

U.S. Department of Energy
Office of Inspector General



Semiannual Report to Congress
For Period Ending September 30, 2020

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MESSAGE FROM THE INSPECTOR GENERAL

As a nation, we faced an unprecedented challenge with the COVID-19 pandemic, and we were all asked to adjust both our personal and professional lives. I'm proud and grateful that all of our employees continued in fiscal year (FY) 2020 to show their dedication to our mission of protecting the American taxpayer. Remarkably, during this semi-annual period, the Office of Inspector General (OIG) identified questioned and unsupported costs resulting in a record-breaking return on investment of \$21.53 for every dollar budgeted. I couldn't be prouder of what our dedicated staff have accomplished.


During the semi-annual reporting period, our Office of Audits, through its continued focus on the Cooperative Audit Strategy and its oversight of the Department's contract and subcontract management, along with other audits, identified more than \$516 million in questioned and unsupported costs. We also issued several reports highlighting safety issues, including concerns about the Hanford Site's ability to safely store radioactive tank waste until the end of its cleanup mission, and concerns about the Idaho National Laboratory Site's management of quality assurance requirements for procurements of safety-significant items at the Integrated Waste Treatment Unit.

Our Office of Investigations continued to protect our Nation's taxpayer dollars and to secure our national research efforts through recoveries of over \$67 million. These recoveries included a \$57.5 million civil settlement in a complex fraud case involving false claims at the Department's Hanford Site that involved countless investigative hours and full collaboration with the Department of Justice, as well as another \$4 million settlement based on investigative efforts to root out false claims associated with the contractual allowability of a Department contractor's key personnel compensation costs. Our Office of Investigations secured 6 indictments and 5 convictions, referred 9 suspensions and debarments, and contributed to 21 administrative actions against employees and contractors during the semiannual reporting period.

The Office of Inspections, Intelligence Oversight, and Special Projects is rounding out its first year with its new mission and vision. This group continued its work on a number of allegation-based projects and special projects that are being closely coordinated with the Office of Counsel, the Office of Investigations, and the Office of Technology, Financial, and Analytics (OTFA). These projects include inspections related to Employee Concerns Programs, mandatory disclosures, and timekeeping. Additionally, the Office of Inspections, Intelligence Oversight, and Special Projects conducted an inspection in parallel with the Department of Defense OIG, and conducted another inspection that was initiated in parallel with our Office of Investigations.

OTFA continues to make a concerted effort to work jointly with, and to support our Offices of Audits, Inspections, and Investigations. These efforts resulted in OTFA supporting 24 audits, reviews, and cases. OTFA's Analytics group continues to make progress gaining direct access to both federal and contractor systems, which will allow more immediate identification of fraud, waste, or abuse.

As we close out a successful FY 2020, I am excited to carry our momentum into FY 2021 and build on the exceptional accomplishments of FY 2020.



Teri L. Donaldson
Inspector General

STATISTICAL HIGHLIGHTS

INVESTIGATIONS

INVESTIGATIVE ACTIVITIES

Cases Open as of April 1, 2020	191
Cases Opened	41
Cases Closed	34
Cases Open as of September 30, 2020	198
Multi-Agency Joint Cases Opened During Period	9
Qui Tam ¹ Investigations Opened During Period	2
Total Open Qui Tam Investigations as of September 30, 2020	12
Total Investigative Reports ² Issued During Period	5
Administrative Discipline and Other Management Actions	21
Suspensions/Debarments	9
Total Persons ³ Referred to a Prosecuting Authority	33
Department of Justice Referrals	29
State/Local Referrals	4
Referrals Accepted for Prosecution ⁴	25
Total Indictments ⁵ /Criminal Informations	6
Indictments/Criminal Informations Resulting from Prior Period	4
Referrals	4
Criminal Convictions	5
Pre-trial Diversions	0
Civil Actions	11
Dollars Recovered ⁶ (Fines, Settlements, Recoveries)	\$67,474,981

¹For more information on Qui Tams, go to:

http://www.justice.gov/usao/eousa/foia_reading_room/usam/title9/crm00932.htm

²Investigative Reports issued by the Office of Investigations include Reports of Investigation and Investigative Reports to Management.

³Persons is defined as an individual or an entity. For example, two co-owners and their business entity would be counted as three persons.

⁴Some referrals accepted during the 6-month period were referred for prosecution during a previous reporting period.

⁵Sealed indictments are included.

⁶Some of the money collected was the result of investigations involving multiple agencies.

STATISTICAL HIGHLIGHTS

AUDITS AND INSPECTIONS

AUDITS AND INSPECTION ACTIVITIES

Total Reports Issued	21
Audit Reports Issued	18
Inspection Reports Issued	3

BETTER USE OF FUNDS

	TOTAL NUMBER	BETTER USE OF FUNDS
Reports issued before the reporting period that included recommendations for better use of funds for which decisions on dollars had not been made as of September 30, 2020 ¹	4	\$24,204,093
Reports issued during the reporting period that include recommendations for better use of funds (regardless of whether a decision on dollars has been made)	0	\$0
Reports that include recommendations for better use of funds for which a decision on dollars was made during the reporting period ²	1	\$3,304,093
(i) Agreed to by management		\$148,063
(ii) Not agreed to by management		\$3,156,030
Reports that include recommendations for better use of funds for which decisions on dollars have not been made at the end of the reporting period	3	\$20,900,000
Better Use of Funds: Funds that could be used more efficiently by implementing recommended actions. Management Decision: Management's evaluation of the finding and recommendations included in the audit report and the issuance of a final decision by management concerning its response.		

QUESTIONED COSTS

	TOTAL NUMBER	QUESTIONED COSTS	UNSUPPORTED COSTS	TOTAL COSTS
Reports issued before the reporting period that included questioned and/or unsupported costs for which decisions on dollars had not been made as of September 30, 2020 ¹	22	\$738,763,703	\$261,342,245	\$1,000,105,948
Reports issued during the reporting period that include questioned or unsupported costs (regardless of whether a decision on dollars has been made)	3	\$516,201,279	\$0	\$516,201,279
Reports that include questioned and/or unsupported costs for which a decision on dollars was made during the reporting period ²	0	\$0	\$0	\$0
(i) Value of disallowed costs		\$0	\$0	\$0
(ii) Value of costs not disallowed		\$0	\$0	\$0
Reports that include questioned and/or unsupported costs for which decisions on dollars have not been made at the end of the reporting period	25	\$1,254,964,982	\$261,342,245	\$1,516,307,227
Definitions: Decision: Management's evaluation of the finding and recommendations included in the audit report and the issuance of a final decision by management concerning its response. Questioned costs: A cost that is (1) unnecessary; (2) unreasonable; or (3) an alleged violation of law, regulation, contract, etc. Unsupported costs: A cost that is not supported by adequate documentation.				

¹Includes reports for which the Department may have made some decisions on dollars, but not all issues within the report have been resolved.

²Does not include reports for which the Department has made decisions on some aspects of the report but not all.

POSITIVE OUTCOMES

During this reporting period, the Department took positive actions as a result of OIG work conducted during the current or previous periods:

- ✚ As a result of an Office of Inspector (OIG) investigation, a contractor to the National Nuclear Security Administration (NNSA) took several administrative actions against 10 contractor employees. As previously reported in the September 30, 2019, and March 31, 2020, *Semiannual Reports to Congress*, the investigation determined that several employees of a major Department contractor at the Pantex Plant allegedly claimed multiple hours on their time and attendance reports for hours they did not work. As a result of the OIG investigation, the contractor terminated four employees, and three employees resigned or retired in lieu of termination. Three employees were placed on paid administrative leave. To date, this investigation has resulted in 132 security clearance revocations, 135 suspensions, 47 terminations, and 7 resignations in lieu of termination. This is an ongoing investigation.

- ✚ A former Department grant recipient was debarred for a period of 10 years as a result of an OIG investigation. As previously reported in the September 30, 2019, March 31, 2019, March 31, 2018, and September 30, 2017, *Semiannual Report to Congress*, the grant recipient, after waiving the right to a jury trial, was adjudicated guilty by the presiding District Court Judge for the Western District of Virginia on charges of Conspiracy to Defraud the United States, False Statements, and Obstruction by Falsification. The grant recipient was sentenced to 2 years supervised release and ordered to pay a \$500 special assessment after already serving 3 months in Roanoke City Jail and 21 months home confinement. The grant recipient conspired with two other employees of the grant recipient's company to submit false claims and false statements to the Department and National Science Foundation (NSF) in order to receive grant funding under the Small Business Innovative Research (SBIR) and Small Business Technology Transfer (STTR) programs. Additionally, the investigation determined that the convicted grant recipient stole trade secrets from former company employees and transferred the technology overseas to entities in the People's Republic of China. This is a joint investigation with NSF OIG and the Federal Bureau of Investigation (FBI). The most recent Department of Justice (DOJ) press release can be found [here](#).

- ✚ A subcontractor employee at the Savannah River Site resigned their position prior to pending termination of their subcontract, as a result of an OIG investigation. The investigation determined that the subcontractor intentionally evaded cyber security protocols and emailed two documents containing Unclassified Controlled Nuclear Information to the subcontractor's personal email account. The subcontractor subsequently provided consent to search their personal computer, which led to the OIG's discovery of the two sensitive files after a forensic examination. This is an ongoing joint investigation with the FBI.

- ✚ A Department licensee company was subjected to sanctions designations implemented by the Office of Foreign Assets Control, U.S. Department of Treasury, for violating existing U.S. sanctions against the Government of Venezuela. The licensee company had applied for and received license authority from the Department's Office of Electricity to export electricity from the U.S. to Mexico. The investigation determined that the licensee, which did not actually export any electricity under the license, conducted a number of financial transactions with sanctioned entities in Venezuela, and conspired with other foreign entities to evade sanctions on Venezuela's oil sector. As a result, and with OIG coordination and assistance, the Office of Electricity moved to revoke the company's license to export electricity. The Department of Treasury press release is available [here](#).

- ✚ In response to findings identified in this annual evaluation of the Department's unclassified cybersecurity program, we determined that various actions were taken to correct issues related to access controls, configuration, and vulnerability management of desktop, network systems, and devices; protection from malicious phishing attacks; and continuity planning. These actions resulted in the closure of numerous prior year weaknesses at programs and sites across the Department.

- ✚ As a result of our inspection and in response to one of the report's recommendations, the Department's Richland Operations Office and Office of River Protection radiological control drafted a letter clarifying the oversight responsibilities in Hanford Site (Hanford) documents for dosimetry services. In our report, we identified that the Department did not clearly identify oversight responsibility regarding the Radiological Site Services, which is overseen by two separate organizations. Specifically, when an issue arose with an Office of River Protection contractor regarding the Radiological Site Services, it was unclear whether the Office of River Protection or the Richland Operations Office was responsible for ensuring that the issue was resolved. This action is responsive to our recommendation to clearly define and document the oversight responsibility regarding radiation protection practices, especially as they relate to radiation exposure monitoring records.

- ✚ The Department's Office of Environmental Management's Consolidated Business Center has taken action to address the report issued in September 2019. The report found that the Regional Coalition of Los Alamos National Laboratory Communities (RCLC) did not properly account for Department grant funds or use the funds in accordance with federal requirements and the terms of the grant. The RCLC commingled Department funds with funds received from other sources and subsequently engaged in activities prohibited by U.S.C. and the terms of the grant agreement. As a result, we questioned \$300,000 in Department grant funds, for which the Department should seek appropriate reimbursement. In October 2019, a legal review by the Consolidated Business Center's Office of Chief Counsel was

underway to determine the amount of federal funds to be reimbursed from expenditures for lobbying activities that are prohibited by federal requirements. In June 2020, the Department determined that \$15,767 was reimbursed to RCLC for unallowable activities, and directed the RCLC to repay that amount.

