

# INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

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April 1, 2004 - September 30, 2004



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# Inspector General's Message

I am pleased to provide the Office of Inspector General's (OIG) *Semiannual Report to Congress* for the reporting period April 1 to September 30, 2004. This report, issued in accordance with the provisions of the Inspector General Act of 1978, as amended, highlights our accomplishments in identifying areas of Department of Energy (Department) operations most vulnerable to waste, fraud, and mismanagement. Through our work, we strive to help improve the Department's performance, promote economy and efficiency in its programs, and return hard dollars to the Federal Government.



For this reporting period, I have chosen to highlight two subjects which I believe underscore the important work of the OIG. First, during Fiscal Year (FY) 2004 the OIG completed a number of major criminal and civil investigations that resulted in significant recoveries from companies doing business with the Department. The three cases I am highlighting here involved sophisticated

schemes to defraud the Government and as a result, required lengthy, labor-intensive investigative efforts. In one case, a contractor agreed to reimburse the Government over \$3.8 million to settle a civil fraud case under the False Claims Act. This multi-year investigation focused on questionable allocations and transfers between overhead accounts and direct project accounts. The second investigation determined that a Department contractor submitted false purchase orders for payment, mischarged time to the Department, and billed the Department for personal expenses. This probe spanned a 36-month period and led to a civil settlement of \$4.5 million between the company and the United States Government. The third investigation found that a Department subcontractor supplied material that did not meet contractual specifications. As a result of this 8-year investigation, a court ordered the payment of approximately \$4.2 million in damages and penalties (in addition to earlier criminal convictions and debarments). Investigations such as these serve to emphasize the importance of effective Federal vigilance in managing the work and billings of the Department's contractor workforce. These and similar cases represent, in part, the basis used by the OIG to identify contract administration as a significant management challenge faced by the Department of Energy in 2004.





The second area I would like to highlight is the quality of the work performed by the employees of the OIG. Recognition comes in many forms, one of which is recognition by our peers. In 2004, we were the proud recipients of eight “Award for Excellence” honors from the President’s Council on Integrity and Efficiency. The Office of Audit Services received awards for its reviews and efforts in reducing the threat of proliferation of highly enriched uranium in foreign countries; protecting sensitive technologies; strengthening the internal audit function at major contractor facilities; and, administering the annual audit of the Department’s financial statements. The Office of Inspections and Special Inquiries received awards for its


reviews of the reporting of security incidents at a nuclear weapons laboratory and

improprieties in performance testing of security guards. The Office of Investigations received an award for its efforts in a major product substitution case. The Office of Inspections and Special Inquiries and the Office of Audit Services also received a joint award recognizing their collective efforts that resulted in the Department taking actions to improve its protective force security program. These awards are just one measure of the outstanding work performed by the employees of the OIG which contributes to the core mission of the Department of Energy. I want to express my appreciation for the accomplishments of all OIG employees and commend them for their continued professionalism and dedication.



The OIG remains committed to being an instrument for positive change in the Department. To this end, we actively work to identify ways that management can better accomplish the Department’s mission and goals. I wish to thank the Department for its cooperation and strong support of our efforts.

As you read this year’s Semiannual Report, please note that we again streamlined the reporting process by providing shortened report summaries. Public reports are available in full on our website at [www.ig.doe.gov](http://www.ig.doe.gov).

  
Gregory H. Friedman  
Inspector General





# Management Challenges

**H**ighlights of our work during the current reporting period, which are set forth in the following sections of this report, are organized by management challenge area. As required by the Reports Consolidation Act of 2000, the OIG annually identifies the most significant management and performance challenges facing the Department. This year, the OIG determined that the most serious challenges facing the Department are:

## Internal Control Challenges

Contract Administration  
Information Technology  
Project Management

## Mission-Related Challenges

Environmental Cleanup  
National Security  
Stockpile Stewardship

## Contract Administration

### Discrepancies Found in the Department's Occupational Injury and Illness Reporting

An OIG audit found problems with the Computerized Accident/Incident Reporting System (CAIRS) data accuracy for a number of the Department's contractors. Our testing disclosed that CAIRS did not always accurately reflect the number of days away from work, days of restricted work activity, or lost workday cases. In addition to the 10 contractors we reviewed, we also noted a contractor that was not required to report occupational injuries and illnesses to the Department. We attributed these issues to weaknesses in the Department's quality assurance process over injury and illness reporting. **(IG-0648)**

### Property Disposals at the Yucca Mountain Project

An OIG audit disclosed that property and inventory disposals at the Yucca Mountain Project were not performed in the most cost-beneficial manner. Specifically, by not following the Department's normal disposition procedures, the Office of Civilian Radioactive Waste Management:

- Gave property that was still usable and had a potential residual value to the disposal contractor;
- Inappropriately gave property belonging to another Department organization to the disposal contractor; and,

- Sold a drilling rig even though another Department site needed the property to satisfy a mission requirement.

We made several recommendations designed to ensure that future property deemed excess at the Yucca Mountain site is disposed of in a manner that maximizes benefit to the Government and other stakeholders. (IG-0664)

## Improvements in Los Alamos National Laboratory's Purchase Card Program

An OIG follow-up review found that the Los Alamos National Laboratory (LANL) had significantly improved the management of its purchase card program. The Laboratory had implemented numerous corrective actions in response to recommendations made in previous reviews. While the progress was noteworthy, we determined that clarification of restrictions on purchasing certain items, usage of automated transaction review techniques, and strengthened periodic reviews could further reduce the risk associated with the purchase card program. (IG-0644)

## Department Management and Operating Contractor Agrees to *Qui Tam* Settlement for False Claims

An OIG investigation resulted in a \$1.175 million civil settlement agreement between the Government and the management and operating contractor at the Thomas Jefferson National Accelerator Facility. The investigation determined that the contractor failed to adequately support or document its claims for reimbursement of central office expenses for FYs 2000-2002 and sought unallowable expenses under the Department contract. This case began as a *qui tam* action under the False Claims Act. Pursuant to the agreement, the contractor was also ordered to pay the Relator \$85,000 to resolve an employment termination claim as well as \$40,000 for the Relator's attorneys' fees. (I02HQ022)

## Department Contractor Agrees to Civil Settlement for False Claim Submissions

An OIG investigation determined that a Department contractor submitted false purchase orders for payment, mischarged time to a Department contract, and billed the Department for personal expenses. The

### Did you know?

The False Claims Act (Act) prohibits any person from "knowingly" presenting a "false or fraudulent claim for payment or approval" to the Federal Government. The Act authorizes individual citizens to bring private suits, referred to as *qui tam* actions, to enforce the Act on behalf of the Government.

