

Office of Inspector General Quarterly Report

First Quarter - Fiscal Year 2003

October 1, 2002 - December 31, 2002

U.S. Department of Energy



Message From the Inspector General

Greg Friedman

The Office of Inspector General (OIG) is pleased to provide its *Quarterly Report* to the Secretary as well as the members of the Congress. This report summarizes significant audit, investigation, and inspection activities as well as accomplishments achieved during the first quarter of Fiscal Year 2003, ending December 31, 2002.

During the quarter, at the request of the Acting Administrator of the National Nuclear Security Administration (NNSA), we initiated an inquiry into allegations of wrongdoing at Los Alamos National Laboratory. The allegations, which have been the subject of numerous media reports, center around the charge that the management of the Laboratory was attempting to cover up security breaches and hide illegal activities from the public, the Department of Energy (Department), Federal law enforcement agencies, and political oversight groups. The inquiry disclosed a series of actions by Laboratory officials that had the effect of obscuring serious property and procurement management problems and weakened or overrode relevant internal controls. These actions created an atmosphere in which Los Alamos employees were discouraged from, or had reason to believe they were discouraged from, raising concerns to appropriate authorities. Additional details on the results of the inquiry are found in the OIG's recently issued report, "Special Inquiry—Operations at Los Alamos National Laboratory," DOE/IG-0584, January 28, 2003, at: www.ig.doe.gov.

Further, the OIG issued its annual special report identifying the most significant

management and performance challenges facing the Department. The list of these challenges can be found on Page 2.

The OIG remains committed to assisting the Department in improving the effectiveness and efficiency of Department programs and operations. At the same time, we continue to direct more of our resources toward sensitive, complex, quick turnaround tasks requested by the Secretary and Congress.

We look forward to working with the Department and the Congress to continue improving the economy, efficiency, and effectiveness of agency programs and operations. We are also committed to providing our customers the highest level of service.

Major OIG reports are highlighted in the remainder of this report.

Significant Report Summaries

Management Challenges at the Department of Energy

Special Report on "Management Challenges at the Department of Energy," DOE/IG-0580, December 31, 2002

As required by the Reports Consolidation Act of 2000, the OIG annually identifies the most significant management and performance challenges facing the Department. As in the past, the methodology employed by the OIG relies on recent and ongoing audit, inspection, and investigation work.

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The following are the most serious challenges facing the Department in 2003:

- *Contract Administration*
- *Environmental Cleanup*
- *Information Technology Management*
- *National Security*
- *Performance Management*
- *Stockpile Stewardship*
- *Worker/Community Safety*

Since the OIG's last report, the Department's senior management has had some success in addressing previously reported challenges. As a result, the Energy Supply, Human Capital, and Research and Development Investment challenges have been deleted from the list cited above. It should be noted, however, that these areas are complex in nature and will continue to require management's attention and assessment.

The OIG will continue to evaluate agency performance in an effort to improve programs and operations, particularly as they relate to the management challenge areas mentioned above.

Two National Laboratories Have Not Adequately Controlled Unclassified Visits and Assignments by Foreign Nationals

Audit Report on "The Department's Unclassified Foreign Visits and Assignments Program," DOE/IG-0579, December 22, 2002

Each year, the Department's national laboratories host thousands of visitors and assignees from foreign countries. The Department and its international partners benefit from the exchange of information that results from the visits and assignments because they foster open communication, stimulate

ideas, and enhance research. Along with the benefits, however, foreign visits and the resulting exchange of information raise potential national security risks. The OIG conducted an audit to determine whether controls over foreign visits and assignments at two selected national laboratories were adequate.

The audit determined that at the selected facilities, the Department had not adequately controlled unclassified visits and assignments by foreign nationals. The audit showed that the laboratories, one managed by the Office of Science and the other by NNSA, permitted certain foreign nationals to access facilities without ensuring that visitors or assignees had been properly admitted or authorized to remain in the United States. In many cases, the Science-managed laboratory also granted foreign visitors access before completion of national security background checks or consultations with counterintelligence. Additionally, neither laboratory reported sufficient information to enable the Department to properly track the visitors and assignees.