- ✚ As a result of our inspection on Allegation Regarding the Oak Ridge Office Personnel Security Process, the Oak Ridge Office has taken corrective actions to ensure Personnel Security Specialists adhere to proper adjudication activities in the future. To assist in that action, the new Safeguards and Security Division standard operating procedure template was finalized. Also, the federal Personnel Security Specialists and contractor support staff have been provided with the new guidance and participated in meetings to discuss and ensure consistency in application for issuing Letters of Interrogatory, Administrative Review, and Adjudication.
- ✚ In response to two Management Notifications we issued during an ongoing Inspection of an Allegation on Weapons Quality Assurance at the Kansas City National Security Campus, the NNSA took action to ensure non-conforming nuclear weapon parts were appropriately dispositioned. Specifically, the NNSA had some of the non-conforming parts we identified re-tested; analyzed whether the non-conforming parts could be used in production or should be scrapped; and performed a broad assessment to identify root causes, contributing factors, extent of condition, and needed improvements to prevent recurrence of similar issues.
- ✚ In response to our audit of Wildland Fire Prevention Efforts at the Oak Ridge Reservation, the Department has taken a number of actions to address weaknesses in completing mitigation activities and completing preparedness activities to reduce the impact from wildland fire, providing increased protection for the Department's assets, as well as for the health and safety of its workers and the public. The Oak Ridge Reservation completed a baseline map to identify Reservation boundaries in wildland urban interface areas, which is a crucial first step in determining a path forward to address potential encroachment on Reservation property and reducing higher risks and increased exposure to common and wildland fire cause, and litigation. Further, to enhance the completion of mitigation and preparedness activities, Reservation management examined current and future staffing needs, and identified opportunities to increase the organization's ability to better focus on oversight of contractors performing critical portfolio functions.
- ✚ As a result of our inspection on Allegations Regarding Southwestern Power Administration's Procurement of the Pathways Core Training, the Department's Office of Financial Policy and Audit Resolution conducted a review to determine the Department's awareness of and compliance with General Government Appropriations Act provisions. The Office of Financial Policy and Audit Resolution worked with the Office of General Counsel and Department programs to (1) identify the appropriate lead programmatic office for each General Government

Appropriations Act provision, (2) assess the current state of compliance with each provision, including whether additional communications or guidance may be needed, and (3) highlight any provisions that the Department may not be fully compliant with, or where there was a substantial risk of noncompliance. Our inspection had determined that Southwestern Power Administration's procurement of the Pathways Core Training violated appropriations restrictions in the FY 2017 Federal Budget, General Provisions Government-wide, Section 714(a) and may have been a violation of the Anti-Deficiency Act (31 U.S.C. 1301(a)). Subsequent to our inspection, the Department reported a violation of the Anti-Deficiency Act to the President in February 2020.

TABLE OF REPORTS

INVESTIGATIVE OUTCOMES

All of our investigations that result in a reportable outcome are disclosed to the public in our Semiannual Report. Reportable outcomes are defined as public and nonpublic reports, indictments, convictions, disciplinary actions, monetary recoveries, contractor debarments, and other similar results. The following reportable outcomes occurred during the period of April 1, 2020, through September 30, 2020.

SUMMARY TITLE	PAGE
Civil Settlement in False Claims Act Investigation	24
Sentencings in Bid-Rigging Investigation	24
Informations, Guilty Pleas, and Sentencing in Theft of Government Property Investigation	24
Sentencing and Debarment in Theft of Public Money Investigation	25
Sentencing in Attempted Burglary Investigation	25
Guilty Plea in Grant Fraud Investigation	25
Information and Guilty Plea in Procurement Integrity Act Investigation	26
Administrative Settlement Reached in False Claims Investigation	26
Debarment in False Statements Investigation	26
Civil Settlement in University Fraud Investigation	27
Civil Settlements in Grant Fraud Investigation	27
Civil Settlement on Fraud of Small Business Set-Aside Contracts	27
Civil Settlement in Grant Fraud Investigation	28
Superseding Indictment in Grant Fraud Investigation	28

SUMMARY TITLE	PAGE
Indictments, Arrests, and Seizure Warrants Executed in Small Business Technology Transfer Fraud Investigation	28
Indictment in Grant Fraud Investigation	29
Arrest in Child Pornography Investigation	29
Administrative Actions in Theft of Government Funds Investigation	29
Administrative Action in Unclassified Controlled Nuclear Information Investigation	29
Administrative Actions in Time and Attendance Investigation	30
Administrative Actions in Time and Attendance Investigation	30
Administrative Action in Senior Employee Misconduct Investigation	30
Debarment in Illegal Gratuity Investigation	30
Debarment in Grant Fraud Investigation	31
Recovery of Funds in Pension Fraud Investigation	31
Debarment in Weatherization Assistance Program Fraud Investigation	31
Revocation of Department-Issued License to Export Electricity	32
Funds Returned to Department in Fraudulent Invoicing Scheme	32
Award Suspended for University	32
Improvement to Policies and Procedures in Unauthorized Media Investigation	32

AUDITS

The following identifies all audit reports issued between April 1, 2020, and September 30, 2020.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Apr 28, 2020	The Child Development Center at Argonne National Laboratory (DOE-OIG-20-38)	3				33
Apr 29, 2020	Audit Coverage of Cost Allowability for Alliance for Sustainable Energy, LLC from October 1, 2013, to September 30, 2018, Under Department of Energy Contract No. DE-AC36-08G028308 (DOE-OIG-20-39)	1				N/I
May 11, 2020	The Department of Energy's Improper Payment Reporting in the Fiscal Year 2019 Agency Financial Report (DOE-OIG-20-40)	0				33
May 21, 2020	Quality Assurance Management at the Integrated Waste Treatment Unit (DOE-OIG-20-42)	3				34
Jun 1, 2020	The Strategic Petroleum Reserve's Modernization Program (DOE-OIG-20-43)	2				35
Jun 8, 2020	The Department of Energy's Management of Cleanup at the Paducah Site's C-400 Complex (DOE-OIG-20-44)	2				36

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Jul 6, 2020	The Office of Science's Audit Resolution and Followup Process (DOE-OIG-20-45)	6				37
Jul 6, 2020	The Department of Energy's Federal Employee Substance Abuse Testing Program (DOE-OIG-20-46)	4				38
Jul 6, 2020	Security over Information Technology Peripheral Devices at Select Office of Science Locations (DOE-OIG-20-47) This report is Official Use Only and not available for public viewing.	2				39
Jul 13, 2020	Audit Coverage of Cost Allowability for Sandia Corporation, from October 1, 2015, through April 30, 2017, under the Department of Energy Contract No. DE-AC04-94AL85000 (DOE-OIG-20-48)	3		\$420,640,865		N/I
Jul 13, 2020	Audit Coverage of Cost Allowability for Nuclear Waste Partnership, LLC, from October 1, 2014, to September 30, 2017, under the Department of Energy Contract No. DE-EM0001971 (DOE-OIG-20-49)	4		\$31,760,414		N/I

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Jul 20, 2020	The Department of Energy's Storage and Disposition of Explosives Material at Selected Sites (DOE-OIG-20-50)	5				39
Jul 20, 2020	Small Business Subcontracting Requirements for Prime Contractors at the Hanford Site (DOE-OIG-20-51)	6		\$63,800,000		39
Sep 16, 2020	Southwestern Federal Power System's Fiscal Year 2019 Financial Statement Audit (DOE-OIG-20-54)	0				40
Sep 16, 2020	Respiratory Equipment Maintenance at the Hanford Site (DOE-OIG-20-55)	3				41
Sep 30, 2020	Tank Waste Management at the Hanford Site (DOE-OIG-20-57)	3				42
Sep 30, 2020	Department of Energy's Implementation of the Geospatial Data Act of 2018 (DOE-OIG-20-58)	0				43
Sep 30, 2020	Audit Coverage of Cost Allowability for Bechtel Marine Propulsion Corporation from October 1, 2013, to September 30, 2018, Under Department of Energy Contract No. DE-NR0000031 (DOE-OIG-20-59)	2				N/I

INSPECTIONS

The following identifies all inspection reports issued between April 1, 2020, and September 30, 2020.

DATE ISSUED	REPORT TITLE	NUMBER OF RECS	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
May 14, 2020	Review of Allegations Concerning Improper Use of Fleet Vehicles (DOE-OIG-20-41)	0				44
Sep 9, 2020	The Department of Energy's Management of Explosive Materials at Lawrence Livermore National Laboratory (DOE-OIG-20-53)	0				44
Sep 30, 2020	Followup on Conference Management at Selected Department Sites (DOE-OIG-20-56)	2				45

RESULTS

LEGISLATIVE AND REGULATORY REVIEWS

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. During this reporting period, the Office of Counsel reviewed three proposed bills/regulations, noting that we had comments on one contemplated regulatory change and no comments on the legislation.

INTERFERENCE WITH INSPECTOR GENERAL INDEPENDENCE

During the reporting period of April 1, 2020, through September 30, 2020, the Department did not attempt to interfere with OIG independence, nor deny funding to OIG activities.

RESISTANCE TO OVERSIGHT ACTIVITIES OR RESTRICTED/SIGNIFICANTLY DELAYED ACCESS

During this reporting period of April 1, 2020, through September 30, 2020, access to documents the OIG believed necessary to perform work was not restricted.

INVESTIGATIONS INVOLVING UNAUTHORIZED PUBLIC DISCLOSURE OF CLASSIFIED INFORMATION

Pursuant to the requirement of Section 6718 of the National Defense Authorization Act, for the reporting period of April 1, 2020, through September 30, 2020, the Office of Investigations reports the following:

The number of investigations opened regarding an unauthorized public disclosure of classified information.	None
The number of investigations completed regarding an unauthorized public disclosure of classified information.	None
Of the number of such completed investigations identified under subparagraph (B), the number referred to the Attorney General for criminal investigation.	None

REVIEWS CLOSED AND NOT DISCLOSED TO THE PUBLIC

The OIG had no undisclosed reports from the public for this reporting period of April 1, 2020, through September 30, 2020.

INVESTIGATIONS INVOLVING SENIOR GOVERNMENT EMPLOYEES

During the reporting period of April 1, 2020, through September 30, 2020, the following investigations that involved a senior government employee.

FACTS AND CIRCUMSTANCES	STATUS AND DISPOSITION	REFERRED TO DOJ	DOJ DECLINATION
Allegation senior political appointee sexually harassed other employees, failed to report clearance related information, and submitted improper travel reimbursement claims.	Closed; substantiated employee voluntarily transferred to a lower level position and subsequently resigned from federal service; repaid voucher overpayments of \$452; program office initiated office-wide training on travel policy, EEO, and sexual harassment	Yes	May 17, 2020

WHISTLEBLOWER ACTIVITIES

Whistleblower matters open as of April 1, 2020	14
Whistleblower matters opened this period	65
Whistleblower matters closed this period	10
Whistleblower matters closed via Investigative Reports	1
Whistleblower matters closed via Letters	9
Whistleblower matters open as of September 30, 2020	69

HOTLINE ACTIVITY

TOTAL HOTLINE CALLS, EMAILS, LETTERS, AND OTHER COMPLAINTS (CONTACTS)	
Hotline contacts resolved immediately/ redirected/no further action	1,570 ¹
Hotline contacts predicated for evaluation	1,406
Total Hotline predications processed this reporting period	164
Hotline predications transferred to OIG Program Office	169 ²
Hotline predications referred to Department management or other entity for information/action	87
Hotline predications closed based upon preliminary OIG activity and review	31
Hotline predications open at the end of the reporting period	50

¹ This number refers to any contact that required Hotline staff review, including re-contacts for additional information and requests for deposition.