investigation further determined that the contractor failed to pay its \$500,000 cost share on a Small Business Innovative Research grant. The contractor and its owners entered into a \$4.5 million civil settlement agreement with the United States (U.S.) Attorney's Office for the Eastern District of Pennsylvania. Pursuant to the agreement, \$1.6 million will be returned to the Department. The agreement followed an OIG investigation of a *qui tam* complaint filed under the False Claims Act. **(I01HQ008)**

## Subcontract Administration Weaknesses Found at National Laboratories

Based on the importance of subcontracting to the Department's mission, the OIG conducted an audit to determine whether the National Nuclear Security Administration's (NNSA) National Laboratories were effectively administering subcontracts. The review found that during FYs 2001 and 2002, the Lawrence Livermore, Los Alamos, and Sandia National Laboratories did not always perform needed subcontract audits, close completed subcontracts in a timely manner, or resolve questioned costs. As a result, NNSA did not have assurance that all reimbursed costs were allowable, questioned costs were recovered, and funds from completed subcontracts were promptly recovered. **(OAS-M-04-06)**

## Tuition Reimbursement for Courses at Non-Accredited Educational Institutions

An OIG audit found that certain Department facilities management contractors reimbursed their employees for the cost of degrees and course work at unaccredited institutions. Specifically, 4 prime contractors reimbursed 10 employees for expenses totaling about \$34,000 for course work from unaccredited institutions during FYs 2002 and 2003. **(OAS-M-04-07)**

## Department Subcontractor Agrees to *Qui Tam* Civil Settlement for False Certifications

An OIG investigation determined that a Department subcontractor submitted false pricing certifications for software/consulting services to five different Department prime contractors. As a result, the Department paid excessive fees to the subcontractor. As part of a civil settlement agreement, the subcontractor agreed to pay the Government \$500,000, of which \$248,000 was returned to the Department. **(I01HQ017)**

## Environmental Cleanup



*Personnel secure shipment of spent nuclear fuel*

### Idaho National Engineering and Environmental Laboratory Cleanup Projects Face Significant Challenges

An OIG audit found that the Department faced significant challenges in completing its major projects in accordance with its original expectations. For example, the audit disclosed that as of its originally scheduled start date of

March 31, 2003, the Advanced Mixed Waste Treatment Project facility was unable to characterize, treat, or certify waste; and full operation was not anticipated until July 2004. We also noted that construction of the dry storage facility for Spent Nuclear Fuel was not anticipated to begin until well after its scheduled July 1, 2003, completion date – in fact, it is currently estimated to be sometime in 2005 or 2006. The Department also did not meet its original completion goal for the Three Mile Island Project and later reduced the scope of the project to compensate for schedule slippages. **(IG-0649)**



*Groundwater testing at the Hanford Reach area of Columbia River, WA*

### Ineffective Groundwater Remediation Activities at Hanford

An OIG audit disclosed that the Department had not made significant progress in its efforts to remediate Hanford's groundwater and that pump-and-treat systems installed for this purpose had been largely ineffective. In addition, the Richland Operations Office plans to spend more than \$230 million to install surface barriers as a final remediation action for groundwater in certain areas

of the site. However, this action may be inappropriate because final cleanup requirements have yet to be defined for groundwater at Hanford. **(IG-0655)**

### Licensee Inappropriately Claimed Costs at the West Chicago Thorium Processing Facility

An OIG audit of a licensee's 2002 claimed costs disclosed that the company had inappropriately claimed about \$7.3 million in costs that had not actually been paid in the claim year and overhead expenses that were not allowable or allocable. The review also questioned \$14 million in overhead costs previously approved by the Department from the 1994 through 2001 claims. **(OAS-M-04-08)**



## Subcontractor Employee Pleads Guilty in Connection With the Transportation of Hazardous Waste

As previously reported, a joint OIG investigation with the East Tennessee Environmental Crimes Task Force determined that a subcontractor improperly transported hazardous waste without a manifest. As a result of the investigation, the subcontractor pleaded guilty to a felony violation of Title 42 United States Code (U.S.C.) Section 6928(d)(2)(A) (Storing Hazardous Waste Without a Permit) and was ordered to pay \$35,400 in fines and penalties. The subcontractor previously paid a \$100,000 civil penalty assessed by the Environmental Protection Agency in November 2000. In addition, the investigation previously resulted in payment by the subcontractor's parent corporation of approximately \$14.5 million in documented remediation and disposal costs.

During this reporting period, a former quality assurance employee of the subcontractor pleaded guilty to a violation of Title 42 U.S.C. Section 6928(d)(5) (Transportation of Hazardous Waste Without a Manifest) as an accessory after the fact, pursuant to Title 18 U.S.C. Section 3 and was sentenced to six months probation, \$1,000 fine and a \$25 special assessment fee. **(I99OR003)**

## Corporation Pleads Guilty to Violations of the Refuse Act

A joint OIG investigation that included the East Tennessee Environmental Crimes Task Force determined that a Department contractor illegally discharged 1,275 barrels of diesel fuel into the Tennessee River. The contractor pleaded guilty to violation of the Deposit of Refuse in Navigable Waters Act, Title 33 U.S.C. Section 407. As a result of the plea, the contractor was ordered to pay \$350,000 in restitution, a \$50,000 fine, and a special assessment fee of \$125. **(I02OR009)**

# Information Technology

## New Financial System Faces Challenges

An OIG interim audit report contained observations on the implementation of the Standard Accounting and Reporting System (STARS) financial system. STARS will replace the Department's aging legacy core financial systems. Our review disclosed a number of challenges to its successful implementation, including:

- Resource issues resulting from implementing STARS and reorganizing a significant portion of the accounting function at the same time;
- Incomplete system interface and data crosswalk testing;
- Inability to permit budget recasts and process multi-fund accounts receivables;

- Incomplete analysis and resolution of the user acceptance testing errors; and,
- Incomplete identification of users to be trained.

These issues increase the risk that the Department may not be prepared to launch a fully capable system on schedule. **(OAS-L-04-19)**

## Weaknesses in Information System Development Activities at Selected Management Contractors

An OIG audit determined that selected Department contractors were not always on track to deliver effective information systems on time or at expected cost. We found indications of problems with systems being developed at all five of the major contractors reviewed, including:

- LANL's Enterprise Project development did not include critical mission elements and has been projected to cost about \$150 million, \$80 million more than initial estimates;
- Princeton Plasma Physics Laboratory's over-customization of its financial system contributed to schedule overruns of 19 months and rendered the system difficult to maintain and upgrade; and,
- Sandia National Laboratories expended about \$2.7 million on development of a stockpile reliability application, yet it is still uncertain as to the system's expected total cost.

