

United States Government

Department of Energy

Memorandum



DATE: DEC 05 2003

REPLY TO: IG-34 (A04PT038)
ATTN OF:

Audit Report Number: OAS-L-04-07

SUBJECT: Audit of Facility Contractor Employee Assignments by Energy Efficiency and Renewable Energy

TO: Assistant Secretary for Energy Efficiency and Renewable Energy, EE-1

The purpose of this report is to inform you of the results of our review of Energy Efficiency and Renewable Energy's (EERE) practices for assigning facility contractor employees to assist Headquarters program offices in Washington, D.C. The review was conducted as part of our review of the National Renewable Energy Laboratory's (NREL) procurement practices. The review was conducted between May and November 2003 at Department of Energy (Department) Headquarters and NREL. Our methodology is described in the attachment to this report.

INTRODUCTION AND OBJECTIVE

In Fiscal Year (FY) 2003, the Department spent approximately \$44 million for facility contractor work assignments to the Washington, D.C. area. Because of Congressional concerns, annual ceilings were established for the number of facility contractor employees that could be assigned. Congress also required the Department to annually report on the number of employees, the programs impacted, and the full cost for these employees.

To satisfy tracking and reporting requirements, the Department requires program and staff offices to submit annual staffing plans and update a facility contractor employee database. The database is used to provide data to Congress and to control the number of contractor employees at Headquarters. The ceiling for facility contractor employees permitted to directly support program offices in Washington, D.C. was 220 in FY 2003. EERE's FY 2003 plan proposed Headquarters program assignments for 56 employees.

During our review of procurement practices, we noted that NREL had procured professional services through a multi-layered subcontract with another management contractor to work in and support a Headquarters' function under the Assistant Secretary for Energy Efficiency and Renewable Energy. Because of the unusual nature of this arrangement, we focused part of our audit work on determining whether EERE and NREL were following Departmental requirements for tracking against the Congressional ceiling on facility contractor employee assignments to Headquarters.

-2-

OBSERVATIONS AND CONCLUSIONS

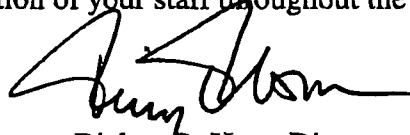
Our review disclosed that EERE and NREL had not followed Departmental requirements for assigning facility contractor employees to the Washington, D.C. area. Specifically we found that:

- EERE assigned seven facility contractor employees to Headquarters functions during Fiscal Year 2003 at a cost of approximately \$1 million but did not notify the Department of their assignment or include them in the facility contractor database; and
- Despite strict prohibitions to the contrary, NREL procured the technical services of a facility contractor employee on EERE's behalf and assigned the individual to Washington, D.C. in February 2003.

By not ensuring that the Department was fully informed about the number of contractor employees assigned to Headquarters, EERE placed the Department at risk of exceeding the Congressional ceiling on the assignment of such employees. EERE has since updated the Department's database and has directed NREL to terminate the questionable technical services contract.

While EERE's actions corrected known assignment and reporting issues, we believe continued diligence is needed to ensure that the Department's database accurately reflects facility contractor assignments to the Washington, D.C. area. Specifically, we suggest that the Assistant Secretary reemphasize the importance of adhering to Departmental policy regarding assignment and status reporting on such contractor employees.

Since no recommendations are being made in this report, a formal response is not required. We appreciated the cooperation of your staff throughout the audit.



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

Attachment

cc: Manager, Golden Field Office
Team Leader, Audit Liaison, ME-1.1
Audit Liaison, EE-30

Attachment

METHODOLOGY

To accomplish the audit objective, we:

- Reviewed DOE Order 350.2 *"Use of Facility Contractor Employees for Services to DOE in the Washington, D.C., Area;"*
- Reviewed the Energy and Water Development Appropriations Bill(s) for Fiscal Year 2003 and Fiscal Year 2004;
- Reviewed the National Renewable Energy Laboratory (NREL) contract with the Department to identify applicable laws, regulations, and Departmental Orders;
- Reviewed the Energy Efficiency and Renewable Energy (EERE) Fiscal Year 2003 "Department of Energy Facility Contractor Employee and Office Support Staffing Plans" compared this with a July 2003 EERE listing of management and operating contractors. We then compared the EERE July listing with two listings of the Office of Management, Budget and Evaluation (OMBE) database dated July 1, 2003 and October 15, 2003;
- Reviewed the EERE Fiscal Year 2004 Department of Energy Facility Contractor Employee Staffing Plan with a listing from the OMBE database from November 6, 2003; and
- Interviewed and met with NREL and EERE Headquarters officials.

We conducted the audit according to generally accepted Government auditing standards for performance audits and included tests for internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Accordingly, we assessed the Department's internal controls with regard to the management of facility contractors assigned to assist EERE programs in D.C. Because our review was limited, it would not have disclosed all internal control deficiencies that may have existed at the time of our audit. We relied on and validated computer-generated data which tested the accuracy of EERE facility contractor assignments. Management waived an exit conference.