² This number includes five predications carried over from the last semiannual reporting period.

COMMENTS NOT PROVIDED BY THE DEPARTMENT WITHIN 60 DAYS

For the reporting period of April 1, 2020, through September 30, 2020, there were no audit or inspection reports with comments not provided within 60 days.

REPORTS LACKING MANAGEMENT DECISION

The Department has a system in place to track audit and inspection 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 as efficiently and expeditiously as possible. The following audit report is over 6 months old, and no management decision had been made by the end of the reporting period. An explanation for the lack of management decision is described in the table below.

DATE ISSUED	REPORT TITLE	STATUS OF MANAGEMENT DECISION
Apr 10, 2002	Use of Noncompetitive Procurements to Obtain Services at the Savannah River Site (DOE/IG-0862)	The OIG has requested the Department temporarily delay submitting a Management Decision on the recommendations in this report, pending the outcome of an ongoing related review.

DISAGREEMENT WITH MANAGEMENT DECISION

For the reporting period of April 1, 2020, through September 30, 2020, there were no reports where the OIG disagreed with management decisions.

RECOMMENDATIONS NOT IMPLEMENTED

The following table identifies 61 reports with a total of 126¹ recommendations, which were agreed to by the Department, but have not been implemented as of September 30, 2020. The total potential cost savings associated with these reports is \$1,225,503,020. 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. [Non-hyperlinked reports are not available on the OIG website.]

¹ Those recommendations that are not agreed to by management are not tracked by the Department as open/unimplemented recommendations. Since 2007, the Department has only failed to agree on one recommendation issued by the OIG.

² A single recommendation in our reports may often be addressed to multiple program elements. The total number of open recommendations will include any recommendation that has not been corrected by at least one of the program elements.

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Dec 17, 2007	Beryllium Surface Contamination at the Y-12 National Security Complex (IG-0783)	1	
Nov 13, 2009	Management Controls over Selected Aspects of the Department of Energy's Human Reliability Program (OAS-M-10-01)	1	
Sep 22, 2010	The Department of Energy's Audit Resolution and Follow-up Process (IG-0840)	2	
Feb 20, 2013	Assessment of Audit Coverage of Cost Allowability Sandia Corporation during Fiscal Years 2009 and 2010 under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-13-07)	1	\$12,760,295
Jun 24, 2013	Mitigation of Natural Disasters at Los Alamos National Laboratory (OAS-M-13-04)	1	
Feb 14, 2014	The Technology Transfer and Commercialization Efforts at the Department of Energy's National Laboratories (OAS-M-14-02)	1	
Apr 23, 2014	Assessment of Audit Coverage of the Cost Allowability for Sandia Corporation under Department of Energy Contract DE-AC04-94-AL-85000, for Fiscal Years 2011 and 2012 (OAS-V-14-10)	1	\$5,741,818
Sep 24, 2014	Assessment of Audit Coverage of Cost Allowability for Bechtel Jacobs Company, LLC under Department of Energy Contract No. DE-AC05-98OR22700 during Fiscal Year 2011 (OAS-V-14-17)	1	\$160,007,744
Jun 22, 2015	The Department of Energy's Implementation of the Pilot Program for Agreements for Commercializing Technology (OAS-M-15-04)	1	
Jul 10, 2015	The National Nuclear Security Administration's Management of Support Service Contracts (OAS-M-15-05)	1	
Sep 3, 2015	The Department of Energy's Management of Electronic Mail Records (DOE/IG-0945)	1	

³ The Potential Monetary Benefits identified are representative of reports with open recommendations rather than individual recommendations. These amounts include funds that could be used more efficiently by implementing the recommended actions, as well as other unresolved or questioned costs. Based on our experience, a significant portion of unresolved and questioned costs are ultimately determined to be allowable by contracting officials.

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Sep 9, 2015	Assessment of Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-15-03)	1	\$2,569,251
Mar 1, 2016	The Department of Energy's Audit Resolution and Followup Process (DOE-OIG-16-08)	3	
Apr 1, 2016	Management and Oversight of Information Technology Contracts at the Department of Energy's Hanford Site (DOE-OIG-16-10)	1	\$183,500,000
Sep 29, 2016	Followup Audit of the Department's Continuity of Operations Planning (DOE-OIG-16-16)	1	
Apr 26, 2017	Department of Energy's West Valley Demonstration Project (DOE-OIG-17-05)	2	
Oct 27, 2017	Management of the National Ignition Facility and the Advanced Radiographic Capability (DOE-OIG-18-04)	3	
Mar 5, 2018	Followup on Cooperative Research and Development Agreements at National Laboratories (DOE-OIG-18-22)	3	
Aug 9, 2018	The Sandia National Laboratories Silicon Fabrication Revitalization Effort (DOE-OIG-18-42)	2	
Aug 14, 2018	Allegation Regarding the Oak Ridge Office Personnel Security Process (DOE-OIG-18-43)	1	
Sep 10, 2018	Southwestern Power Administration's Asset Protection (DOE-OIG-18-47)	2	
Oct 31, 2018	The Department of Energy's Funds Distribution System 2.0 (DOE-OIG-19-03)	1	
Feb 14, 2019	Allegations Regarding Southwestern Power Administration's Procurement of the Pathways Core Training (DOE-OIG-19-16)	1	\$17,349
Mar 28, 2019	Preparedness for Firefighting Response at Los Alamos National Laboratory (DOE-OIG-19-23)	1	
Mar 29, 2019	Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Years 2014 and 2015 Under Department of Energy Contract No. DE-AC04-94AL85000 (DOE-OIG-19-24)	1	\$5,583,067

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Apr 9, 2019	Audit Coverage of Cost Allowability for URS CH2M Oak Ridge LLC During Fiscal Years 2014 Through 2016 Under Department of Energy Contract No. DE-SC00046455 (DOE-OIG-19-26)	1	\$30,685,002
Apr 25, 2019	Allegations of Improper Contracting by Southwestern Power Administration (DOE-OIG-19-28)	1	
May 20, 2019	Mitigation of Risks from Natural Disasters at Lawrence Berkeley National Laboratory (DOE-OIG-19-32)	1	
Jun 7, 2019	Security over Industrial Control Systems at Select Department of Energy Locations (DOE-OIG-19-34)	2	
Jun 10, 2019	The Department of Energy's Management of the ActioNet Information Technology Support Contract (DOE-OIG-19-35)	1	\$294,000,000
Jun 25, 2019	Management of Consultant Services at Los Alamos National Laboratory (DOE-OIG-19-36)	2	\$324,498
Jul 19, 2019	Management of a Department of Energy Site Cybersecurity Program (DOE-OIG-19-42)	2	
Aug 20, 2019	Management of Cybersecurity Activities at a Department of Energy Site (DOE-OIG-19-44)	1	
Sep 27, 2019	Management of Cybersecurity over Selected Information Systems at Department of Energy Headquarters (DOE-OIG-19-52)	3	
Dec 19, 2019	Audit Coverage of Cost Allowability for National Security Technologies, LLC from October 1, 2014, through November 30, 2017, Under Department of Energy Contract No. DE-AC52-06NA25946 (DOE-OIG-20-17)	1	\$42,282
Dec 19, 2019	Audit Coverage of Cost Allowability for Honeywell Federal Manufacturing & Technologies, LLC from October 1, 2014, to September 30, 2015, Under Department of Energy Contract No. DE-NA0000622, and from October 1, 2015, to September 30, 2017, Under Department of Energy Contract No. DE-NA0002839 (DOE-OIG-20-18)	3	\$1,548,035

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Dec 26, 2019	Audit Coverage of Cost Allowability for Los Alamos National Laboratory from October 1, 2013, to September 30, 2016, Under the Department of Energy Contract No. DE-AC52-06NA25396 (DOE-OIG-20-20)	3	\$8,458,966
Dec 30, 2019	Followup on the Department of Energy's Unclassified Foreign Visits and Assignments Program (DOE-OIG-20-22)	1	
Jan 8, 2020	Management of Dosimetry Services at the Hanford Site (DOE-OIG-20-23)	1	
Jan 8, 2020	Review of the Office of Intelligence and Counterintelligence's Closing of Category A Security Incidents (DOE-OIG-20-24)	1	
Feb 5, 2020	Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2019 (DOE-OIG-20-26)	7	
Feb 24, 2020	Management Letter on the Western Federal Power System's Fiscal Year 2019 Financial Statement Audit (DOE-OIG-20-29)	2	
Mar 3, 2020	Management Letter on the Department of Energy's Unclassified Cybersecurity Program for Fiscal Year 2019 (DOE-OIG-20-30)	5	
Mar 4, 2020	Evacuation Procedures for Employees Needing Assistance (DOE-OIG-20-31)	1	
Mar 4, 2020	The Department of Energy's Wildland Fire Prevention Efforts at the Oak Ridge Reservation (DOE-OIG-20-32)	3	
Mar 4, 2020	Nuclear Material Control and Accountability at a Department of Energy Site (DOE-OIG-20-33)	1	
Mar 16, 2020	Audit Coverage of Cost Allowability for University of California from October 1, 2014, to September 30, 2017, Under Department of Energy Contract No. DE-AC02-05CH11231 (DOE-OIG-20-36)	1	\$4,063,434
Mar 23, 2020	The Department of Energy's Wildland Fire Prevention Efforts at the Nevada National Security Site (DOE-OIG-20-37)	5	
Jun 1, 2020	The Strategic Petroleum Reserve's Modernization Program (DOE-OIG-20-43)	2	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Jun 8, 2020	The Department of Energy's Management of Cleanup at the Paducah Site's C-400 Complex (DOE-OIG-20-44)	2	
Jul 6, 2020	The Office of Science's Audit Resolution and Followup Process (DOE-OIG-20-45)	5	
Jul 6, 2020	The Department of Energy's Federal Employee Substance Abuse Testing Program (DOE-OIG-20-46)	3	
Jul 6, 2020	Security over Information Technology Peripheral Devices at Select Office of Science Locations (DOE-OIG-20-47) This report is Official Use Only and not available for public viewing.	2	
Jul 13, 2020	Audit Coverage of Cost Allowability for Sandia Corporation, from October 1, 2015, through April 30, 2017, under the Department of Energy Contract No. DE-AC04-94AL85000 (DOE-OIG-20-48)	3	\$420,640,865
Jul 13, 2020	Audit Coverage of Cost Allowability for Nuclear Waste Partnership, LLC, from October 1, 2014, to September 30, 2017, under the Department of Energy Contract No. DE-EM0001971 (DOE-OIG-20-49)	4	\$31,760,414
Jul 20, 2020	The Department of Energy's Storage and Disposition of Explosives Material at Selected Sites (DOE-OIG-20-50)	5	
Jul 20, 2020	Small Business Subcontracting Requirements for Prime Contractors at the Hanford Site (DOE-OIG-20-51)	6	\$63,800,000
Sep 16, 2020	Respiratory Equipment Maintenance at the Hanford Site (DOE-OIG-20-55)	3	
Sep 30, 2020	Followup on Conference Management at Selected Department Sites (DOE-OIG-20-56)	2	
Sep 30, 2020	Tank Waste Management at the Hanford Site (DOE-OIG-20-57)	3	
Sep 30, 2020	Audit Coverage of Cost Allowability for Bechtel Marine Propulsion Corporation from October 1, 2013, to September 30, 2018, Under Department of Energy Contract No. DE-NR0000031 (DOE-OIG-20-59)	2	

Total Open Recommendations **126** **\$1,225,503,020**

PEER REVIEWS

PEER REVIEWS CONDUCTED BY ENERGY OIG APRIL 1, 2020 – SEPTEMBER 30, 2020			
TYPE OF REVIEW	DATE OF PEER REVIEW	OIG REVIEWED	OUTSTANDING RECOMMENDATIONS
Audits	None this reporting period		
Inspections	None this reporting period		
Investigations	None this reporting period		

PEER REVIEWS CONDUCTED BY OTHER OIGS APRIL 1, 2020 – SEPTEMBER 30, 2020				
TYPE OF REVIEW	DATE OF PEER REVIEW	REVIEWING OIG	FREQUENCY REQUIREMENT	OUTSTANDING RECOMMENDATIONS
Audits	None this reporting period			
Inspections	August 2019	Department of Interior	At least once every 3 years	None - Pass
Investigations	None this reporting period			

INVESTIGATIVE OUTCOMES

Civil Settlement in False Claims Act Investigation

A Department prime contractor entered into a \$57.5 million Civil Settlement with the Department and the DOJ, of which \$25.79 million is restitution to the Department, in order to resolve allegations of false claims submitted to the Department by one of the contractor's subsidiaries. The investigation determined that the contractor's subsidiary committed extensive, long-term fraudulent charging of work hours by inflating the number of workers and hours needed to complete projects in an effort to maximize profits, all of which spanned three divisions at the Department's Hanford Waste Treatment and Immobilization Plant. As a result, the contractor submitted time sheets for laborers at this site to the Department, which misrepresented the number of hours being worked by their employees. Over a 10-year period from January 2009 to July 31, 2019, the contractor submitted false claims inflating worker hours, sometimes by over 40% per day. As part of the Settlement Agreement, the contractors will also be required to retain a corporate monitor and compliance review team for a period of 3 years at their own cost, with regular reporting of their findings to both the OIG and DOJ. If the contractors are found to be non-compliant, they will be subject to additional financial penalties. This is an ongoing investigation.