The Department's contractors developed these systems without undertaking generally accepted systems development or project management practices and, in many cases, did not adequately justify the mission need or establish expected scope, cost, or schedule for such efforts. **(IG-0647)**

## Additional Action Needed in Unclassified Cyber Security Program

Our annual evaluation determined that the Department had taken steps to strengthen its unclassified cyber security program and implemented countermeasures to reduce network vulnerabilities. While the actions are commendable, problems continue to exist in the program. Specifically, we noted that additional action was required to address problems with certification and accreditation, contingency planning, and various cyber security controls. **(IG-0662)**

## Improvements Needed in the Department's Personnel Security and Access Control Information Systems

An OIG audit concluded that the Department's information systems modernization initiatives were not designed in a manner that would adequately address long-standing economy and efficiency issues related to its personnel security and physical access systems. Specifically, ongoing development efforts or management initiatives will not:

- Significantly improve the ability of its corporate personnel security system to track visitor site access, reconcile with contractor clearance tracking systems, enable field sites to generate customized reports, or increase user system access;
- Eliminate costly development and maintenance of numerous separate, site-level personnel security information systems; and,
- Reduce overlapping or redundant physical access control systems that do not communicate with each other, including those at some facilities located in close proximity to one another. (IG-0651)

## Management of the Federal Energy Regulatory Commission's Information Technology Program

The OIG conducted an audit to determine whether the Commission had efficiently and effectively managed its systems-related investments. While our review indicated that the Commission had initiated action to improve the management of its information technology program, we concluded that this effort could have been enhanced through better project planning and management. The effectiveness of the Commission's system development activities could have been improved by developing an enterprise architecture, implementing a capital planning and investment control process, and thoroughly applying project management techniques. (IG-0652)

## Control and Accountability of Emergency Communication Network Equipment

Although positive steps have been taken to account for Emergency Communication Network computer equipment, an OIG inspection identified internal control weaknesses that could undermine the Department's ability to properly account for and inventory the computer equipment. We also identified accountability, inventory control, and loan processing as areas where safeguards should be strengthened as new computers are added to the system. (IG-0663)

## Hacker Guilty of Unauthorized Access to Government Computers

A joint investigation with the Federal Bureau of Investigation (FBI) and other investigative agencies established that two individuals gained unauthorized access to multiple Government-owned computers, including two web servers at the Department's Sandia National Laboratory, Albuquerque, New Mexico. The investigation determined that the hackers modified two webpages on Sandia's computer network. The network was not classified.

The U.S. Attorney's Office for the District of Columbia accepted the case for prosecution. One of the subjects pleaded to one felony count of violating Title 18 U.S.C. Section 1030 (Fraud and Related Activity in Connection with Computers). Sentencing is forthcoming. The other subject is pending prosecution. **(I02TC020)**

## National Security



*Some of the newly constructed security kiosks at Sandia*

### Inadequate Protective Force Response to a Security Incident at Sandia National Laboratory, California

An OIG inspection found that pop-up vehicle barriers installed as part of a \$4.9 million security upgrade were not employed in response to a vehicle intrusion incident at the Sandia National Laboratory site in California on February 8, 2004. Although installation of the barriers was completed in July 2003, at the time of the incident the barrier

activation procedures had not been approved by NNSA Federal and contractor officials; therefore, the barriers had not been energized. Further, despite this incident, the procedures were not approved until May 2004. In addition, applicable Department/NNSA security procedures were not followed when the vehicle was stopped. Specifically, Security Police Officers did not restrain and search the suspect or search the suspect's vehicle; and they did not immediately arrest the suspect, waiting instead for local law enforcement officials to arrive on the scene to arrest and process the suspect. **(IG-0658)**

### Internal Control Weaknesses Over Personal Computers Continue at Los Alamos National Laboratory

The OIG issued a final inspection report on the adequacy of internal controls over the extensive inventory of laptop and desktop computers at LANL. An interim report issued in

2003 documented internal control weaknesses relating to LANL's classified and unclassified laptop computers, including accountability and accreditation issues. The final report identified continuing internal control weaknesses that undermine confidence in LANL's ability to assure that (1) computers are appropriately controlled and safeguarded from loss or theft and (2) computers used to process and store classified information are controlled in accordance with existing property management and security requirements. **(IG-0656)**

## Unauthorized Handguns Brought Onto National Nuclear Security Administration Aircraft

An OIG inspection concluded that Department and Federal Aviation Administration policies were violated when two NNSA contractor employees brought handguns onto Federal property and on board an NNSA aircraft without obtaining proper authorization. We also determined that, contrary to representations made to the OIG by officials in 2002 regarding the intended immediate development of new aircraft security policies and procedures, NNSA had not developed and implemented an effective aircraft security program to ensure that prohibited articles are not brought on board NNSA aircraft. **(IG-0654)**

## Export Control and Foreign Visits Policies and Procedures Need Improvement

The OIG conducts an annual review of the Department's export control activities to ensure compliance with Federal requirements. Based on this year's review, we determined that departmental policy for unclassified foreign visits and assignments did not specify the responsibilities of the hosts of foreign national visitors and assignees. We also determined there was inconsistent application of the Department's export control guidance regarding access by foreign nationals to sensitive technologies. **(IG-0645)**

## Additional Actions Needed to Improve Continuity Planning and Emergency Preparedness



*Special response team practices forced entry at the Hazardous Materials Management and Emergency Response Center*

An OIG audit found weaknesses in the Department's continuity planning and emergency preparedness. Specifically, the five sites reviewed (Argonne, Hanford, Los Alamos, Sandia, and the National Energy Technology Laboratory) had not fully identified essential functions or alternate facilities in case of an emergency. We noted that efforts had been initiated to improve emergency preparedness, but additional action is necessary. Accordingly, we recommended a number of actions

that should help improve the Department's continuity of operations and emergency preparedness programs. **(IG-0657)**

## Internal Controls Over the Accountability of Computers at Sandia National Laboratory Need Improvement

The OIG conducted an inspection to determine the adequacy of internal controls over the extensive inventory of computers at the Sandia National Laboratory in New Mexico. We identified weaknesses associated with Sandia's ability to assure that laptop, desktop, and related computer equipment is appropriately controlled and adequately safeguarded from loss or theft and that classified computer use meets security standards. **(IG-0660)**