The OIG recommended a series of actions designed to strengthen management practices for controlling unclassified visits and assignments by foreign nationals. The Deputy Secretary agreed with the OIG recommendations and took immediate corrective action by issuing interim guidance to strengthen the Unclassified Foreign Visits and Assignments Program at Department sites.

Nuclear Safety Program at the Department's Ashtabula Site Needs Improvement

Inspection Report on "Inspection of Nuclear Safety at the Ashtabula Environmental Management Project," DOE/IG-0576, November 26, 2002

The Ashtabula Site is owned by a private company, the RMI Titanium Company

(RMI), and is comprised of two facilities, the Extrusion Plant and the Metals Plant. The OIG discovered during an earlier inspection that there were radioactive processing activities occurring at the Metals Plant without a State or Federal nuclear license and that RMI utilized Department equipment to conduct these radioactive processing activities without the Department's permission.

The OIG conducted this inspection to determine: (1) in the absence of a nuclear license covering the Metals Plant, was the radiological work conducted in accordance with Department nuclear safety procedures, and (2) whether the RMI radioactive processing activities conducted with Department equipment occurred without a proper license and without proper nuclear safety procedures in place.

The inspection found that radiological work at the Metals Plant and commercial work with Department equipment were not covered by either a license or Department nuclear safety procedures. Because RMI owns the Ashtabula Site, it was unclear whether a nuclear license or Department regulations should have been in place.

The OIG recommended that the Department's: (1) Office of the General Counsel determine the applicability of Department regulations at the Ashtabula Site; (2) Office of Price-Anderson Enforcement determine whether Department regulations have been violated at the site; and (3) Ohio Field Office address issues relating to compliance with nuclear safety regulations and the use of Department equipment to perform radiological work.

The Office of the General Counsel determined that Department nuclear safety requirements did not apply to contractual activities at the Ashtabula Site and that these activities are under the jurisdiction of the Ohio Department of Health. Based on this determination, the Office of Price-Anderson Enforcement concluded that it would

be at variance with the Department's Price-Anderson regulations to assert Price-Anderson Enforcement jurisdiction at the Metals Plant. The Ohio Field Office intends to recover all related costs that may have been incurred by RMI while using Department property to perform commercial work and is working with the State of Ohio to ensure nuclear safety compliance at Ashtabula.

The Department's Explosive Safety Program Needs Improvement

Inspection Report on "Inspection of Explosives Safety at Selected Department of Energy Sites," DOE/IG-0578, December 19, 2002

The OIG conducted an inspection at the Department's Nevada Operations Office (Nevada) and Oak Ridge Operations Office (Oak Ridge) to determine if explosive material was being stored safely and in accordance with applicable Department requirements.

The inspection found that: (1) programs designed to review the shelf-life of explosive materials have not been fully implemented at Nevada and Oak Ridge; (2) the Department had not incorporated the "DOE Explosives Safety Manual" into one contract at Nevada and two contracts at Oak Ridge; (3) combustible material was inappropriately stored in explosive storage magazines at Nevada; and (4) lightning protection tests on explosive storage magazines at Nevada were not being consistently completed by all contractors.

The OIG recommended a series of actions designed to improve explosive safety at Nevada and Oak Ridge. Department management agreed with the OIG recommendations and stated that they are taking action to strengthen explosive safety.

Business Management Information System's Planning and Development Needs Improvement

Audit Report on "Business Management Information System," DOE/IG-0572, November 4, 2002

The OIG initiated an audit to determine whether the development of the Business Management Information System (BMIS) satisfied Federal and Department systems development requirements and was aligned with the Department's Corporate Systems Information Architecture.

The audit found that BMIS did not satisfy key Federal requirements and was not aligned with the Department's corporate information technology architecture. Specifically, program offices were developing separate systems that were not capable of full integration with other business systems and that did not take full advantage of the existing core accounting system. Also, BMIS did not incorporate all corporate-level development efforts and, as noted in systems planning documentation, did not: (1) link performance and financial data, an element needed to satisfy Federal financial system requirements; and (2) replace certain inefficient program and site-level financial management and managerial cost information systems.