Sentencings in Bid-Rigging Investigation

Four former construction contractors and one business consultant were sentenced in the U.S. District Court for the Northern District of California. The first contractor was sentenced to 45 days in prison, followed by 1 year of supervised home confinement and a \$30,000 fine; the second contractor was sentenced to 45 days in prison, followed by 1 year supervised home confinement and a \$4,000 fine; the third contractor was sentenced to 90 days in prison, followed by 1 year of probation; the fourth contractor was ordered to pay a fine of \$10,000; and the business consultant received 1 year of probation and was ordered to forfeit \$6,000. As previously reported in the September 30, 2019, March 31, 2019, September 30, 2018, and March 31, 2018, *Semiannual Report to Congress*, the investigation determined that the contractors engaged in an illegal bid-rigging scheme to obtain a Department contract for renovation on a building at the Lawrence Berkeley National Laboratory campus in Berkeley, California. Specifically, the contractors conspired with other construction contractors to submit high bids so that a particular developer could submit the lowest bid and be awarded the contract. The investigation further determined that the indicted contractors conspired to ensure a specific developer was awarded the renovation contract in exchange for financial rewards or construction work derived from that developer. This is a joint ongoing investigation with the FBI. The DOJ press release can be found [here](#).

Informations, Guilty Pleas, and Sentencing in Theft of Government Property Investigation

The owners of three former Department vendors pleaded guilty to separate Informations in the U.S. District Court for the District of Colorado, charging them with violations of Theft of Government Property. One of the three former Department vendors was also sentenced in the U.S. District Court for the District of Colorado to 4 years of probation and ordered to

pay restitution in the amount of \$194,210. The three vendors charged with the Information had over \$440,000 in combined fictitious transactions. The entire estimated loss for this scheme is \$936,000. As previously reported in the March 31, 2020, *Semiannual Report to Congress*, the investigation determined that the three owners of former Department vendors, as well as numerous other vendors, participated in a fictitious billing scheme with a former Department contractor employee tasked with inventory management duties at a Department-owned warehouse. The former warehouse employee initiated fictitious purchase orders to the vendor companies to order goods for the warehouse. The goods ordered from the vendor companies were never actually received by the warehouse, and the proceeds from the purchases were stolen by the warehouse employee and vendors involved in the scheme. This is an ongoing joint investigation with the General Services Administration (GSA) OIG and the FBI.

Sentencing and Debarment in Theft of Public Money Investigation

A former subcontractor employee at the Bettis Atomic Power Laboratory was sentenced in the U.S. District Court for the Western District of Pennsylvania to 18 months in prison, followed by a 3-year term of supervised release, and restitution in the amount of \$250,000, as well as property forfeiture. The former subcontractor was also debarred for a period of 8 years as a result of the OIG investigation. As previously reported in the September 30, 2019, and March 31, 2020, *Semiannual Report to Congress*, the former subcontractor pleaded guilty to an Information, filed in the U.S. District Court for the Western District of Pennsylvania, to one count of Theft of Public Money. The investigation determined that from January 2016 to December 2017, the former employee, while still employed as a Federal subcontractor, utilized credit cards belonging to the contractor company, as well as various vendor purchase orders, to make unauthorized purchases for personal use totaling approximately \$250,000. The former subcontractor employee was also subject to criminal forfeiture, due to the sale of firearms and equipment acquired with the proceeds of the criminal activity, and the former subcontractor's employment was terminated as a result of the investigation. This is an ongoing joint investigation with the FBI. The DOJ Press Release can be found [here](#).

Sentencing in Attempted Burglary Investigation

An individual with no affiliation to the Department was sentenced to 30 months of incarceration and 1 year of supervised release, and fined \$624 in the Eighteenth Judicial District Circuit Court, DuPage County, Illinois. As previously reported in the March 31, 2020, *Semiannual Report to Congress*, the individual had pleaded guilty to one count of Attempted Burglary. The OIG investigation found the individual and a co-conspirator were recorded on video trying to remove copper wiring from a storage building located at the Fermi National Accelerator Laboratory in Batavia, Illinois. This is an ongoing joint investigation with the DuPage County, Illinois Sheriff's Department.

Guilty Plea in Grant Fraud Investigation

A Department grantee pleaded guilty to one count of Wire Fraud in connection with a SBIR grant fraud investigation. As previously reported in the March 31, 2020, and September 30, 2017, *Semiannual Report to Congress*, from 2009 to 2018, the defendant obtained more than 30 SBIR awards from numerous Federal agencies, totaling over \$11 million. The

investigation determined that the grantee company and its employees submitted false claims and certifications to the Department and other Government agencies in its applications for these awards, including forged letters of support and collaboration. The grantee was previously suspended from doing business with the Government pending completion of legal proceedings. As part of the plea agreement, the grantee agreed to a civil settlement, including \$700,000 in damages to the Government, minus any criminal restitution for violations of the False Claims Act. This is an ongoing joint investigation with the NSF OIG, the National Aeronautics and Space Administration (NASA) OIG, and the Defense Criminal Investigative Service.

Information and Guilty Plea in Procurement Integrity Act Investigation

A Department subcontractor pleaded guilty to an Information containing one count of Conspiracy to Defraud the Government in violation of the Procurement Integrity Act in the U.S. District Court for the Eastern District of Louisiana. The investigation determined that from February 2002 to October 2016, the subcontractor received contracts with the Strategic Petroleum Reserve (SPR), totaling approximately \$9 million for the provision of equipment and services at the SPR. In order to receive these subcontracts, the company conspired with a former subcontract management technical representative at the SPR to obtain non-public Government pricing information in advance of submitting its proposals. The investigation further determined that over 90% of the company's subcontract awards can be attributed to this scheme. The DOJ press release can be found [here](#).

Administrative Settlement Reached in False Claims Investigation

A Department Management and Operating (M&O) contractor entered into an Administrative Settlement Agreement to resolve disputes associated with the contractual allowability of the M&O contractor's key personnel compensation costs, in connection with an ongoing OIG investigation. Per the terms of the settlement, the M&O contractor will issue a \$4,000,000 contract credit to the Department. The OIG investigation found that the M&O contractor neglected to fully report their key personnel compensation to the Department, including base salary, bonus, and/or incentive compensation, which resulted in the M&O contractor spending federal funds for compensation payments which exceeded the Department-approved levels. The investigation was worked in close consultation with the DOJ and the Department's General Counsel's Office.

Debarment in False Statements Investigation

In response to an IRM issued to the NNSA's Office of Acquisition and Project Management, a former senior contractor employee at the Kansas City Field Office was debarred for a period of 3 years. As previously reported in the September 30, 2019, and March 31, 2020, *Semiannual Report to Congress*, the employment of the former senior contractor employee was terminated as a result of the OIG investigation. The investigation determined that the contractor employee made false statements regarding the nature of that employee's relationship with a foreign national. Specifically, the investigation determined that the contractor employee provided false statements on a security clearance form, made false statements under oath to an Office of Personnel Management investigator, made false statements to FBI Special Agents, and made false statements to Department security personnel.

Civil Settlement in University Fraud Investigation

A university that received Department grants entered into a \$1,000,000 Civil Settlement Agreement with the DOJ, in connection with the university's receipt of various federal grants from Federal agencies. The investigation determined that from 2009 to 2017, the university did not properly account for various rebates, purchase discounts, and other applicable credits that the university received in connection with their federally sponsored activities. These credits were not subtracted from the university's federal award funds in accordance with federal regulations. The settlement agreement encompasses losses from several Government agencies. This is a joint investigation with the Department of Health and Human Services (HHS) OIG, the NASA OIG, the NSF OIG, the Department of Education OIG, and the U.S. Army Criminal Investigative Division.

Civil Settlements in Grant Fraud Investigation

Two Department grant recipients under the SBIR and the STTR programs entered into two separate Civil Settlement Agreements, each in the amount of \$250,000. The Settlements resolve civil claims against the grant recipients arising from the submission of false claims, false statements, and misrepresentations made in applications for federal funding. As previously reported in the March 31, 2019, September 30, 2018, and September 30, 2017, *Semiannual Report to Congress*, the investigation determined the corporate executives of the grant recipients used various corporations to apply for and receive SBIR grants from multiple agencies for essentially the same work while concealing the existence of the awards and the relationships between the related corporations from the awarding agencies. Additionally, the investigation determined that both corporate executives and corporations misrepresented the existence and use of corporation facilities, and equipment to the awarding agencies, as well as the location of operations during the SBIR application process.

An Information was filed under a separate criminal proceeding, charging the grant recipients and two related corporations with one count of Conspiracy to Commit Wire Fraud and one count of Wire Fraud. Subsequently, one of the corporate executives pleaded guilty to one count of Wire Fraud and the three corporations involved in the case each pleaded guilty to one count of Conspiracy to Commit Wire Fraud. Also, as previously reported, two corporate executives reached Pretrial Diversion Agreements with the DOJ, and one executive and the three corporations were sentenced in the U.S. District Court for the District of South Dakota. The executive who pleaded guilty received a sentence of 24 months' probation with 80 hours community service and was ordered to pay restitution with the three corporations in the amount of \$1,084,818 with a \$100 special assessment fee. This is a joint investigation with the NASA OIG and the NSF OIG. The DOJ press release can be found [here](#).

Civil Settlement on Fraud of Small Business Set-Aside Contracts

A Department subcontractor entered into a \$450,000 Civil Settlement with the DOJ to resolve allegations of fraud related to small business set-aside contracts. The OIG investigation revealed that the subcontractor, which had graduated from the Small Business Administration set-aside program, conspired with a longtime employee of the company to create another business and help it obtain small business status in order to

obtain Government small business set-aside contracts, including a contract with the NNSA. Those awarded contracts would then be passed on to the subcontractor for fulfillment. In accordance with the terms of the settlement, the subcontractor agreed to pay the Government \$450,000, of which \$201,779 is restitution to be repaid to the affected Government agencies. The subcontractor also agreed to a voluntary debarment of 1 year. This was a joint investigation with the Defense Criminal Investigative Service and the Naval Criminal Investigative Service, and was prosecuted by the U.S. Attorney's Office for the Northern District of New York. The DOJ press release can be found [here](#).