*Laser Guide Star Project at LLNL*

## Intelligence Oversight Activities at Selected Field Sites

An OIG inspection concluded that Federal and contractor personnel at the Pacific Northwest National Laboratory, the Lawrence Livermore National Laboratory (LLNL), the Richland Operations Office, and the Livermore Site Office were generally in compliance with pertinent Department policies and procedures for intelligence activities. However, at two of the sites,

instances were identified where intelligence and counterintelligence analysts were not completely knowledgeable of key concepts of the intelligence Executive Order and certain Department reporting requirements. **(INS-O-04-01)**

## Project Management

### Stabilization of Nuclear Materials at Los Alamos National Laboratory

Although the Department made progress in stabilizing the most hazardous fissionable materials at LANL, an OIG audit found that stabilization had not been accelerated to the level anticipated. Current plans indicate that the materials will not be completely stabilized until 2010, a date well beyond the original projected completion date of 2002. The Department also missed interim milestones and project tasks, which may delay the stabilization effort beyond 2010. By extending the schedule until 2010, the Department will incur an estimated \$78 million in additional stabilization costs. **(IG-0659)**



## Enhanced Surveillance Campaign Missed Milestones

An OIG audit disclosed that NNSA experienced delays in completing certain Enhanced Surveillance Campaign milestones and is at risk of missing some future milestones. At the time of our review, Los Alamos and Lawrence Livermore National Laboratories and the Pantex Plant had not completed critical work as scheduled in four of the six major technical elements (pits, canned sub-assemblies, high explosives, and non-nuclear materials). The delays, some for as long as 23 months, were due primarily to weaknesses in project planning. As a result of these delays, NNSA may not have complete information needed to make informed decisions regarding weapon refurbishment schedules and building a new pit facility. **(IG-0646)**

## Weaknesses Found in the Oak Ridge Radio Transition Projects

An OIG audit found that the planned radio transition projects at the Oak Ridge site would cost more than necessary and would not provide several critical features. Specifically, the Oak Ridge Operations Office and the Y-12 Complex were developing separate radio transition projects that would not serve the needs of the entire site. Development of the two separate projects would cost the Department an estimated \$900,000 more than necessary in infrastructure costs, increase maintenance costs by about \$475,000 per year, create gaps in radio coverage, and not conform to Federal radio system sharing requirements. **(IG-0653)**



*Yucca Mountain construction activities*

## Licensing Support Network for the Yucca Mountain Repository

The Nuclear Regulatory Commission (NRC) Licensing Support Network (Network) is designed to expedite the Yucca Mountain Project license application process by providing interested parties with the ability to access relevant documents electronically. Given that the initial licensing process is an important first step in the Yucca Mountain Project, the OIG initiated an audit to

determine if the Department's portion of the Network would be ready for initial certification and available for public review by June 2004.

While the Department had made significant progress in preparing licensing-related information for public disclosure on the Network, our audit found that a number of obstacles might prevent the Department from completing the initial certification by June 2004. In particular, a majority of the documents still needed to be screened for privileged

and Privacy Act information; procedures for processing several million electronic mail documents needed to be finalized; and an agreement to provide the documents to the NRC for indexing needed to be completed. **(OAS-M-04-04)**

## **Management Controls Over Administration of the Waste-Management Education and Research Consortium Program**

An OIG audit determined that the Department did not always ensure that the project was accomplishing its goals or that reimbursed costs were appropriate. Specifically, the project awarded fewer fellowships than expected, funded less than 50 percent of the planned research projects, and executed less than half of its approved budget. While management indicated that the project had provided numerous benefits to the public, the Department could not demonstrate that those benefits were commensurate with the \$56 million in public funds expended on the project. **(OAS-M-04-03)**

## **Stockpile Stewardship**

### **Nuclear Weapons Stockpile Assessment**

An OIG audit found that all three National Laboratories reviewed – Lawrence Livermore, Los Alamos, and Sandia – complied with the basic requirements of the FY 2003 National Defense Authorization Act when preparing their annual assessment letters. Although no material problems were identified, we did find that the procedures used by each of the Laboratories were somewhat inconsistent. We also observed that the program could be enhanced if the NNSA Stockpile Assessment Coordinator had access to the reports of independent teams assigned to review the certification assertions. **(IG-0661)**

### **Management Controls Over the Enhanced Test Readiness Program**

An OIG audit noted examples of schedule slippages that could potentially impact NNSA's Enhanced Test Readiness Program. Specifically, NNSA had not completed a number of scheduled tasks in three of five major technical efforts. However, because of project management weaknesses, we could not ascertain – and management could not demonstrate – whether or not the failure to meet these objectives would impact achievement of readiness goals. **(OAS-M-04-05)**



# Other Significant Accomplishments

## Administrative Safeguards

### Hanford Tank Farm Work and Occupational Medical Services Scrutinized

The Secretary of Energy requested that the OIG conduct an investigation of allegations involving occupational health medical services and tank farm vapor exposures at the Department's Hanford site. The results of the investigation were presented to the U.S. Attorney's Office for the Eastern District of Washington, which declined criminal prosecution. Although the investigation did not substantiate criminal wrongdoing, the investigation did identify several administrative-related areas that Department management needed to address. A report was issued to the Secretary of Energy outlining the results of the investigation and identifying several worker health and safety protocols that required improvement. **(I04RL003)**

### Department Grant Recipient Pleads Guilty to Defrauding Government

A joint investigation determined that a Government grant recipient submitted duplicate research results to more than one agency for payment; billed for new research reportedly done in-house when the work was improperly subcontracted to others; and submitted invoices for personal purchases. The individual pleaded guilty to one count of Title 18 U.S.C. Section 1341 (Mail Fraud) and one count of Title 26 U.S.C. Section 7201 (Attempt to Evade or Defeat Tax). Sentencing is pending. **(I01PT001)**

### Former Department Subcontractor Manager Pleads Guilty to Conspiracy

A joint task force investigation determined that a subcontractor did not comply with welding and nondestructive test requirements for valves manufactured under various Government contracts. The OIG investigation determined that the subcontractor provided substandard valves to the Government, some of which the Department used in the storage of depleted uranium hexafluoride at sites in Tennessee, Kentucky, and Ohio. A former

Quality Assurance Manager employed by the subcontractor pleaded guilty to conspiracy, Title 18 U.S.C. Section 371, and a violation of an NRC regulation, Title 42 U.S.C. Section 2273(a). **(I01OR008)**

## **Two Subjects Indicted for Fraud, Conspiracy, Theft of Government Property, and False Statements**

An OIG joint investigation with the FBI determined that two former employees at LANL purchased items, including television sets, automobile parts, and barbeque grills, with LANL funds for their personal use. A Federal grand jury returned a 28-count indictment against the two former employees. The indictment charged the subjects with fraud, conspiracy, theft of Government property, and making false statements to investigators. **(I02AL017)**

