

# Memorandum



DATE: MAY 29 2003

Audit Report No.: OAS-L-03-18

REPLY TO

ATTN OF: IG-34 (A03NE009)

SUBJECT: Audit of the Utilization of Safeguards and Security Funding

TO: Administrator, National Nuclear Security Administration, NA-1  
Assistant Secretary for Environmental Management, EM-1  
Director, Office of Security, SO-1  
Director, Office of Science, SC-1

## INTRODUCTION AND OBJECTIVE

The purpose of this report is to inform you of the results of our survey on the utilization of Safeguards and Security funding. This review was initiated in February 2003 and fieldwork was conducted through April 2003. The methodology is described in an attachment to this report.

In recent years, the nation's heightened security posture prompted the Department of Energy (Department) to increase security at its sites. In response, Congress increased funding for additional security measures and directed that all sites follow strict guidelines on utilizing funds solely for safeguards and security. As of Fiscal Year (FY) 2001, funding for field sites' safeguards and security was provided through the programmatic landlord at the site.

Because the need for security is greatest within the weapons complex and at sites where nuclear materials are stored, the majority of funding at the sites flows through the budgets for the National Nuclear Security Administration (NNSA) and the Office of Environmental Management (EM). In its FY 2003 budget request, NNSA requested about \$500 million for all safeguards and security activities at sites where it was the lead program. This funding was intended to provide both physical and cyber security through a combination of equipment, personnel, and procedures to protect facilities, material, and information. Most of this funding targeted Albuquerque, Oakland, and Oak Ridge. In addition, EM requested safeguards and security funding totaling about \$224 million. This funding would provide physical protection, accountability, and material control at EM landlord sites including Savannah River, Richland, Idaho, and Oak Ridge.

The objective of this review was to examine costs and activities related to the Department's Safeguards and Security program to determine whether they were appropriate and incurred for their stated purpose, and whether indirect charges proportionately benefited the safeguards and security program.

**CONCLUSIONS AND OBSERVATIONS**

We conducted this review at Departmental Headquarters, the Lawrence Livermore National Laboratory, and the Pantex Plant. During the course of this review, we also learned that NNSA had conducted reviews at Livermore, Pantex, and other sites to determine whether NNSA laboratories and facilities followed Congressional direction for funding Safeguards and Security costs. Based on the results of our limited review, nothing came to our attention to indicate that costs were inappropriate or that safeguards and security was being allocated a disproportionate share of indirect costs.

We appreciate the cooperation of your staff during our review. If you have any questions regarding our audit, please contact Sandra Smoak at (301) 903-5376 or Brad Milliron at (301) 903-6614.



Rickey R. Hass, Director  
Science, Energy, Technology,  
and Financial Audits  
Office of Audit Services  
Office of Inspector General

cc: Deputy Assistant Secretary for Policy, Planning, and Budget, EM-10  
Director, Policy and Internal Controls Management, NA-66  
Audit Liaison, Office of Security, SO-1.1  
Team Leader, Audit Liaison, ME-2.1  
Audit Liaison, Office of Environmental Management, EM-7.1  
Audit Liaison, Office of Science, SC-62

## **SCOPE AND METHODOLOGY**

To accomplish the audit objective we:

- Reviewed Departmental policies and procedures regarding cost accounting;
- Conducted interviews with Safeguards and Security Program personnel from Headquarters, Livermore and Pantex to gain an understanding of how costs are charged;
- Obtained all FY 2003 safeguards and security costs incurred between October 1, 2002 and January 31, 2003 for both sites;
- Reviewed the basis for institutional indirect charges and organizational personnel charges to determine the elements that make up each cost or overhead pool;
- Recalculated numerous indirect charges to determine whether they were calculated correctly according to the guidance we obtained from each site;
- Traced costs to supporting documentation for selected wage expense and procurement costs;
- Recalculated organizational personnel costs and tied them to wage expenses;
- Examined the basis for setting wage rates for guard forces;
- Physically verified the existence of certain items in our sample of purchases;
- Reviewed how Safeguards and Security allocates costs to work-for-others projects; and,
- Met with site officials to verify that personnel costs and purchases related directly to the Safeguards and Security program.

This audit was performed in accordance with generally accepted Government auditing standards for performance audits and included test 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 internal control deficiencies that may have existed at the time of our audit. We relied on computer-processed data to accomplish our audit objective. We performed limited test work of data reliability during our audit and determined that we could rely on the computer-processed data.