Civil Settlement in Grant Fraud Investigation

A Department grantee entered into a \$374,184 Civil Settlement with the DOJ in order to resolve allegations of fraud related to the False Claims Act, out of which \$101,051 is restitution to the Department. The investigation determined that the grantee, a Department funds recipient under the SBIR program, made numerous false representations and certifications in order to receive SBIR awards from NASA, which they would have otherwise been ineligible to receive. This is an ongoing joint investigation with the NASA OIG.

Superseding Indictment in Grant Fraud Investigation

A Department grant recipient was charged in a Superseding Indictment with seven counts of Wire Fraud and three counts of False Statements in the U.S. District Court for the District of Kansas. As previously reported in the March 31, 2020, *Semiannual Report to Congress*, the investigation determined the grant recipient, a professor at the University of Kansas, created a scheme to defraud the Government by failing to disclose on grant proposals to the Department an existing affiliation with, and contractual obligations to, a Chinese university. The grant recipient also failed to disclose this conflict of interest to the University of Kansas. As a result, the grant recipient was able to improperly obtain funds derived from numerous federal grants, including funding from the Department and the NSF. This is a joint investigation with the FBI and the NSF OIG.

Indictments, Arrests, and Seizure Warrants Executed in Small Business Technology Transfer Fraud Investigation

Two Department grant recipients were indicted in the U.S. District Court for the Western District of Oklahoma for violations of 9 federal statutes in a 13-count indictment. The indictment included forfeiture of assets traceable to the offenses, including more than \$2 million which was seized when the grant recipients were arrested. The grant recipients were charged with Conspiracy to Commit Wire Fraud and 15 seizure warrants were executed on financial accounts held by the grant recipients. The investigation determined that the grant recipients, owners of businesses which received Government funds under the Department's STTR program, submitted numerous false statements and false business documents in proposals, reports, and other records submitted to the Department to obtain three STTR awards totaling \$2.1 million. The grant recipients also converted Department STTR funds for personal use. The executives were further engaged in a money laundering scheme to transfer the fraudulently obtained Department grant funds between multiple financial accounts. This is an ongoing joint investigation with the FBI and the NSF OIG. The DOJ press release can be found [here](#).

Indictment in Grant Fraud Investigation

A Department grant recipient was indicted in the U.S. District Court for the Northern District of Illinois for 15 counts of Wire Fraud and Bank Fraud. The grant recipient, the President and Chief Executive Officer of a not-for-profit organization receiving Department funds under the Weatherization Assistance Program, caused the submission of multiple misrepresentations to the Illinois Department of Commerce and Economic Opportunity (DCEO) in order to obtain three grants, including two grants funded with Department funds. The Weatherization Assistance Program provides Government funds to help offset costs incurred by low-income recipients for energy efficiency, including heating and cooling costs. The investigation found that the not-for-profit organization applied for and received these grants through the DCEO, which relied upon these fraudulent submissions. The grant recipient also made false statements to the DCEO in the form of grantee status reports, claiming grant funds were being spent in accordance with previously approved budgets, when in fact substantial quantities of the grant funds had been fraudulently converted for personal use. The OIG first began investigating the business after receiving a referral from the Illinois Attorney General's Office. This is an ongoing joint investigation with the FBI. The DOJ press release can be found [here](#).

Arrest in Child Pornography Investigation

A contractor employee at the National Energy Technology Laboratory (NETL) in Albany, Oregon was suspended and removed from the contract after being arrested by the Benton County Sheriff's Office, in conjunction with an OIG investigation. The contractor employee was charged with Luring a Minor, Online Sexual Corruption of a Child, and attempted Using Child in Display of Sexually Explicit Conduct. A Department-issued device was seized during the arrest. This is an ongoing joint investigation with the Benton County Sheriff's Office.

Administrative Actions in Theft of Government Funds Investigation

A contractor employee at the Savannah River Site (SRS) was removed and subsequently terminated in connection with an OIG investigation into fraudulent per diem claims submitted by the contractor employee. The investigation determined that the contractor, who was an employee of the parent company of the M&O contractor at SRS, and who was performing work at SRS under a reach-back arrangement, submitted multiple lease agreements for reimbursement reporting expenses that were never actually incurred. Specifically, the contractor employee included lease agreements purporting to pay a local small business; however, the investigation found that the contractor actually owned that business and, in turn, either did not pay the expenses outlined in the lease agreement, or made payments to the company and withdrew the funds as the owner of the reimbursed business. These activities led to the contractor fraudulently receiving \$29,198 in per diem benefits, which were reimbursed to the Department by the M&O contractor. This is an ongoing OIG investigation.

Administrative Action in Unclassified Controlled Nuclear Information Investigation

A subcontractor employee at SRS resigned their position prior to pending termination of their subcontract, as a result of an OIG investigation. The investigation determined that the subcontractor intentionally evaded cyber security protocols and emailed two documents

containing Unclassified Controlled Nuclear Information to the subcontractor's personal email account. The subcontractor subsequently provided consent to search their personal computer, which led to the OIG's discovery of the two sensitive files after a forensic examination. This is an ongoing joint investigation with the FBI.

Administrative Actions in Time and Attendance Investigation

As a result of an OIG investigation, a contractor to the NNSA took several administrative actions against 10 contractor employees. As previously reported in the September 30, 2019, and March 31, 2020, *Semiannual Report to Congress*, the investigation determined that several employees of a major Department contractor at the Pantex Plant allegedly claimed multiple hours on their time and attendance reports for hours which they did not work. As a result of the OIG investigation, the contractor terminated the employment of four employees, and three employees resigned or retired in lieu of termination. Three employees were placed on paid administrative leave. To date, this investigation has resulted in 132 security clearance revocations, 135 suspensions, 47 terminations, and 7 resignations in lieu of termination. This is an ongoing investigation.

Administrative Actions in Time and Attendance Investigation

Two contractor employees at the Y-12 National Security Complex (Y-12) were placed on paid administrative leave by Consolidated Nuclear Security, LLC, the M&O Contractor at Y-12, in connection with an OIG investigation. The investigation has determined that several contractor employees, employed in sensitive positions at Y-12, claimed multiple hours on their time and attendance reports which they did not work. This is an ongoing investigation.

Administrative Action in Senior Employee Misconduct Investigation

In response to an Investigative Report to Management (IRM) issued by the OIG, a Department employee, a member of the Senior Executive Service (SES), voluntarily accepted a transfer to a GS-15 position, relinquishing his SES status, his title, and security clearance, and reimbursed the Department \$452 for overpayments on travel vouchers. The employee subsequently resigned from federal service. The OIG investigation determined that the employee was in violation of several Department directives for behaving inappropriately toward subordinate employees and failing to report foreign contacts, as required, for security clearance and Sensitive Compartment Information access, and submitted travel vouchers with unauthorized expenses. The program office implemented office-wide training on travel policies, Equal Employment Opportunity, and sexual harassment prevention.

Debarment in Illegal Gratuity Investigation

In response to an IRM issued to the Department's Director of the Office of Acquisition Management, a former employee of Battelle Energy Alliance, the M&O contractor for the Department's Idaho National Laboratory, was debarred for a period of 3 years in connection with an OIG investigation. As previously reported in the March 31, 2018, and March 31, 2020, *Semiannual Report to Congress*, the former employee was sentenced in the U.S. District Court for the District of Idaho to 3 months incarceration and 1 year of supervised release, after pleading guilty to one count of Accepting an Illegal Gratuity by a

Public Official. The investigation determined that the former employee was paid to provide non-public bid information for laboratory procurements, allowing a subcontractor to underbid competitors in the procurement process. The former employee further agreed to intentionally steer business toward the subcontract company. This is an ongoing joint investigation with the FBI.

Debarment in Grant Fraud Investigation

A former Department grant recipient was debarred for a period of 10 years as a result of an OIG investigation. As previously reported in the September 30, 2019, March 31, 2019, March 31, 2018, and September 30, 2017, *Semiannual Report to Congress*, the grant recipient, after waiving the right to a jury trial, was adjudicated guilty by the presiding District Court Judge for the Western District of Virginia on charges of Conspiracy to Defraud the United States, False Statements, and Obstruction by Falsification. The grant recipient was sentenced to 2 years supervised release and ordered to pay a \$500 special assessment after already serving 3 months in Roanoke City Jail and 21 months home confinement. The grant recipient conspired with two other employees of the grant recipient's company to submit false claims and false statements to the Department and NSF in order to receive grant funding under the SBIR and STTR programs. Additionally, the investigation determined that the convicted grant recipient stole trade secrets from former company employees and transferred the technology overseas to entities in the People's Republic of China. This is a joint investigation with the NSF OIG and the FBI.

Recovery of Funds in Pension Fraud Investigation

The Fifth Judicial Circuit Court of Common Pleas in Richland County, South Carolina ordered the release of \$17,412 to the M&O contractor at SRS, in relation to pension overpayments made to a deceased M&O contractor retiree. An OIG investigation into the theft of Department-funded pension benefits found that the M&O contractor had not received notification of the employee's death, resulting in the continuation of pension payments. Since the monies remained unclaimed, the financial institution administratively closed the retiree's account and remitted all remaining funds to the South Carolina Unclaimed Property Office. Through coordination by the OIG, the M&O contractor learned of the unclaimed funds and issued a motion requesting the release of the funds.

Debarment in Weatherization Assistance Program Fraud Investigation

In response to an IRM issued to the Department's Director of the Office of Acquisition Management, a manager at a not-for-profit organization was debarred for a period of 3 years. As previously reported in the March 31, 2020, and September 30, 2019, *Semiannual Reports to Congress*, the manager was sentenced in the U.S. District Court for the Western District of Michigan to 41 months imprisonment and 2 years of supervised release, after pleading guilty to one count each of Theft or Bribery Concerning Programs Receiving Federal Funds and Tax Evasion. The manager was also ordered to pay \$431,828 in restitution and a \$200 special assessment. The investigation determined the manager, employed by a community action entity receiving Department grant funding, embezzled Weatherization Assistance Program funds for personal use and failed to timely file tax returns with the Internal Revenue Service. The funds were intended for use to weatherize homes in low-income communities. The investigation determined that the manager stole

an excess of \$300,000 in Department weatherization funding, as well as funding issued by HHS through the Low Income Home Energy Assistance Program, by submitting false invoices to the community action organization for reimbursement utilizing federal funds. These invoices reflected fraudulent expenses for the supposed provision of materials to actual weatherization projects. The manager then diverted the funds issued by the community action organization for personal use. In addition, the manager was suspended from receiving federal government contracts. This is an ongoing joint investigation with the Internal Revenue Service Criminal Investigation Division, the HHS OIG, and the FBI.

Revocation of Department-Issued License to Export Electricity

A Department licensee company was subjected to sanctions designations implemented by the Office of Foreign Assets Control, U.S. Department of Treasury, for violating existing U.S. sanctions against the Government of Venezuela. The licensee company had applied for and received license authority from the Department's Office of Electricity to export electricity from the U.S. to Mexico. The investigation determined that the licensee, which did not actually export any electricity under the license, conducted a number of financial transactions with sanctioned entities in Venezuela, and conspired with other foreign entities to evade sanctions on Venezuela's oil sector. As a result, and with OIG coordination and assistance, the Office of Electricity moved to revoke the company's license to export electricity. The Department of Treasury press release is available [here](#).

Funds Returned to Department in Fraudulent Invoicing Scheme

A former contractor employee at the Bonneville Power Administration (BPA) returned \$9,878.36 to the Government in connection with an OIG investigation. The investigation determined that the former contractor employee admitted to embezzling funds from a BPA contract. The former contractor employee confessed to involvement with the scheme to the OIG and provided their management with a check for \$12,000, of which \$9,878.36 was attributed to the amount the subject embezzled from the BPA-issued contract.