## **Former Contractor Employee Sentenced for Illegal Possession of Firearms**

The OIG initiated a joint investigation with the FBI and the Bureau of Alcohol, Tobacco and Firearms concerning a former Department contractor employee at the Idaho National Engineering and Environmental Laboratory. The investigation focused on whether the employee was in possession of stolen computer equipment and classified Department documents. The investigation determined the former employee was not in possession of classified documents or stolen Government property. However, the employee was illegally in possession of firearms. Pursuant to a plea agreement, the subject pleaded guilty to a Felony count violation of Possession of a Firearm by a Prohibited Person, Title 18 U.S.C. Section 922(g)(4), and was sentenced to 5 years supervised probation, ordered to pay a \$100 special assessment fee and forfeit 4 seized firearms. **(I02IF009)**

## **Lawrence Livermore National Laboratory Physicist Pleads Guilty to Two Counts of Theft**

An OIG investigation determined that a physicist at LLNL submitted duplicate time and attendance records and travel vouchers to LLNL, the Lawrence Berkeley National Laboratory, and the University of California at San Francisco. The employee resigned as a result of the investigation. The loss to the Government was nearly \$50,000. The subject pleaded guilty to two counts of Theft, Title 18 U.S.C. Section 641. Sentencing is pending. **(I02LL006)**

## Security Contractor Credits the National Energy Technology Laboratory for Fraudulent Expenses

An OIG investigation determined that a former employee of a security services contractor at the National Energy Technology Laboratory (NETL), Pittsburgh, Pennsylvania, submitted false and fraudulent timesheets to the Department over a 3-year period. The employee resigned during the investigation. Pursuant to a negotiated settlement, the security contractor credited NETL \$15,000. **(I02PT006)**

## Conviction and Sentencing for Possession of Stolen Property

As previously reported, an OIG investigation determined that a former subcontractor employee possessed stolen property from the Department's Hanford site valued at approximately \$25,000. During this reporting period, the subject was convicted on one count of Possessing Stolen Property in the Second Degree, in violation of the Revised Code of Washington 9A.56.140/.160. The subject was sentenced to 30 days in jail, 240 hours of community service, a \$500 victim assessment fee, a \$100 DNA collection fee, a \$110 filing fee, and a \$37 sheriff's service fee. A restitution hearing is pending. **(I02RL007)**

## Theft of Insulated Copper Wire From Bonneville Power Administration Substation

An OIG investigation determined that two individuals broke into the Bonneville Power Administration's (BPA) Oregon City Substation and stole approximately 2,000 feet of insulated copper, valued at \$14,000. The individuals were private citizens who had no affiliation with BPA. The first subject pleaded guilty to one count of First Degree Theft (Oregon Revised Statute 164.055) and was sentenced to 13 months incarceration, 1 year of probation, restitution in the amount of \$2,500, and fines and assessments totaling \$635. An active arrest warrant is still pending for the second subject, who previously confessed to his part in the theft. **(I03RL021)**

## Subject Pleads Guilty and Was Sentenced for Theft of Aluminum Wire from Bonneville Power Administration Substation

An OIG investigation determined that the subject, a private citizen, recycled over 500 pounds of aluminum wire that he stole from a Department BPA substation. The substation burglary involved the theft of a large quantity of aluminum wire, a generator, and other power line repair equipment. The subject pleaded guilty to one count of Second Degree Theft, Revised Code of Washington 9A.56.020(1)(a). The subject was subsequently sentenced to 4 months incarceration, followed by 12 months of supervised release. A hearing will be held to determine the appropriate amount of restitution. The total loss to the Government is estimated to be nearly \$13,000. **(I04RL006)**

## Department Grantee Sentenced for Submitting False Claims Under the Small Business Innovative Research Program

A joint investigation with the Defense Criminal Investigative Service and the National Aeronautics and Space Administration OIG focused on allegations that a grantee submitted false statements and claims to multiple Government agencies, including the Department of Energy. The grantee pleaded guilty to two counts of filing false statements for costs incurred on grants relating to nano powder technology. Pursuant to a plea agreement, the grantee received three years probation and was ordered to reimburse the Government \$540,000, as well as pay a \$10,000 fine and special assessment fee of \$800. **(I98HQ001)**



*Oak Ridge site*

## Internal Controls Over Methamphetamine Precursor Chemicals Could Be Improved

Based upon a request from the Tennessee Ninth Judicial Drug Task Force seeking support of its efforts relating to illegal methamphetamine production in Tennessee, the OIG initiated an inspection at two of the Department's major Oak Ridge facilities, the NNSA Y-12 National Security Complex and the Oak Ridge National Laboratory,

to determine whether there were adequate internal controls over precursor chemicals that, if stolen, could be used for the illegal production of methamphetamine. We did not find any indicators of theft during our inspection, and we determined that the sites were adhering to Department requirements for controlling such chemicals. However, given the existence of precursor chemicals at these sites and the heightened concern that these chemicals could be targeted for theft, we believe that supplementary steps could be taken to reduce the possibility of site chemicals being diverted. **(IG-0650)**

## External Peer Review

Under Government Auditing Standards, Federal audit organizations must have a periodic external quality control review. In FY 2004, the Department of the Treasury, Office of Inspector General, completed a peer review and issued an unqualified (clean) opinion on our audit function. The reviewers specifically noted that the operating control system in place for audits completed during the 2-year period under review (FYs 2002-2003) provided reasonable assurance that our Office of Audit Services complied with the principles established by the U.S. Government Accountability Office and the President's Council on Integrity and Efficiency.



## Congressional Responses

During this reporting period, the OIG received 20 requests for information from Congress, provided information in 22 instances to Congress, briefed Committee staff on 10 occasions, and testified at a hearing.

