



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

# Audit Report

## The Department's Audit Resolution Process

DOE/IG-0639

February 2004



## Department of Energy

Washington, DC 20585

February 17, 2004

MEMORANDUM FOR THE SECRETARY

FROM:

  
Gregory H. Friedman  
Inspector General

SUBJECT:

INFORMATION: Audit Report on "The Department's  
Audit Resolution Process"

### BACKGROUND

At the Department of Energy, as with all government agencies, correcting internal control weaknesses is essential to improving the effectiveness and efficiency of activities. Over the past several years, the Office of Inspector General and the U.S. General Accounting Office have issued a number of findings and recommendations addressing numerous aspects of the Department's programs, operations, and management functions. In many cases, the Department concurred with the findings and took or is in the process of taking corrective actions to resolve problems or improve the efficiency of its operations.

However, as noted in our report on *The U.S. Department of Energy's Audit Follow-up Process* (DOE/IG-0447, July 1999), certain audit recommendations were not closed in a timely manner and some actions were not completely effective in resolving weaknesses. Because timely and effective closure actions are important to improving operations, we initiated this audit to determine whether the Department had improved its audit resolution process and had taken recommended corrective actions.

### RESULTS OF AUDIT

Although the Department had made efforts to improve the effectiveness of its audit resolution process, we noted several areas where additional action is necessary. Based on our review of a judgmental sample of recommendations accepted by the Department in 70 separate audits, we observed that:

- Target dates for completion of corrective actions had not been established for 44 percent of the 104 recommendations we reviewed;
- Where target dates were established, 57 percent of the corrective actions taken exceeded closure milestones;
- In several cases, recommendations were closed even though corrective actions had not been taken; and,
- The Department did not take advantage of potential savings of about \$26 million due to delays in corrective action implementation.



The lack of specific, quantifiable performance measures diminished the overall effectiveness of the Department's audit resolution process. In addition, organizations had not been required to perform trend analyses to identify systemic problems or review audit findings issued to others for applicability. Consequently, the Department had not always realized potential programmatic savings, improvements in health and safety, and operational efficiencies that could be achieved through a strong audit resolution process.

Under your direction, the Department has undertaken an aggressive campaign to address the issues described in our special reports on *Management Challenges at the Department of Energy* (DOE/IG-0580, December 2002, and DOE/IG-0626, November 2003). This initiative, which has been personally led by the Deputy Secretary, seeks to improve the Department's ability to correct or respond to the underlying causes for significant issues identified through audit findings. Further, the Department has organized a comprehensive effort to address the issues raised in the President's Management Agenda, many of which relate to internal control and/or programmatic safeguard issues.

Finally, the Office of Management, Budget and Evaluation/Chief Financial Officer has implemented initiatives designed to improve the audit resolution process by automating its tracking system and requiring that program managers certify completion of corrective actions. While these efforts show great promise, we are recommending additional actions that, if taken, would improve the Department's ability to resolve audit recommendations in a timely manner and minimize the recurrence of the same or similar findings in the future.

#### MANAGEMENT REACTION

The Acting Director, Office of Management, Budget and Evaluation/Acting Chief Financial Officer, and the Associate Administrator for Management and Administration, National Nuclear Security Administration, concurred with the report's recommendations and have agreed to implement corrective actions. Consolidated comments have been incorporated in our report as Appendix 3.

#### Attachment

cc: Deputy Secretary  
Administrator, National Nuclear Security Administration  
Under Secretary for Energy, Science and Environment  
Acting Director, Office of Management, Budget and Evaluation/Acting Chief Financial Officer