Award Suspended for University

Pursuant to an ongoing OIG investigation, the Department issued a Notice of Suspension letter for an award to a University. The Notice of Suspension was based on an investigation alleging research misconduct by the former principal investigator on several federal research projects funded by a number of agencies, including the Department. This is an ongoing joint investigation with the NSF OIG and the NASA OIG.

Improvement to Policies and Procedures in Unauthorized Media Investigation

In response to an IRM issued to NETL's Director, NETL concurred with the OIG's recommendation to improve NETL's policies and procedures related to Oak Ridge Science and Education Research (ORISE) Foreign National Research Associates. The OIG investigation focused on a media device confiscated during the employment termination of a foreign national NETL ORISE Research Associate, the possession of which was in violation of NETL and ORISE regulations. Though an OIG review of the device did not identify any unauthorized collection or exfiltration of data from the NETL site, the OIG identified opportunities for NETL to strengthen its policies related to foreign nationals working onsite.

AUDIT REPORTS

The Child Development Center at Argonne National Laboratory

The Department of Energy contracts with Chicago Argonne, LLC for the management and operation of the Argonne National Laboratory (Argonne). As the management and operating contractor, UChicago Argonne, LLC contracted with Bright Horizons Children's Centers, LLC (Bright Horizons) for the operation of the Argonne Child Development Center located at Argonne. The Argonne Child Development Center provides childcare services and educational development to children of the employees and contractors of Argonne, the Department, and the University of Chicago.

Bright Horizons is expected to adhere to all applicable laws and regulations, such as the Crime Control Act of 1990 (Crime Control Act), and the requirements set forth in its contract with UChicago Argonne, LLC. The Crime Control Act requires every childcare facility operated by, or under contract with, the Federal Government to ensure that all existing and newly-hired employees undergo criminal background checks.

We initiated this audit to determine whether the Argonne Child Development Center was managed in accordance with the Crime Control Act of 1990 and the requirements of UChicago Argonne, LLC's contract with Bright Horizons. We found that although the Argonne Child Development Center had conducted background checks on all 23 of its employees, these background checks were not conducted in accordance with the Crime Control Act of 1990 or UChicago Argonne, LLC's contract with Bright Horizons. Specifically, we identified that fingerprint checks, credit checks, and driving records checks had not been conducted on any of the 23 Argonne Child Development Center employees. Further, we found that checks for potential child abuse and neglect were not conducted for 21 employees.

These issues occurred because of confusion as to whether the Argonne Child Development Center was exempt from certain background check requirements and the applicability of contract requirements to employee job descriptions. Our review of training records noted that all 23 Argonne Child Development Center employees met the required 15 hours of annual training. Argonne officials informed us that as a result of our audit, fingerprint-based background checks, as well as child abuse and neglect checks, were performed on the employees onboard as of May 2019, and no issues were found. However, Argonne officials noted that these checks were not conducted on employees that had left the Argonne Child Development Center by May 2019. Management concurred with our findings and recommendations and indicated that corrective actions have been taken to address our recommendations. (DOE-OIG-20-38)

The Department of Energy's Improper Payment Reporting in the Fiscal Year 2019 Agency Financial Report

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) was signed into law on January 10, 2013, amending the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Information Act of 2002. The Office of Management and Budget (OMB) issued Memorandum M-18-20, Appendix C to

Circular Number A-123, Requirements for Payment Integrity Improvement, as implementation guidance to Federal agencies for IPERIA in June 2018. While all three laws are still in effect, the agency Inspector General guidance included in OMB Memorandum M-18-20 focuses on compliance with IPERA. The Department's Office of Finance and Accounting, a component of the Office of the Chief Financial Officer (OCFO), communicated instructions for meeting improper payment and payment recapture audit requirements, prescribed by OMB Circular Number A-123, to its 48 payment reporting sites. In accordance with OMB M-18-20, the Department implemented a 3-year risk assessment review cycle and last completed an improper payment risk assessment FY 2018. Only payment reporting sites that experienced significant: (1) changes in legislation, (2) increases in outlays, or (3) changes to the site's payment processes that would make the site susceptible to significant improper payments were required to complete risk assessments during FY 2019. Twenty-one sites met one or more of these criteria and performed risk assessments in the past year. Based on the site risk assessments performed in FY 2019 and consolidated at the Departmental level, the OCFO determined that the Department was not susceptible to significant improper payments.

OMB requires the OIG to perform an annual review of the Department's improper payment reporting in its Agency Financial Report, and accompanying materials, to determine whether the Department was compliant with IPERA. The objective of this audit was to determine whether the Department met the OMB criteria for compliance with IPERA.

We determined that the Department's FY 2019 improper payment reporting was in accordance with OMB criteria. Specifically, the Department published an Agency Financial Report for FY 2019 and posted that report, as well as accompanying materials, on its website. However, we found that enhancements to the OCFO's review process could improve reliability of the improper payments reported. Specifically, although in previous years the OCFO had conducted site visits that evaluated the site's improper payment processes, the reviews were limited and were not scheduled for FY 2020 due to travel restrictions as the result of the coronavirus pandemic. We also noted that the onsite review process was not documented in a formalized standard operating procedure and believe that improved oversight could ensure more accurate reporting of improper payments. Because we determined that the Department's improper payment reporting was in accordance with OMB criteria, we did not issue any formal recommendations, although we did suggest that the OCFO resume conducting annual site visits to review improper payment processes. (DOE-OIG-20-40)

Quality Assurance Management at the Integrated Waste Treatment Unit

The Integrated Waste Treatment Unit (IWTU) is a facility at the Idaho National Laboratory Site designed to treat 900,000 gallons of liquid radioactive sodium-bearing waste, package the treated waste into stainless steel canisters, and store it in above-ground vaults. The IWTU is a Hazard Category 2 nuclear facility, which has the potential for significant onsite radiological consequences. The IWTU contains safety-significant systems, structures, and components designed to protect against these consequences. Since June 2016, Fluor Idaho, LLC (Fluor Idaho) has managed the cleanup work at the Idaho National Laboratory Site. This includes a requirement to make the IWTU fully operational for processing specified

waste through the facility and storing the end product in onsite canisters and vaults. Prior to June 2016, CH2M-WG Idaho, LLC (CWI) managed the cleanup work at the Idaho National Laboratory Site, including design, construction, and operations of the IWTU. Upon initial startup in June 2012, IWTU experienced a system pressure event leading to the shutdown of the facility. Subsequent to the event, numerous design changes and modifications were made to prepare for eventual operations. Currently, the IWTU is still not operational.

The Department's contracts with Fluor Idaho and CWI required compliance with Department Order 414.1D, Quality Assurance, which requires the development and use of an approved quality assurance program. Both contractors adopted the American Society of Mechanical Engineers' Quality Assurance Requirements for Nuclear Facility Applications, 2008 edition and addenda through 2009 (NQA-1) as the standard. NQA-1 outlines requirements for the establishment and execution of quality assurance programs for nuclear facilities. The Idaho Operations Office provides oversight to ensure proper implementation of quality assurance at IWTU. Due to past quality assurance issues during construction of the IWTU, resulting in cost increases and project delays, and challenges with operating the facility, we initiated this audit to determine whether the Department managed quality assurance requirements for procurements at the IWTU in accordance with NQA-1.

We found that the Department did not always manage quality assurance requirements for procurements at the IWTU in accordance with NQA-1. We concluded that the Idaho Operations Office's oversight contributed to the issues identified. Ineffective implementation of quality assurance requirements limits the Department's ability to provide reasonable assurance that it has maintained safe operations at the IWTU. Inadequate supplier evaluations and not imposing applicable quality assurance requirements may increase the risk of awarding procurements to suppliers that cannot meet contract requirements and could result in safety-significant systems, structures, and components not meeting the intended safety functions. We made three recommendations to improve controls and oversight over IWTU's quality assurance activities. Management concurred with the report's recommendations and identified corrective actions that were completed, initiated, and planned to address the issues identified in the report. (DOE-OIG-20-42)

The Strategic Petroleum Reserve's Modernization Program

Since 1975, it has been the policy of the U.S. Government to maintain a strategic supply of federally owned petroleum products. Under the authority of the Secretary of Energy, the Strategic Petroleum Reserve (SPR) is intended to reduce the impact of petroleum supply disruptions, as well as fulfill the International Energy Program obligations of the United States. The Department's Office of Petroleum Reserves is responsible for the executive oversight of all aspects of the SPR program, and the SPR Project Management Office in New Orleans, Louisiana oversees the day-to-day operations of the storage sites. In the Bipartisan Budget Act of 2015, Congress found that the age and condition of SPR had diminished its value as a federal energy security asset. Meanwhile, global oil markets, as well as the location and amount of United States oil production, had dramatically changed in the 40 years since SPR was established. According to Congress, maximizing the energy

security value of SPR requires a modernized infrastructure that meets the drawdown and distribution needs of these changed oil markets. To that end, Congress directed the Secretary of Energy to establish an SPR modernization program and authorized the Secretary to sell up to \$2 billion worth of SPR oil to carry it out. Congress specified that the modernization program could include operational improvements to extend the useful life of SPR's infrastructure, but also new infrastructure and facilities to optimize SPR's drawdown and distribution capabilities. We initiated this audit to determine whether the Department's SPR modernization program was addressing the congressional findings in the Bipartisan Budget Act of 2015.

We determined that the Department's SPR modernization program may not fully address the congressional findings in the Bipartisan Budget Act of 2015. In particular, while the Department's modernization plans address congressional concerns regarding the age and condition of SPR, the current plans may not ensure that the modernized SPR infrastructure would meet the drawdown and distribution needs of changed domestic and international oil markets. The Department originally scoped the modernization program to include two distinct projects, a life extension project to address SPR's aging infrastructure, and a distribution enhancements project to increase SPR's distribution capabilities. However, due to a lack of specific congressional funding authority, the Department decided to cancel the distribution enhancements project, leaving life extension as the only project in the SPR modernization program.

Without a complete examination of the role and mission of SPR, the Department is at risk of not allocating its limited modernization resources toward those activities most critical to the future of SPR. We made two recommendations to ensure that the SPR is optimized for the energy security challenges of the 21st century. Management concurred with the report's recommendations and stated that corrective actions have been initiated to address the issues identified in the report. As a result of world events leading to simultaneous global oil demand reduction and over production, the Department's leadership has begun policy discussions on the need for SPR capacity in response to oversupply conditions. Thus, the Office of Petroleum Reserves stated that it will complete an SPR Post-Sale Configuration Study to include an evaluation of responses to this new market reality. According to management, the revised study will inform deliberations within the Administration and in Congress toward decisions on the SPR's future size and configuration. Additionally, management stated that it has organized the Life Extension – Phase II sub-projects into categories that provide agility in adjusting the project's scope and completion criteria to correspond with changes, if any, to the SPR's configuration. (DOE-OIG-20-43)

The Department of Energy's Management of Cleanup at the Paducah Site's C-400 Complex

The C-400 complex at the Paducah Site in Paducah, Kentucky includes the 134,000 square-foot C-400 building and surrounding areas. The C-400 building had been used in a variety of functions to support operations at the plant but was primarily used to clean parts and equipment from the uranium enrichment process buildings using a hazardous solvent containing trichloroethylene. The Paducah Site contains the largest offsite

trichloroethylene groundwater plumes in the Department's complex, and releases beneath the C-400 building are the primary ongoing source to the plumes. In 2016, the Department proposed to accelerate the investigation and cleanup of the C-400 complex for all sources of contamination associated with the C-400 building and associated structures.