## Results

### Highlights of Positive Results Based on Office of Inspector General Work

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

- The Secretary directed NNSA to consolidate and accelerate the Department's nuclear materials removal efforts and rapidly identify and address any gaps in current security coverage and recovery or removal efforts. Under this new initiative, which will include the establishment of a new office under the Deputy Administrator for Defense Nuclear Nonproliferation, the Department will develop a threat-based, prioritized approach to systematically address facilities that possess high-risk fissile and other nuclear materials;
- Lawrence Berkeley National Laboratory took action to collect undercharges for proprietary use of its Advanced Light Source beam lines that had not already been self-identified, created detailed procedures for billing proprietary beam time, and transferred administrative responsibility for managing proprietary research funding accounts to another organization;
- The contracting officer recovered \$1,019,521 in unallowable central office expenses at the Thomas Jefferson National Accelerator Facility and the Oak Ridge Operations Office agreed to improve oversight of future contractor expense claims. This recovery is in addition to the \$1,175,000 million civil settlement agreement between the Department of Justice (DOJ) and the contractor for unallowable and unsupported expenses addressed in the audit;
- The Department removed a disallowed cost from the 2002 claim payment for remediation of the West Chicago thorium processing facility and strengthened its claim reimbursement review procedures;
- The Department's Integrated Management Navigation System Executive Steering Committee decided to delay implementation of the new Standard Accounting and Reporting System;

- Management took actions to improve its Basic Protective Force Training Program, including:
  - program reviews of the core curriculum as it pertains to individual sites;
  - program reviews of the training curriculum deviation process;
  - comprehensive reviews of the basic security police officer training site programs; and,
  - inclusion of protective force training in the Office of Independent Oversight and Performance Assurance safeguard and security inspections.
- Management issued new guidance for unclassified foreign visits and assignments that clearly defines the roles of hosts of visitors/assignees, assigns responsible field and headquarters entities, and ensures proper oversight of hosts and their assignees/visitors;
- Savannah River Operations Office management agreed to conduct export control reviews on financial assistance agreements with educational institutions; and,
- Management advised that a negative adjustment of approximately \$200,000 was made to the award fee for the site security contractor at an Oak Ridge, Tennessee, facility as a result of protective force performance test improprieties.

## *Qui Tams*

Since 1996, the OIG has been instrumental in working with DOJ in *qui tam* cases. The OIG is currently working with the DOJ on 22 *qui tam* lawsuits involving alleged fraud against the Government in the amount of nearly \$213 million.

## Management Referral System

The OIG operates an extensive Management Referral System. Under this system, selected matters received through the OIG Hotline or other sources are referred to the appropriate Department manager or other Government agency for review and appropriate actions.

The OIG referred 115 complaints to Department management and other Government agencies during this reporting period and specifically requested Department management to respond concerning the actions taken on 58 of these complaints. Otherwise, Department management is asked to respond if it develops information or takes action that it believes should be reported. The following demonstrates management's use of OIG-provided information to stimulate positive change or to take decisive action:

- The OIG referred to management allegations that contractors on a major project were engaging in procurement irregularities, leading to large-scale waste of funds. The cognizant program office reviewed over 30 issues arising from the allegations. Although the inquiry found no intentional wrongdoing, it did find a lack of clear and consistent policies among the contractors in the following areas: administrative procedures; employee training; hiring practices; reporting of improper or illegal activities; allowable travel costs; the use of “make or buy” analyses; communication with centralized procurement regarding subcontract awards; and, documenting design change details. The program office recommended corrective actions to the contractors and is monitoring their progress in implementing them.
- In response to a complaint alleging procurement violations, management determined that staff was using traditional methods to process procurement transactions below \$2,500 rather than using the DOE/C-Web system. The DOE/C-Web system is an automated, web-based simplified purchasing system that is intended to be used to process small dollar value acquisitions from point of requisition through award. Management implemented corrective actions, including refresher training, to ensure that the DOE/C-Web system is properly utilized for future transactions.

## Intelligence Activities

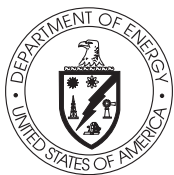
The OIG issued three quarterly reports pursuant to Executive Order 12863, “President’s Foreign Intelligence Advisory Board.” The Order requires the Inspectors General of the Intelligence Community to report to the Oversight Board concerning intelligence activities the Inspectors General have reason to believe may be unlawful or contrary to Executive Order or Presidential directive. No intelligence activities were identified that were contrary to Executive Order or Presidential directive.

## Legislative and Regulatory Review

The Inspector General Act of 1978, as amended, requires the OIG to review and comment upon legislation and regulations relating to Department programs and to make recommendations concerning the impact of such legislation or regulations on departmental economy and efficiency. The OIG coordinated and reviewed 55 legislative and regulatory items during the reporting period.

## Hotline System

The OIG operates a Hotline System to facilitate the reporting of allegations involving the programs and activities under the auspices of the Department. During this reporting period, 882 complaints were processed. The OIG Hotline System can be reached by calling 1-800-541-1625 or 1-202-586-4073.



# Reports Issued

## Audit Reports Issued – April 1 to September 30, 2004

Report Number	Title	Date of Issue	Savings	Questioned Costs
IG-0644	<i>Los Alamos National Laboratory's Purchase Card Program Corrective Actions</i>	04-12-04		
IG-0646	<i>The National Nuclear Security Administration's Enhanced Surveillance Campaign</i>	04-14-04		
IG-0647	<i>System Development Activities at Selected Management Contractors</i>	04-22-04		
IG-0648	<i>The Department's Reporting of Occupational Injuries and Illnesses</i>	05-21-04		
IG-0649	<i>Major Clean-Up Projects at the Idaho National Engineering and Environmental Laboratory</i>	05-25-04	\$24,000,000	
IG-0651	<i>Management of the Department's Personnel Security and Access Control Information Systems</i>	06-18-04		
IG-0652	<i>Management of the Federal Energy Regulatory Commission's Information Technology Program</i>	06-30-04		
IG-0653	<i>Management of Oak Ridge Radio Transition Projects</i>	06-30-04	\$1,375,000	
IG-0655	<i>Groundwater Remediation Activities at Hanford</i>	07-22-04		\$8,568,900

<b>Report Number</b>	<b>Title</b>	<b>Date of Issue</b>	<b>Savings</b>	<b>Questioned Costs</b>
IG-0657	<i>The Department's Continuity Planning and Emergency Preparedness</i>	08-11-04		
IG-0659	<i>The Stabilization of Nuclear Materials at Los Alamos National Laboratory</i>	08-16-04	\$78,100,000	
IG-0661	<i>National Security Laboratories' Annual Reporting of the Nuclear Weapons Stockpile Assessment</i>	09-14-04		
IG-0662	<i>The Department's Unclassified Cyber Security Program - 2004</i>	09-24-04		
IG-0664	<i>Property Disposals at the Yucca Mountain Project</i>	09-27-04		
OAS-M-04-03	<i>Management Controls Over Administration of the WERC Project</i>	05-18-04		\$193,000
OAS-M-04-04	<i>Management Controls Over the Licensing Support Network for the Yucca Mountain Repository</i>	05-20-04		
OAS-M-04-05	<i>Management Controls Over the National Nuclear Security Administration's Enhanced Test Readiness Program</i>	08-03-04		
OAS-M-04-06	<i>Management Controls Over Subcontract Administration at the National Security Laboratories</i>	08-19-04		\$10,000,000
OAS-M-04-07	<i>Management Controls Over Contractor Tuition Reimbursements for Courses Leading to Degrees at Non-Accredited Educational Institutions</i>	09-22-04	\$34,000	