# **THE DEPARTMENT'S AUDIT RESOLUTION PROCESS**

---

## **TABLE OF CONTENTS**

### **Audit Resolution Process**

Details of Finding .....	1
Recommendations and Comments.....	5

### **Appendices**

1. Objective, Scope, and Methodology .....	6
2. Prior Audit Reports.....	7
3. Management Comments.....	8

# AUDIT RESOLUTION PROCESS

---

## Recommendation Resolution and Closure Process

The Department of Energy's (Department) current audit resolution process does not always ensure timely and appropriate closure of audit recommendations. In spite of specific guidance, we noted that organizations frequently did not establish or conform to target dates designed to guide the completion of corrective actions. For example, we observed that the Department had not established target dates for implementing corrective actions for 44 percent of the 104 judgmentally sampled Office of Inspector General (OIG) recommendations accepted by management between 1994 and 2002. Additionally, even when target dates were set, organizations routinely exceeded expected closure dates. For example, 57 percent of the recommendations we reviewed exceeded milestone dates, one by as much as seven years.

Our review also disclosed a number of examples where the lack of timely or complete resolution of audit recommendations prevented the Department from realizing significant savings or achieving operational efficiencies. As the following examples demonstrate, the lack of timely action in implementing corrective actions can have a significant monetary and operational impact. For instance:

- In our *Audit of Fire and Emergency Medical Services Cost Sharing Between the Department of Energy and Los Alamos County* (WR-B-96-01, October 2, 1995) we noted that the Department was paying 99 percent of the County's fire and emergency medical costs even though it accounted for only 47 percent of all service calls. The OIG estimated that County services could be subsidized by as much as \$18.3 million over the life of the contract (December 1992 to November 1997) and recommended that the Department either develop alternate methods for sharing fire and emergency medical services or separate responsibility for these services between the Department and the County. Even though management concurred with the recommendation, seven years have passed since the proposed resolution date and payments continue to be made under the same terms as the above contract. While exact amounts cannot be determined because the Department had not tracked usage, we estimate that subsidies over the six years since the contract was continued – assuming usage remained static – could amount to as much as \$22 million.

- 
- During March 1999, our report on *Vehicle Fleet Management at the Idaho National Engineering and Environmental Laboratory* (WR-B-99-02) noted that their light vehicle fleet was larger than necessary. Based on our recommendation, the Department agreed to review fleet use against mileage standards and dispose of or reassign vehicles as necessary by September 2000. Actual work, however, was not completed until September 2001 and the Department did not realize a potential savings of about \$321,000.
  - Our report on *Groundwater Monitoring Activities at Department of Energy Facilities* (DOE/IG-0461, February 2000) recommended that the Department require field managers to evaluate innovative technologies at each site for groundwater monitoring. However, target closure dates were never established, the effort was not closely monitored, and no action was taken on this recommendation because of confusion over who had authority to direct field managers to evaluate such technologies. As a result, the Department did not realize the maximum benefit of implementing innovative groundwater monitoring technologies that may have saved an estimated \$3.6 million annually.
  - With regard to our report on *Internet Privacy* (DOE/IG-0493, February 2001), we noted that the Department established a target date but did not take agreed upon corrective action. Specifically, our *Follow-up Audit on Internet Privacy* (OAS-L-03-04, December 2002) disclosed that the Department closed the recommendation to develop Internet privacy specific performance measures in January 2002 when it established a target implementation date but never actually developed needed performance measures. As we observed in our original report, lack of action in this area deprived the Department of a basis to measure and demonstrate its performance in this highly sensitive area.
  - We also noted in our *Evaluation Report on The Department's Unclassified Cyber Security Program-2003* (IG-0620, September 2003) that a number of cyber security related audit findings had been closed without completion of corrective actions. These findings involved the testing of sites' disaster recovery and continuity of service plans, which allow organizations to ensure continuing operations in the event of a major disaster.

---

We also observed that findings and recommendations are often repeated from site to site, or program to program. For example, we routinely identify a number of persistent cyber security related problems during annual reviews such as those required by the Federal Information Security Management Act and the audit of the Department's consolidated financial statements. Problems related to risk management, access and password controls, and contingency and disaster recovery planning have been observed across the Department's organizations and geographic locations since Fiscal Year 2001. Most recently, our evaluation of the *Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2003* (DOE/OAS-FS-04-01, November 2003) revealed that 15 of the 17 new findings identified in 2003 were either the same or similar to findings identified at other organizations in 2002.