The OIG recommended that the Director, Management, Budget and Evaluation/Chief Financial Officer, in conjunction with the Chief Information Officer: (1) finalize and implement a master plan, strategy, and/or program enterprise architecture relating to corporate level business information system development efforts that includes an evaluation of capabilities to meet requirements and other functionality such as procurement, budget and performance measurement; and (2) establish specific, quantifiable, and realistic performance measures and goals to be applied immediately, and included in the Department's Annual Performance Plan to guide the BMIS development effort.

Department management agreed with the OIG recommendations and expressed its confidence that its recent initiatives, when complete, should satisfy the audit recommendations.

The Department Needs to Better Evaluate the Necessity to Dismantle its Domestic Calutron Isotope Production Capabilities

Audit Report on "Calutron Isotope Production Capabilities," DOE/IG-0574, November 14, 2002

In August 2002, the Department formalized its plan to permanently eliminate the domestic capability to produce electromagnetically enriched stable isotopes. The Department intended to dismantle the machinery used to produce the isotopes, called calutrons, and rely on one of the following: (1) existing Department inventories; (2) Russian-produced isotopes; or (3) the adaptation of other isotope separation technologies to meet the domestic demand for stable isotopes. The OIG conducted an audit to determine if the Department would be able to ensure the availability of stable isotopes if it eliminated its domestic isotope production capability.

The audit determined that the Department may not be able to ensure the availability of a full range of stable isotopes if the calutrons were dismantled. The audit disclosed that: (1) the current inventories of some isotopes are insufficient to cover future demand, (2) the future supply of Russian-produced isotopes may be unreliable, (3) and no proven alternative technologies to replace the calutrons are available. Furthermore, the audit concluded that if the Department proceeded with its plans, the United States would lose the capability to produce up to 110 stable

isotopes and potentially become more dependent on Russia to meet our domestic needs.

The OIG recommended that the Director of the Office of Nuclear Energy, Science and Technology: (1) conduct a comprehensive study to identify the cost and operating benefits of disabling the calutrons versus continuing to maintain their current condition until such time as replacements can be obtained; and (2) continue to maintain the calutron isotope production capability until a more viable alternative has demonstrated the ability to produce a wide variety of isotopes similar to that provided by the calutrons.

Department management partially concurred with the recommendations and, based on the results of the recommended cost analysis, agreed to maintain the calutrons in a standby but operable condition until they are no longer needed. Management did not believe, however, that the entire production capacity associated with the current calutrons would be needed. Management also stated that, based on its own 4-year inventory analysis, there was no meaningful shortage of isotopes in United States inventory. In addition, management stated that the Russian supply of isotopes was reliable and that the world stable isotope supply was robust and competitive. Finally, management planned to continue pursuing the purchase of a small number of replacement calutrons to pair with other technologies to address the possible future need for small quantities of specialized research isotopes.

Washington State Chiropractor Pleads Guilty to Improperly Billing the Hanford Site Workers Compensation Program

A joint OIG investigation with the Washington State Department of Labor and Industries (L&I) determined that a local chiropractor improperly billed the Department of Energy's Hanford Site Contractor's Workers Compensation Program and L&I by using his deceased father's L&I medical provider number. The improper billing occurred over an 8-month period of time. The investigation resulted in the subject pleading guilty to title 18 U.S.C. § 2001 (criminal false statements). The subject was sentenced to 20 days' partial confinement (work release); 30 days' community service; restitution in the amount of \$15,914.53; and fines totaling \$747. (I03RL003)

Former Contractor Employee Sentenced for Possession of Child Pornography on a Government Computer

During the current reporting period, a former contractor employee was sentenced to 27 months in Federal prison and 3 years of supervised release for possessing child pornography while working at the Rocky Flats Environmental Technology Site's (RFETS) Fire Department. The individual was also ordered to register as a sex offender. (I01TC020)

Significant OIG Statistical Accomplishments for the Quarter

⇒ Investigative Fines / Settlements / Recoveries:

\$29,137.59

⇒ OIG Reports Issued:

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Point of Contact -

Questions or inquiries relative to information appearing in this report may be addressed to:

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OIG reports are available on the OIG's web site at : www.ig.doe.gov