<b>Report Number</b>	<b>Title</b>	<b>Date of Issue</b>	<b>Savings</b>	<b>Questioned Costs</b>
OAS-M-04-08	<i>Management Controls Over Title X Claims Reimbursement at the West Chicago Thorium Processing Facility</i>	09-24-04	\$1,300,000	\$10,400,000
OAS-L-04-13	<i>Reimbursable Work for the Department of Homeland Security</i>	04-09-04		
OAS-L-04-14	<i>Selected Issues Pertaining to Vapor Inhalation Allegations at the Hanford Site</i>	04-19-04		
OAS-L-04-15	<i>Disposition of Excess Facilities at the Hanford Site</i>	04-22-04		
OAS-L-04-16	<i>Modernization Activities at the Y-12 National Security Complex</i>	04-23-04		
OAS-L-04-17	<i>The National Nuclear Security Administration's High Explosives Manufacturing and Weapons Assembly/Disassembly Readiness Campaign</i>	07-09-04		
OAS-L-04-18	<i>Revised Pit 9 Cleanup Project at the Idaho National Engineering and Environmental Laboratory</i>	08-19-04		
OAS-L-04-19	<i>The Department's Implementation of I-MANAGE STARS</i>	08-12-04		
OAS-L-04-20	<i>Selected Financial Assistance Awards in the Office of Science</i>	09-03-04		
OAS-L-04-21	<i>The Federal Energy Regulatory Commission's Cyber Security Program - 2004</i>	09-24-04		
OAS-L-04-22	<i>Completion of the Terascale Simulation Facility Project</i>	09-22-04		
OAS-L-04-23	<i>National Nuclear Security Administration's Tritium Production Plan</i>	09-23-04		

<b>Report Number</b>	<b>Title</b>	<b>Date of Issue</b>	<b>Savings</b>	<b>Questioned Costs</b>
OAS-L-04-24	<i>The National Nuclear Security Administration's Secure Transportation Asset Program</i>	09-24-04		
OAS-V-04-04	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Westinghouse Savannah River Company Under Department of Energy Contract NO. DE-AC09-96SR18500</i>	04-22-04		
OAS-V-04-05	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Argonne National Laboratory Under Department of Energy Contract NO. W-31-109-ENG-38</i>	05-26-04		
OAS-V-04-06	<i>Review of the Independent Auditor Reports on University Community College System of Nevada for Fiscal Years Ended June 30, 2001 and 2002</i>	06-04-04		
OAS-V-04-07	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Battelle-Pacific Northwest National Laboratory Under Department of Energy Contract NO. DE-AC06-76RL01830</i>	07-15-04		

<b>Report Number</b>	<b>Title</b>	<b>Date of Issue</b>	<b>Savings</b>	<b>Questioned Costs</b>
OAS-V-04-08	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Bechtel BWXT Idaho, LLC Under Department of Energy Contract NO. DE-AC07-99ID13727</i>	07-15-04		
OAS-V-04-09	<i>Report on Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Brookhaven Science Associates Under Department of Energy Contract NO. DE-AC02-98CH10886</i>	08-04-04		
OAS-V-04-10	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to UT-Battelle, LLC Under Department of Energy Contract NO. DE-AC05-00OR22725</i>	08-10-04		
OAS-V-04-11	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Stanford Linear Accelerator Center Under Department of Energy Contract NO. DE-AC03-76SF00515</i>	08-18-04		

<b>Report Number</b>	<b>Title</b>	<b>Date of Issue</b>	<b>Savings</b>	<b>Questioned Costs</b>
OAS-V-04-12	<i>Report on Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation Under the Department of Energy Contract NO. DE-AC04-94AL85000</i>	09-14-04		\$3,860,015
OAS-V-04-13	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to BWXT Y-12, LLC Under Department of Energy Contract NO. DE-AC05-00OR22800</i>	09-17-04		
OAS-V-04-14	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Bechtel Jacobs Company, LLC Under Department of Energy Contract NOS. DE-AC05-98OR22700, DE-AC05-03OK22980, and DE-AC05-03OL22980</i>	09-27-04		
OAS-FS-04-06	<i>Uranium Enrichment Decontamination and Decommissioning Fund's Fiscal Year 2003 Financial Statement Audit</i>	08-16-04		

## Inspection Reports Issued – April 1 to September 30, 2004\*

<b>Report Number</b>	<b>Title</b>	<b>Date of Issue</b>
IG-0645	<i>Contractor Compliance with Deemed Export Controls</i>	04-13-04
INS-L-04-01	<i>Alleged Inconsistent Charging for ALS Beam Time and Padding of the Berkeley Physical Biosciences Division Budget</i>	06-01-04
INS-L-04-02	<i>Physical Security Improvement Recommendations at Los Alamos National Laboratory</i>	06-03-04
IG-0650	<i>Internal Controls Over Methamphetamine Precursor Chemicals at the Y-12 National Security Complex and the Oak Ridge National Laboratory</i>	06-14-04
INS-L-04-03	<i>Export Controls for Savannah River Operations Office Financial Assistance Agreements with Educational Institutions</i>	06-30-04
IG-0654	<i>Unauthorized Handguns on National Nuclear Security Administration Aircraft</i>	07-06-04
IG-0656	<i>Internal Controls Over Personal Computers at Los Alamos National Laboratory</i>	08-10-04
IG-0658	<i>Protective Force Response to a Security Incident at Sandia National Laboratory, California</i>	08-11-04
INS-L-04-04	<i>Disposal of Selected Department of Energy Equipment</i>	08-27-04
IG-0660	<i>Internal Controls Over the Accountability of Computers at Sandia National Laboratory, New Mexico</i>	08-30-04
INS-O-04-01	<i>Inspection of Intelligence Oversight Activities at Selected Field Sites</i>	08-31-04
IG-0663	<i>Control and Accountability of Emergency Communication Network Equipment</i>	09-24-04

\*Does not include non-public reports.