## **Performance Management and Analyses**

The Department did not fully realize the potential benefit of recommendations addressing internal control weaknesses because it lacked focused performance measures and did not perform required trend or applicability analyses.

### Performance Measures

While we observed that the Department had audit resolution performance measures in place at some point, it subsequently removed them from its performance plan. In response to our July 1999 report on audit follow-up, the Department determined that its existing performance measures were adequate to control the audit resolution process. Subsequent to that determination, however, the Department deleted those measures from its performance plan and had not replaced them. An Office of Management, Budget and Evaluation/Chief Financial Office (CFO) official told us that the measures were deleted because management believed that Office of Management and Budget (OMB) guidance required them to implement measures that were program and outcome rather than process oriented.

### Trend and Applicability Analyses

The Department also did not perform trend analyses to identify systemic problems or routinely review audit findings for applicability to

---

others. Despite recommendations in our previous report and requirements of OMB Circular A-50, a CFO official indicated that the Department did not conduct periodic analyses of audit recommendations to identify trends, system-wide problems, and potential solutions. Although management usually took corrective actions on the specific recommendations, the Department did not take advantage of the opportunity to determine whether similar issues exist at other programs, activities, or sites.

Even though the Department as a whole did not have such a program, certain segments, such as the Strategic Petroleum Reserve (SPR), had implemented this approach and report that the benefits far outweigh the initial investment. SPR officials reported that such reviews enabled them to determine if similar deficiencies existed at their sites and to quickly take proactive corrective actions. For instance, as part of their process, SPR officials reviewed the OIG's audit on *Sandia National Laboratories Procurement Card Program* (WR-B-02-03, August 2002) and decided that they would initiate a review of the procurement card program at SPR. That review ultimately demonstrated that improvements were needed in management controls over their procurement cards.

## **Maximizing Audit Value**

The Department was not obtaining the greatest value possible from audit results and recommendations. For example, without adequate performance measures to guide completion of corrective actions, management lacked an important control for ensuring that corrective actions were appropriate and timely. As a consequence, opportunities to improve program performance and health and safety and to reduce the costs of various programs and projects were not realized or delayed because prompt corrective actions were not taken. For instance, in our cited examples alone, timely action may have saved the Department as much as \$25.9 million. In our judgment, a lack of trend evaluations or applicability analyses of audit findings contribute to systemic or persistent problems. In particular, the failure to identify systemic cyber security related problems could lead to compromise of the Department's information systems and increase the risk that vital information will be corrupted or compromised.



---

**RECOMMENDATIONS**

We recommend that the Director, Office of Management, Budget and Evaluation/Chief Financial Officer and the Associate Administrator for Management and Administration, National Nuclear Security Administration, in conjunction with Program Secretarial Officers:

1. Establish specific performance measures relating to the timeliness and effectiveness of audit resolution and follow-up;
2. Identify and periodically report to the Deputy Secretary on the status of open recommendations including identifying recommendations for which (a) target closure dates have not been established, or (b) established target closure dates have not been met;
3. Institutionalize the current initiative to identify the underlying causes for significant issues indicated by audits by revising DOE Order 2300.1B to require program officials to review all OIG and Department related General Accounting Office findings and recommendations for applicability to their Departmental element; and,
4. Reemphasize the importance of program managers ensuring that open recommendations are closed only after effective implementation of corrective actions.

**MANAGEMENT REACTION**

The Acting Director, Office of Management, Budget and Evaluation/ Acting Chief Financial Officer, and the Associate Administrator for Management and Administration, National Nuclear Security Administration concurred with the report's recommendations and have agreed to implement corrective actions. Consolidated comments have been incorporated verbatim in Appendix 3.

## Appendix 1

---

### OBJECTIVE

To determine whether the Department had improved its audit resolution process and had taken recommended corrective actions.