In August 2017, the Department entered into a Memorandum of Agreement with the environmental regulators who oversee the Paducah cleanup through a Federal Facilities Agreement. Paducah's Federal Facilities Agreement, a tri-party agreement between the Department, the U.S. Environmental Protection Agency, and the Kentucky Department of Environmental Protection, governs the site's corrective and response actions, from site investigation through site remediation, as agreed upon by the three parties. The Memorandum of Agreement outlined the tri-party agreement to accelerate the investigation of all remaining contaminants under and around the C-400 building and set forth a timeline for C-400 cleanup activities to be completed and/or started between 2019 and 2024. We initiated this audit to determine if the Department was on track with cleanup activities at the Paducah Site's C-400 building and surrounding areas.

We determined that the Department was not on track with cleanup activities at the C-400 complex. Specifically, the Department had not yet completed the C-400 building deactivation, had postponed the building demolition, and had re-aligned the start of remedial investigation to now begin prior to the building demolition. To address the issues identified, we made recommendations to the Portsmouth/Paducah Project Office. (DOE-OIG-20-44)

The Office of Science's Audit Resolution and Followup Process

The Department's audit resolution and followup process provides an important mechanism for assisting management with improving the performance of the Department and its programs. With this goal in mind, the Order generally requires that audit reports and all associated recommendations be closed within 1 year. Further, management officials must sign an Assurance of Effectiveness of Corrective Actions Taken to certify that corrective actions have satisfactorily addressed audit report recommendations.

Per the Order, the OIG is tasked with periodically evaluating the Department's audit followup systems and assessing whether these systems result in effective, prompt, and proper resolution of audit recommendations. As such, we completed audits of The Department of Energy's Audit Resolution and Follow-up Process (DOE/IG-0840, September 2010) and The Department of Energy's Audit Resolution and Followup Process (DOE-OIG-16-08, March 2016).

Because the Order was under revision and the recommendations for both prior reports remained open, we deviated from the methodology of the previous audits to focus on a particular program office, rather than a Department-wide review. As such, the objective of this audit was to determine whether Science's audit resolution and followup process was in accordance with requirements.

We found that the Office of Science’s audit resolution and followup process was not in accordance with all of the requirements of Department Order 224.3, Audit Resolution and Follow-up Program. Specifically, we found that required audit followup assessments were not performed for four sampled reports and that formal procedures did not exist for the Office of Science’s audit resolution and followup program. We found that resolution for a Government Accountability Office audit report was not submitted timely to the OMB and Congress. Further, justifications were not documented in the Departmental Audit Report Tracking System for audit reports that were open for more than 1 year in the Departmental Audit Report Tracking System. To its credit, we found that Science resolved the three OIG reports in a timely manner, as required by the Department Order. (DOE-OIG-20-45)

The Department of Energy’s Federal Employee Substance Abuse Testing Program

Department Order 343.1, Federal Substance Abuse Testing Program, establishes the requirements and responsibilities for the Department’s Program, which covers drug testing. The Director, Office of Human Capital Management implements and administers the Program. The Departmental Substance Abuse Program Manager provides advice and guidance on policies, standards, and procedures, and maintains the substance abuse testing databases. Local Substance Abuse Program Coordinators coordinate the scheduling of all testing for their offices; report positive drug test results to the Departmental Substance Abuse Program Manager; provide or secure training to managers and supervisors; and maintain local databases of employees who require testing. Managers and supervisors ensure that employees are available and direct them to report for scheduled testing. The Department has an interagency agreement with the Department of the Interior to provide for the collection, testing, and medical review of drug testing by private contractors.

The Order states that all Federal employees who are in Testing Designated Positions (TDP) (i.e., hold security clearances or hold position categories such as Public Health and Safety, Presidential Appointees, and Law Enforcement) are subject to an annual 30 percent random drug testing rate. The Department is comprised of approximately 13,000 Federal employees, including approximately 6,400 positions that meet the 30 percent annual random drug testing rate criteria for TDP.

We initiated this audit to determine whether the Department is administering the Federal Substance Abuse Testing Program, as required. We found that the Department had not always administered the Federal Substance Abuse Testing Program, as required by Department Order 343.1, Federal Substance Abuse Testing Program. Based on our analysis, we determined that the Department did not meet the annual random drug testing rate for TDP Federal employees. In addition, we found that Local Substance Abuse Program Coordinators did not always ensure that random drug testing was conducted. Finally, we identified issues related to TDP documentation, annual reporting, and training.

These conditions occurred, in part, because of internal control weaknesses within the Program. Specifically, we noted that the Departmental Substance Abuse Program Manager did not verify that employees selected for testing were actually tested, did not maintain records of employees selected for testing, and did not ensure that Local Substance Abuse Program Coordinators were fully aware of their responsibilities. As a result, the

Department cannot ensure that it can effectively and consistently implement a Program aimed at achieving a drug-free workplace. We made recommendations to help improve the Department's management of its Program. (DOE-OIG-20-46)

Security over Information Technology Peripheral Devices at Select Office of Science Locations

No summary available; memo posted instead. (DOE-OIG-20-47)

The Department of Energy's Storage and Disposition of Explosives Material at Selected Sites

The Department manages a significant portfolio of explosives material across its complex of National Laboratories and other facilities to carry out elements of its diversified mission. The Department's research and development operations involve a wide variety of explosive devices and materials such as rocket motors, propellants, bulk explosives, shaped charges, artillery shells, ammunition, and detonators. These explosives are utilized for many different types of research and testing operations, including environmental testing, component testing and modeling, and performance testing.

We found that the three sites reviewed were generally storing and disposing of explosives material in accordance with Federal and Department requirements. However, we noted weaknesses at all three sites that potentially limit the effectiveness of explosives material control, accountability, and safety. Specifically, we identified weaknesses with control and accountability related to site database inventory systems, physical inventories, and errors in identification labels. While we identified weaknesses at all three sites, we made the determination that the weaknesses at one site may have been more significant due to the limitations identified in its record-keeping process.

We attributed these weaknesses at the three sites to issues in overall explosives inventory controls, including tracking and accountability from acquisition to disposition. Additionally, sites' policies and procedures did not always include steps that met the requirements of a physical inventory or have an effective process to regularly update or replace physical identification labels. Further, sites did not have adequate controls in place to ensure that incompatible explosives material was not moved to or stored in prohibited areas, and storage reviews were not always completed.

To address the issues identified in this report, we have made five recommendations that, if fully implemented, should help ensure that explosives are properly stored, accounted for, and disposed of in accordance with Federal regulations and Department standards. (DOE-OIG-20-50)

Small Business Subcontracting Requirements for Prime Contractors at the Hanford Site

The Small Business Act, as amended, requires Federal agencies to ensure that a fair proportion of their total purchases, contracts, or subcontracts are with small business entities. According to the Small Business Act, the Government should aid, counsel, assist, and protect the interests of small business entities. The Department's policy is to reinforce

the goals of the Small Business Act by fostering a dynamic business environment for the small business community, promoting inclusiveness, creating jobs and strengthening the small business economy, encouraging new perspectives, and increasing small business access to Department opportunities.

Mission Support Alliance, LLC (MSA) and CH2M HILL Plateau Remediation Company (CHPRC) are Hanford prime contractors with contracts valued at \$3.75 billion and \$6.47 billion respectively, as of September 30, 2018. MSA's contract award date was April 2009 and CHPRC's contract award date was June 2008. MSA's contract includes small business-related requirements limiting self-performed work scope to 60 percent of the total contract value and requires subcontracting to small business entities of at least 25 percent of the total contract value. Similarly, CHPRC's contract requires limiting self-performed work scope to 65 percent of the total contract value and requires subcontracting to small business entities of at least 17 percent of the total contract value. Due to the Department's emphasis on small business development, we initiated this audit to determine whether select Hanford prime contractors met their small business subcontracting requirements.

Of the two Hanford prime contractors we reviewed, we determined that MSA did not meet all of its contractual small business subcontracting requirements, while CHPRC may still be able to meet its requirements. Although MSA reported meeting its contractual requirements, we found that MSA's calculations were incorrect.

Management concurred with our findings and recommendations, and proposed corrective actions are consistent with our recommendations. (DOE-OIG-20-51)

Southwestern Federal Power System's Fiscal Year 2019 Financial Statement Audit

The attached report presents the results of the independent certified public accountant's audit of the Southwestern Federal Power System's combined balance sheets, as of September 30, 2019, and 2018, and the related combined statements of revenues and expenses, changes in capitalization, and cash flows for the years then ended.

To fulfill the OIG's audit responsibilities, we contracted with the independent public accounting firm of KPMG LLP to conduct the audit, subject to our review. KPMG LLP is responsible for expressing an opinion on the Southwestern Federal Power System's financial statements and reporting on applicable internal controls and compliance with laws and regulations. The OIG monitored audit progress and reviewed the audit report and related documentation. This review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted Government auditing standards. The OIG did not express an independent opinion on the Southwestern Federal Power System's financial statements.

KPMG LLP concluded that the combined financial statements present fairly, in all material respects, the respective financial position of the Southwestern Federal Power System as of September 30, 2019, and 2018, and the results of its operations and its cash flow for the years then ended, in conformity with U.S. generally accepted accounting principles. As part of this review, the auditors also considered the Southwestern Federal Power

System's internal control over financial reporting and tested for compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the determination of financial statement amounts. The audit did not identify any deficiency in internal control over financial reporting that is considered a material weakness.

The results of the auditors' review of the Southwestern Federal Power System's compliance with provisions of laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported herein under Government Auditing Standards, issued by the Comptroller General of the United States. (DOE-OIG-20-54)

Respiratory Equipment Maintenance at the Hanford Site

The Department's Hanford Site, located in Washington State, was one of the sites selected for the Manhattan Project to produce plutonium for the U.S. nuclear arsenal. The weapon production processes left solid and liquid wastes that pose a risk to the environment. Since 1987, Hanford's mission has been to clean up the site following the decades of weapon production activities. There are two Department Offices at Hanford that oversee the cleanup efforts. The first, the Office of River Protection, is responsible for retrieving and treating the Hanford's tank waste and for closing Tank Farms. The Office of River Protection contracted with Washington River Protection Solutions, LLC to manage, retrieve, and treat radioactive and hazardous tank waste; and with Bechtel National, Inc. to design and build the Waste Treatment and Immobilization Plant. The second Department Office, the Richland Operations Office, is responsible for programs that are necessary to ensuring the safety of the Hanford cleanup and site infrastructure needs. The Richland Operations Office contracted with CH2M HILL Plateau Remediation Company to perform environmental cleanup of the Central Plateau at Hanford. CH2M HILL Plateau Remediation Company is also responsible for waste retrieval, demolition of facilities, and closure of the Plutonium Finishing Plant.

These Hanford cleanup projects require contractors to work in a variety of hazardous work environments that can include radioactive materials and industrial and chemical hazards. As a result, Hanford contractors are required to use respiratory protection equipment to protect from the health and safety consequences of these work activities. We initiated this audit to determine whether Hanford contractors were adequately maintaining respiratory protection equipment to protect workers from exposure to hazardous materials. This report is one in a series at select Environmental Management sites.

We found that Hanford contractors CHPRC and WRPS did not always maintain respiratory protection equipment in accordance with requirements. Although we did not specifically identify that unmaintained equipment was issued by either contractor, neither contractor had documented compensating controls in place to ensure that equipment which had not received proper maintenance was not issued to end users, increasing the possibility that end users might be issued the unmaintained respiratory equipment. Using unmaintained respirators increases the risk that workers will inhale dangerous substances because the respirator may not function properly.