# Memorandum

DATE: **MAY 30 2003**

REPLY TO: IG-34 (A03NE009)

SUBJECT: Final Report Package for "Audit of The Utilization of Safeguards and Security Funding"  
Audit Report No.: OAS-L-03-18

TO: Frederick D. Doggett, Deputy Assistant Inspector General for Audit Services

Attached is the required final report package on the subject audit. The pertinent details are:

1. Actual Staff days: 141

Actual Elapsed days: 114

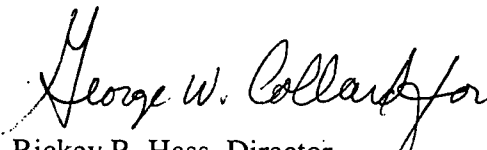
2. Names of OIG and/or contractor audit staff:

Assistant Director: George Collard  
Team Leader: Bradley Milliron  
Auditor-in-Charge: Sandra Smoak  
Audit Staff: Scott Ward  
Audit Staff: LaNitra Brundage

3. Coordination with Investigations and Inspections:

Investigations: Brenda Froberg – February 13, 2003 and February 24, 2003

Inspections: Henry Minner – February 13, 2003 and February 20, 2003



Rickey R. Hass, Director  
Science, Energy, Technology,  
and Financial Audits  
Office of Audit Services  
Office of Inspector General

Attachments:

1. Final Report (3)
2. Monetary Impact Report
3. Audit Project Summary Report
4. Audit Database Information Sheet



Report run on: May 29, 2003 12:58 PM

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Audit#: A03NE009 Ofc: CGA Title: SAFEGUARDS &amp; SECURITY FUNDING DOE FIELD SITES

## \*\*\*\* Milestones \*\*\*\*

	Profile	Planned End of Survey	Revised	Actual	
Entrance Conference:	01-OCT-02	04-FEB-03	04-FEB-03	04-FEB-03	
Survey Completed:		30-APR-03	30-APR-03	30-APR-03	
Field Work Complete:					
Draft Report Issued:		04-AUG-03	23-MAY-03	23-MAY-03	
Exit Conference:					
Completed with Report:	30-SEP-03	30-APR-03	06-JUN-03	29-MAY-03	( R )
-----Elapsed Days	364	85	122	114	
-----Staff Days:	0	0		141	

Date Suspended:

Date Terminated:

Date Reactivated:

Date Cancelled:

DaysSuspended (Cur/Tot): ( 0 / )

Report Number: OAS-L-03-18

Rpt Title: THE UTILIZATION OF SAFEGUARDS AND SECURITY FUNDING

## \*\*\*\* Audit Codes and Personnel \*\*\*\*

Aud Type:	Not Found		
Category:	OTH OTHER	AD:	256 MILLIRON
DOE-Org:	Not Found	AIC:	753 SMOAK
Maj Iss:	005 SAFEGUARD AND SECURI	HDQ-Mon:	421 SCHULMAN
Site:	MRA MULTI-REGION AUDIT	ARM:	459 COLLARD

## \*\*\*\* Task Information \*\*\*\*

Task No:

Task Order Dt:

CO Tech. Rep: , .

Orig Auth Hrs:

Orig Auth Costs:

Current Auth:

Current Auth Cost:

Tot Actl IPR Hr:

Tot Actl Cost:

## \*\*\*\* Time Charges \*\*\*\*

<u>Emp/Cont Name</u>	<u>Numdays</u>	<u>Last Date</u>
MILLIRON, B	21.3	17-MAY-03
BRUNDAGE, L	28.4	03-MAY-03
WARD, F	36.5	17-MAY-03
SMOAK, S	54.6	17-MAY-03
Total:	140.8	

## \*\*\*\* ATC Information \*\*\*\*

<u>Atc</u>	<u>Atc Rank</u>	<u>Atcdesc</u>
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**AUDIT DATABASE INFORMATION SHEET**

1. Project No.: A03NE009
2. Title of Audit: Audit of The Utilization of Safeguards and Security Funding
3. Report No./Date: OAS-L-03-18 / May 29, 2003
4. Management Challenge Area: National Security
5. Presidential Mgmt Initiative: Budget and Performance
6. Secretary Priority/Initiative: National Nuclear Security
7. Program Code: SO
8. Location/Sites: Headquarters, Lawrence Livermore National Laboratory, and Pantex Plant.
9. Finding Summary:

Based on the results of our limited review, nothing came to our attention to indicate that costs were inappropriate or that safeguards and security was being allocated a disproportionate share of indirect costs.

10. Keywords:

- Safeguards and Security
- Costs
- Indirect Costs
- Overhead
- Purchases
- Wage Expense
- Funding

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- Director, Policy and Internal Controls Management, NA-66
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