### SCOPE

We conducted the audit from February 2003 through June 2003, at Department of Energy Headquarters and the General Accounting Office (GAO) in Washington, DC; the Oak Ridge Operations Office and UT-Battelle in Oak Ridge, Tennessee; the Ohio Field Office and the Defense Contract Audit Agency (DCAA) in Springdale, Ohio; and Fluor Fernald in Fernald, Ohio.

### METHODOLOGY

To accomplish the audit objective, we:

- Reviewed applicable Federal regulations, Departmental orders, and policies and procedures implemented at Headquarters and sites visited;
- Held discussions with Department, GAO, DCAA, and contractor officials regarding their audit follow-up and resolution processes;
- Judgmentally selected a total of 70 audits from the OIG, GAO, contractor internal audit, and DCAA to determine whether recommendations were being implemented as asserted by management in their corrective action plans;
- Reviewed Departmental Audit Resolution and Tracking System (DARTS) data to determine status of selected OIG and GAO audit recommendations; and,
- Reviewed performance related information to determine compliance with the Government Performance and Results Act of 1993.

The audit was conducted in accordance with generally accepted Government auditing standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Because our review was limited, it would not necessarily have disclosed all deficiencies that may have existed at the time of our audit. We relied on computer processed data in DARTS and conducted limited tests of data necessary to satisfy our audit objective.

The exit conference was held with Departmental officials on February 3, 2004.

### PRIOR AUDIT REPORTS

- *The U.S. Department of Energy's Audit Follow-Up Process* (DOE/IG-0447, July 7, 1999). The audit found that the Department's audit follow-up system did not verify that implemented actions addressed the underlying control weakness or share information on potential weaknesses across the Departmental complex. Without a more planned and proactive approach to audit follow-up, the Department cannot ensure that agreed-upon actions will be implemented.
- *Follow-Up Audit on Internet Privacy* (OAS-L-03-04, December 5, 2002). Our follow-up review did not reveal any persistent cookies on the 20 randomly selected Department web pages that we tested. These test results are consistent with the Department's actions to implement our earlier recommendations. While the Department had made significant progress toward implementing our recommendations, we found that it has not yet adopted meaningful Internet privacy-specific performance measures. According to an official in the Office of the Chief Information Officer, they were considering various alternatives but had not yet determined a suitable method for measuring performance specific to Internet privacy.



**Department of Energy**

Washington, DC 20585

December 29, 2003

MEMORANDUM FOR FREDERICK D. DOGGETT  
ASSISTANT INSPECTOR FOR AUDIT SERVICES,  
OFFICE OF INSPECTOR GENERAL

FROM: *James T. Campbell*  
JAMES T. CAMPBELL  
ACTING DIRECTOR, OFFICE OF MANAGEMENT, BUDGET  
AND EVALUATION/ACTING CHIEF FINANCIAL OFFICER

SUBJECT: Draft Report on *"The Department's Audit Resolution Process"*

This memorandum is in response to subject draft report issued on November 25, 2003. We appreciate the opportunity to comment on the findings identified in, and the recommendations resulting from, your review. We concur with your recommendations and will implement corrective actions during calendar year 2004.

Although technical comments from the National Nuclear Security Administration (NNSA) were provided directly to your office, NNSA is in agreement with this response. Should you have any questions, please feel free to contact me on 202-586-4171 or Merley Lewis on 202-586-3469.

Attachment



Printed with soy ink on recycled paper

## Appendix 3 (continued)

### Comments on Inspector General Draft Report “The Department’s Audit Resolution Process”

We recommend that the Director, Office of Management, Budget and Evaluation/Chief Financial Officer and the Associate Administrator for Management and Administration, National Nuclear Security Administration, in conjunction with Program Secretarial Officers:

1. Recommendation

Establish specific performance measures relating to the timeliness and effectiveness of audit resolution and follow-up;

Management Comment

Concur.

Performance measures, as appropriate, will be established. This action will occur with the publication of the revised departmental order on the audit resolution and followup process. This revision is currently under development and will be completed by the 2nd quarter 2004.

