented for tracking foreign trade mission costs.

Subsequent Management Comments on the Official Draft Report. Management stated that:

"In the Initial Draft Report, you requested that we consider requesting an appropriation account to fund future foreign trade missions. We considered but rejected such a request because the same financial information can be captured without altering the existing, Congressionally-approved budget structure."

"In the Official Draft Report, you accepted this strategy but requested that we define a system for identifying and tracking trade mission costs. At present, for all travel that is covered by the new travel regulations, including trade missions, the Senior Trip Official is charged with the responsibility for identifying, tracking and maintaining a log of all trade mission costs. That individual will provide regular expense reconciliations of trips to the Chief Financial Officer. However, as you have requested, we will develop a computerized system that is complementary to our existing travel manual."

Inspector Comments: We agree with management's planned actions to develop a computerized system. Accordingly this recommendation should remain open until that action has been completed.

RECOMMENDATION 21: We recommend the General Counsel determine whether the "miscellaneous receipts" Statute (31 United States Code, Section 3302(b)) requires the Department to deposit into the U.S. Treasury all funds the Department of Interior collected on behalf of DOE.

Management Update on Status of Corrective Actions. Management included a July 31, 1996, memorandum from the Deputy General Counsel to the Acting Chief Financial Officer regarding this recommendation. The memorandum stated that: ". . . the Miscellaneous Receipts Statute does require DOE to deposit in the Treasury as miscellaneous receipts the amount of the funds collected by DOI from non-federal sources."

Inspector Comments. We consider management's action to be responsive; therefore, this recommendation may be closed.

RECOMMENDATION 22: We recommend the Chief Financial Officer take timely action consistent with the determination of the Office of General Counsel.

Management Update on Status of Corrective Actions. Management stated that Department officials have taken appropriate action as a result of the final opinion issued by OGC regarding the collections received by DOI from non-Federal travelers. Further, the Department has provided the OIG with a copy of the accounting records that show the transfer of the funds from the Departmental Administration account to the Department of Treasury's Miscellaneous Receipts.

Inspector Comments. We consider management's actions to be responsive; therefore, this recommendation may be closed.