# Statistical Information

## Audit Report Statistics – April 1 to September 30, 2004

*The following table shows the total number of operational and financial audit reports, and the total dollar value of the recommendations.*

	<b>Total Number</b>	<b>One Time Savings</b>	<b>Recurring Savings</b>	<b>Total Savings</b>
Those issued before the reporting period for which no management decision has been made*	14	\$3,776,083,034	\$70,113,550	\$3,846,196,584
Those issued during the reporting period	44	\$137,830,915	\$0	\$137,830,915
Those for which a management decision was made during the reporting period*	28	\$2,637,572,379	\$58,113,550	\$2,695,685,929
Agreed to by management		\$2,429,493,537	\$30,247,396	\$2,459,740,933
Not agreed to by management		\$77,784,572	\$5,866,154	\$83,650,726
Those for which a management decision is not required	23	\$0	\$0	\$0
Those for which no management decision has been made at the end of the reporting period*	7	\$1,406,635,840	\$34,000,000	\$1,440,635,840

*\*The figures for dollar items include sums for which management decisions on the savings were deferred.*

## Audit Report Statistics – April 1 to September 30, 2004

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

	<b>Total Number</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>
Those issued before the reporting period for which no management decision has been made	3	\$3,179,421	\$84,241
Those issued during the reporting period	0	\$0	\$0
Those for which a management decision was made during the reporting period	2	\$3,028,067	\$84,241
Value of disallowed costs		\$16,053	\$0
Value of costs not disallowed		\$3,012,014	\$84,241
Those for which a management decision is not required	0	\$0	\$0
Those for which no management decision had been made at the end of the reporting period	1	\$151,354	\$0

### Reports Lacking Management Decision

The following are reports issued before the beginning of the reporting period for which no management decisions had been made by the end of the reporting period. The reasons management decisions had not been made and the estimated dates (where available) for achieving management decisions are also included. These reports are over 6 months old without a management decision. The Department has a system in place which tracks reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by audit agencies and agreed to by management are addressed and effected as efficiently and expeditiously as possible.

The contracting officer has not yet made decisions on the following contract report. The reason for not doing so is that certain legal and contractual investigations need to be completed.



ER-C-97-01: Report on *Interim Audit of Costs Incurred Under Contract NO. DE-AC24-92OR21972 from October 1, 1994 to September 30, 1995, Fernald Environmental Restoration Management Corporation, Fernald, Ohio*, December 20, 1996 (Estimated date of closure; December 31, 2004).

Additional time was also necessary to develop management decisions for the following reports. Further explanations for the delays follow each report.

CR-B-99-02: *Management of Unneeded Material and Chemicals*, September 30, 1999 - The finalization of the management decision on this report is awaiting review and concurrence by the necessary departmental elements. This should occur by December 31, 2004.

IG-0565: *Salt Processing at the Savannah River Site*, August 27, 2002 - The finalization of the management decision on this report is pending the resolution of one outstanding legal issue. This should occur by December 31, 2004.

IG-0619: *The Security Afforded Selected Tritium Reservoir Shipments (U)*, September 22, 2003 - The finalization of the management decision on this report is pending the resolution of a complex issue. This should occur by March 31, 2005.

## Prior Significant Recommendations Not Implemented

As of September 2004, closure actions on recommendations in 48 OIG reports had not been fully implemented within 12 months from the date of report issuance. This includes actions on 45 operational, performance, and financial reports and 3 contract reports. The OIG is committed to working with management to expeditiously address the management decision and corrective action process, recognizing that certain initiatives will require long-term, sustained and concerted efforts. Management updates the Department's Audit Tracking System on a quarterly basis, most recently as of September 2004. Information on the status of any report recommendation can be obtained through the OIG's Office of Audit Services and Office of Inspections and Special Inquiries.

The Department has undertaken a series of initiatives to strengthen its process for addressing recommendations made in OIG reports. In response to our audit report entitled *The Department's Audit Resolution Process*, IG-0639, February 2004, the Department centralized the review and closure of management corrective actions, and closed 218 recommendations in the last 6 months. However, additional action is necessary to make the Department's report closure process fully responsive and to ensure that actions are taken to improve operations to meet the Department's mission and goals. To this end, on October 22, 2004, the Associate Deputy Secretary issued a memorandum which listed open report recommendations and prioritized Departmental resolution of these matters.

## Office of Inspections and Special Inquiries Statistics – April 1 to September 30, 2004

Inspections/Special Inquiries open at the start of this period	67
Inspections/Special Inquiries opened during this reporting period	17
Inspections/Special Inquiries closed during this reporting period	21
Inspections/Special Inquiries open at the end of this reporting period	63
Reports issued (includes non-public reports)	19
Report Recommendations*	
<i>Issued this reporting period</i>	39
<i>Accepted by management this reporting period</i>	29
<i>Implemented by management this reporting period</i>	49
Complaints referred to Department management/others	115
<i>Referrals to Department management requesting a response for OIG evaluation</i>	58

\*Includes non-public report recommendations

## Hotline Statistics – April 1 to September 30, 2004

Hotline calls, e-mails, letters, and other complaints	882*
Hotline calls, e-mails, letters, and other complaints predicated	275
Unresolved Hotline predications from previous reporting period	10
<b>Total Hotline predications</b>	<b>285</b>
Hotline predications transferred to the Management Referral System	154
Hotline predications closed based upon preliminary OIG activity	125
Hotline predications pending disposition	6
<b>Total predications processed</b>	<b>285</b>

\*The figure includes complaints outside the purview of the OIG. As warranted, the complainants were referred to the appropriate Federal, state, local, or private organization for assistance.

## Investigative Statistics – April 1 to September 30, 2004

Investigations open at the start of this reporting period	224
Investigations opened during this reporting period	55
Investigations closed during this reporting period	40
Investigations open at the end of this reporting period	239
<i>Qui Tam</i> investigations opened	2
<i>Total open qui tam investigations as of 9/30/04</i>	22
Multi-agency task force investigations opened	16
<i>Total open multi-agency task force investigations as of 9/30/04</i>	99
Investigative reports to prosecutors and Department management	19
Recommendations to management for positive change and other actions	24
Administrative discipline and other management actions	14
Suspensions/Debarments	5
Investigations referred for prosecution	17
<i>Accepted*</i>	14
<i>Indictments</i>	15
<i>Criminal convictions</i>	12
<i>Pretrial diversions</i>	1
<i>Civil actions</i>	3
Fines, settlements, recoveries**	\$7,846,222

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

\*\*Some of the money collected was the result of task force investigations.

# Feedback Sheet

The contents of the September 2004 Semiannual Report to Congress comply with the requirements of the Inspector General Act of 1978, as amended. If you have any suggestions for making the report more responsive, please complete this feedback sheet and return it to:

**United States Department of Energy  
Office of Inspector General (IG-1)  
Washington, D.C. 20585**

**ATTN: Debbie Solmonson**

Name: \_\_\_\_\_

Daytime Telephone Number: \_\_\_\_\_

Comments/Suggestions/Feedback:  
*(Please attach additional sheets if needed)*

The background features a large, stylized sun with radiating rays in the upper half and a window with a grid pattern in the lower half, both rendered in a light green color against a darker green background.

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