2. Recommendation

Identify and periodically report to the Deputy Secretary on the status of open recommendations including identifying recommendations for which (a) target closure dates have not been established or (b) established target closure dates have not been met.

Management Comment

Concur.

The Departmental Audit Report Tracking System (DARTS) currently reflects which recommendations do not have target closure dates established and which target dates have not been met. OMBE, in coordination with NNSA, will provide the Deputy Secretary with consolidated periodic reports on audit activities to provide the status of open audit recommendations and identify program activities that have not met the requirements listed in this recommendation. This action will be completed by the 1st quarter 2004.

## Appendix 3 (continued)

---

### 3. Recommendation

Institutionalize the current initiative to identify the underlying causes for significant issues indicated by audits by revising DOE Order 2300.1B to require program officials to review all OIG and Department related U.S. General Accounting Office (GAO) findings and recommendations for applicability to their Department element.

#### Management Comment

Concur.

OMBE will reiterate the current Management Control Program requirements and will incorporate them in the upcoming revision to DOE Order 2300.1B for program officials to review all Office Inspector General and Department related General Accounting findings and recommendations for applicability to their Departmental element. This action will be completed by the 2nd quarter 2004.

### 4. Recommendation

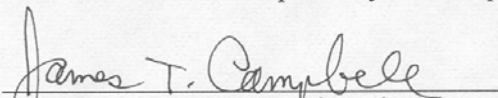
Reemphasize the importance of program managers ensuring that open recommendations are closed only after effective implementation of corrective actions.

#### Management Comment

Concur.

The primary responsibility for effective audit resolution and followup rests with the Head of the Departmental Element, or in the case of NNSA, the accountable Deputy/Associate Administrator or Site Office Manager, to which an audit finding and recommendation pertains. Closure of open recommendations with effective implementation of corrective actions is an inherent responsibility of the Element that is the lead office for the audit recommendation. DOE Order 2300.1B also requires Heads of Departmental Elements to provide an assurance "*that an audit followup assessment or review has been conducted and necessary corrective actions have been completed.*" Subsequently, inadequate implementation of corrective actions is generally identified by the Office of the Inspector General during followup reviews. In the revision to DOE Order 2300.1B, OMBE will ensure that senior managers are responsible for their actions to ensure that open recommendations are closed only after verification of the effective implementation of corrective actions. This action will be completed by the 2nd quarter 2004.

APPROVED BY:

  
James T. Campbell, Acting Director  
Office of Management, Budget and Evaluation/  
Acting Chief Financial Officer

## CUSTOMER RESPONSE FORM

The Office of Inspector General has a continuing interest in improving the usefulness of its products. We wish to make our reports as responsive as possible to our customers' requirements, and, therefore, ask that you consider sharing your thoughts with us. On the back of this form, you may suggest improvements to enhance the effectiveness of future reports. Please include answers to the following questions if they are applicable to you:

1. What additional background information about the selection, scheduling, scope, or procedures of the audit would have been helpful to the reader in understanding this report?
2. What additional information related to findings and recommendations could have been included in this report to assist management in implementing corrective actions?
3. What format, stylistic, or organizational changes might have made this report's overall message more clear to the reader?
4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report which would have been helpful?

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

Name \_\_\_\_\_ Date \_\_\_\_\_

Telephone \_\_\_\_\_ Organization \_\_\_\_\_

When you have completed this form, you may telefax it to the Office of Inspector General at (202) 586-0948, or you may mail it to:

Office of Inspector General (IG-1)  
Department of Energy  
Washington, DC 20585

ATTN: Customer Relations

If you wish to discuss this report or your comments with a staff member of the Office of Inspector General, please contact Wilma Slaughter at (202) 586-1924.

The Office of Inspector General wants to make the distribution of its reports as customer friendly and cost effective as possible. Therefore, this report will be available electronically through the Internet at the following address:

U.S. Department of Energy, Office of Inspector General, Home Page  
<http://www.ig.doe.gov>

Your comments would be appreciated and can be provided on the Customer Response Form attached to the report.