Management concurred with the report's recommendations and indicated that corrective actions are planned to address the issues identified in the report. In addition, management provided separate technical comments. (DOE-OIG-20-55)

Tank Waste Management at the Hanford Site

The Department's Office of River Protection manages the River Protection Project at Hanford. The Office of River Protection's mission is to safely, efficiently, and effectively treat tank waste. It is responsible for the storage, retrieval, treatment, and disposal of radioactive waste contained in the waste tanks and the closure of all tanks and associated equipment. Washington River Protection Solutions, LLC is the contractor in charge of managing the tank waste until it is prepared for disposal. The mission of the River Protection Project is to protect the Columbia River by safeguarding the nuclear waste stored in underground tanks and to manage the waste safely and responsibly until it can be treated for final disposition.

After decades of plutonium production activities at Hanford, about 56 million gallons of radioactive waste remains stored at Tank Farms. In order to store the waste until treatment and disposal, the Department constructed 177 underground tanks, with capacity ranging from 55,000 to over 1 million gallons each. Of these tanks, 149 are a single-shell tank (SST) design that consists of a carbon-steel tank encased in concrete with a design life of about 20 years. These tanks were built between 1943 and 1964. Currently, all SSTs are well past their design life and do not meet current regulatory requirements. The remaining 28 tanks were built between 1968 and 1986 with a double-shell tank (DST) design. The DSTs have a carbon-steel inner tank with a separate steel liner surrounding it. The tank liners are separated by an air space, or annulus, of about 30 inches, which is armed with a leak detection system. Unlike the SSTs, the DSTs meet current Federal and state regulations. We initiated this audit to determine if the Department can safely store tank waste at Hanford until the end of the cleanup mission.

We found that there is a risk that the Department may be challenged to safely store tank waste at Hanford until the end of the cleanup mission. Specifically, the conditions of the SST and some DST have deteriorated over time and sufficient DST space may not be immediately available to accommodate additional failed tanks. Despite the deteriorating conditions of the tanks over time, the DSTs will need to contain the tank waste until at least 2047. We also found that the waste pipeline that extends between the two areas is not in service.

According to Department officials, the Department has implemented various actions to manage tank waste in a manner that balances risk with cleanup completion. For example, some actions already completed include forming a Tank Integrity Expert Panel, performing SST and DST Integrity Evaluations, performing major upgrades to Tank Farms systems, and addressing the lack of DST space. However, the risks posed by additional tank failures remain a concern. Until the issues we identified are addressed, the Department faces an increased risk to the safe storage of its tank waste while the cleanup mission remains incomplete. (DOE-OIG-20-57)

Department of Energy’s Implementation of the Geospatial Data Act of 2018

The Geospatial Data Act of 2018 (Geospatial Data Act) was signed into law on October 5, 2018, to help develop, drive, and manage the National Spatial Data Infrastructure, which includes the technology, policies, criteria, standards, and employees necessary to promote geospatial data sharing throughout federal, state, tribal, and local governments, and the private sector. The Geospatial Data Act reflects growing recognition of the essential role of geospatial data and technology in understanding and managing our world, and highlights the need to support the data’s continued development as critical investments for the Nation. To help meet the requirements of the Geospatial Data Act, the Office of the Chief Information Officer, as the Department’s lead office for implementing the Geospatial Data Act, established the Geospatial Science - Program Management Office (GS-PMO). The GS-PMO is expected to provide the governance structure, strategic direction, mission alignment, and communication for the geospatial science and technology implementations within the Department.

The Geospatial Data Act requires each applicable OIG to report on the agency’s collection, production, acquisition, maintenance, distribution, use, and preservation of geospatial data. In particular, the review shall include an evaluation of compliance with: (1) standards for geospatial data, including metadata for geospatial data established under the Geospatial Data Act; (2) the agency responsibilities and requirements under the Geospatial Data Act; and (3) limitations on the use of federal funds under the Geospatial Data Act. Consistent with the requirements of the Geospatial Data Act, we completed our review to determine whether the Department met the requirements of the Act. This report documents the results of our test work.

Due to limitations with agencies’ abilities to implement the Geospatial Data Act, our test work was limited to identifying the Department’s initial efforts to implement the Act. As such, and consistent with guidance issued by the Council of the Inspectors General on Integrity and Efficiency, we did not evaluate the effectiveness of the Department’s efforts at this time. However, as the Department continues to implement the Act’s requirements, we plan to evaluate the effectiveness in future reviews. Our inaugural review found that while the Department had taken steps to implement the Geospatial Data Act, significant work remains. In particular, although the Department had initiated and/or completed actions related to each of the 13 agency responsibilities outlined in the Geospatial Data Act, we identified that it had not fully implemented 12 of the requirements.

Without adequate progress towards the development and implementation of a geospatial strategy, there is a high risk that the Department will not be able to implement the requirements of the Geospatial Data Act. For instance, the lack of a complete inventory, adequate resources and communication, specific geospatial standards, and effective guidance increases the risk that the Department will be unable to ensure it is acquiring and producing quality geospatial data and services that can be used by internal and external stakeholders. Therefore, the Department may not be able to carry out its varying geospatial-related missions, as well as ensuring that research and development is accurate, while promoting greater access and use of government information and data, as required by the Geospatial Data Act. (DOE-OIG-20-58)

INSPECTION REPORTS

Review of Allegations Concerning Improper Use of Fleet Vehicles

The GSA provides vehicles and fleet management services to Federal agencies, including the Department. The Department leases Government vehicles at many locations, including the Nevada Field Office and the Nevada National Security Site.

In October 2018, the OIG received allegations that: (1) employees were using GSA fleet passenger vehicles (Government vehicles) for personal use to commute to the National Nuclear Security Site, and; (2) Government vehicles were being parked at a local mass transportation center, the Regional Transportation Center, which was known as a target for vehicle theft and/or vandalism. We initiated this inspection to determine the facts and circumstances surrounding the allegations.

We did not substantiate the allegation regarding employees using Government vehicles for personal use, but we substantiated the allegation regarding Government vehicles being parked at the Regional Transportation Center, where some Government vehicles had been stolen and/or vandalized. In response to the theft and/or vandalism, the Nevada Field Office Manager directed personnel not to park at the Regional Transportation Center and took a number of corrective actions. Based on these actions, we are not making any recommendations at this time. (DOE-OIG-20-41)

The Department of Energy's Management of Explosive Materials at Lawrence Livermore National Laboratory

The Department manages high explosives across its complex of National Laboratories and other facilities to carry out elements of its mission. Lawrence Livermore National Laboratory (LLNL), under its Weapons Complex Integration Program, conducts non-nuclear explosives testing for nuclear weapon detonation research, as well as the Stockpile Stewardship Program. As such, LLNL conducts high explosives research and experiments at the High Explosive Application Facility, Site 300, and the Joint Laboratory Office – Nevada at the Nevada National Security Site.

We initiated this inspection to determine whether LLNL is managing and storing explosive materials in accordance with Federal and Department requirements. The inspection examined the management of explosives materials, specifically explosives controls, inventory, and storage from FY 2016 through FY 2019. There were 4 selection groups with the total population of 6,419 explosive materials. The inspection was performed from July 2019 through August 2020. We conducted the inspection at LLNL in Livermore, California and the Nevada National Security Site outside of Las Vegas, Nevada.

We found that LLNL managers adequately tracked and stored their explosives but did not fully comply with Federal and Departmental requirements. Specifically, LLNL did not adhere to 41 Code of Federal Regulations, Subpart 109, Department of Energy Property Management Regulations, since it did not have detailed procedures for conducting physical inventories of explosive materials and did not have personnel other than the custodians of the explosive materials conduct the required annual inventory. We found that LLNL

operated multiple inventory systems, and the use of differently formatted systems may not demonstrate efficient operations. We also observed signs of physical deterioration at Site 300, and that LLNL may incur future storage space challenges if not actively managed.

We are not making recommendations at this time. We identified the need for the development of procedures for conducting physical inventories of explosive materials and for ensuring that the inventories are performed by personnel other than the custodians of the explosives. We also suggest that LLNL consider standardizing the inventory systems across the different operational programs to track high explosives inventories, take proactive steps to maintain the physical conditions of storage facilities, and actively manage the amount of explosives stored in magazines in order to address potential physical storage challenges. (DOE-OIG-20-53)

Followup on Conference Management at Selected Department Sites

In support of its diverse science, energy, and national security missions, the Department sponsors and/or funds attendance of both Federal and contractor employees at a variety of conferences and meetings. During the period October 1, 2016, through February 28, 2019, the Department's Conference Management Tool (CMT) contained planning information for 858 events estimated to cost approximately \$51 million. These memoranda established and refined conference controls, including approval for high-cost events and requirements to report expenses.

While we found that the Department had taken steps to strengthen conference management, the Department had not fully implemented recommendations from the prior report. Specifically, opportunities still exist to improve database accuracy and cost comparisons for conferences. To the Department's credit, we found that it had established procedures to ensure event exemptions are appropriately applied, and provided training for interpreting and applying established event exemptions. Further, we did not identify any issues with the breakdown of food costs in conference approval packages. However, despite these improvements, our testing revealed that the Department's CMT still contained inaccurate attendance and/or cost incurred input entries by responsible personnel for Department element-sponsored conferences and did not always include evidence of adequate cost comparisons for Department element-sponsored conferences. We also found that the Department's monthly or quarterly reports and annual reports to the OIG contained inaccurate attendance and/or cost incurred data for Department element-sponsored conferences.

Inaccurate information in the Department's CMT continues to impact the effectiveness of the Department's management of conferences. Although the inaccuracies and omissions discussed above did not materially impact the overall cost of conferences sponsored by the Department, the accuracy of the data input into CMT by responsible personnel and reported to the OIG is important to effective conference management by the Department. Also, effective and continual use of cost comparisons is important to providing assurance that federal funds are being spent efficiently, appropriately, and in the taxpayer's best interest.

While it appears that the Department has taken steps towards improving conference management, more needs to be done to promote transparency and assure that Government funds are spent appropriately and efficiently. Based on the issues identified in this report and the recurrence of previously reported issues, we believe that the Department can take additional steps to improve the monitoring and reporting of conferences. To address the ongoing concerns outlined in our report, we made recommendations to the Deputy Secretary of Energy. (DOE-OIG-20-56)

SEMIANNUAL REPORTING REQUIREMENTS INDEX

The following identifies the sections of this report that address each of the reporting requirements prescribed by the Inspector General Act of 1978, as amended.

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ABOUT THE DEPARTMENT AND OIG

The U.S. Department of Energy is headquartered in Washington, DC and currently operates the Energy Information Administration, the National Nuclear Security Administration, 21 preeminent research laboratories and facilities, 4 power marketing administrations, 9 field offices, and 10 program offices which help manage the Department's mission with more than 15,000 employees. The Department is the Nation's top sponsor of research and development and has won more Nobel Prizes and research and development awards than any other private sector organization, and twice as many as all other Federal agencies combined. The mission of the Department is to ensure America's security and prosperity by addressing its energy, environmental, and nuclear challenges through transformative science and technology solutions.

The OIG's mission is to strengthen the integrity, economy, and efficiency of the Department's programs and operations. The OIG has the authority to inquire into all Department programs and activities as well as the related activities of persons or parties associated with Department grants, contracts, or other agreements. As part of its independent status, the OIG provides the Secretary with an impartial set of "eyes and ears" to evaluate management practices. With approximately 280 employees, the organization strives to be a highly effective organization that promotes positive change.

OIG HOTLINE CONTACTS

Contact the OIG Hotline if you suspect fraud, waste, or abuse involving Department programs, or by a Department employee, contractor, or grant recipient.

Contact Information:

- Complaint Form: <https://www.energy.gov/ig/complaint-form>
- Toll Free Telephone Number: 1-800-541-1625
- Washington DC Metro Telephone Number: 202-586-4073
- Email Address: ighotline@hq.doe.gov
- Physical Address: U.S. Department of Energy
1000 Independence Ave, SW
Washington, DC 20585

FEEDBACK

The contents of this *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 provide the following information by clicking the “submit email” button below:

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