

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



FY 2017 Performance Report  
FYs 2018/2019 Performance Plan

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## MESSAGE FROM THE ACTING INSPECTOR GENERAL



I am pleased to present the Department of Energy Office of Inspector General's combined FY 2017 Annual Performance Report and FYs 2018 and 2019 Annual Performance Plan. This report highlights our performance over the past year and establishes goals for the next two years.

During FY 2017, our investigative activities resulted in \$150 million in fines, settlements, and recoveries. One investigation in particular yielded a \$125 million settlement to resolve allegations that the contractor made false statements and claims to the Department for deficient nuclear materials, services, and testing at the Waste Treatment Plant at the Hanford

Site near Richland, Washington. This settlement also resolved allegations that the contractor improperly used Federal contracts funds to pay for lobbying activities.

In addition, our investigation of a retaliation complaint pursuant to Title 41 USC, Section 4712, *Pilot Program for the Enhancement of Contractor Protection from Reprisal for Disclosure of Certain Information*, resulted in the Department concluding that a contractor employee at the Savannah River Site was terminated in retaliation for making a protected disclosure of information to the Government Accountability Office. The Department ordered the contractor to reinstate the employee and reimburse her for back pay, legal, and other expenses.

In FY 2017, we issued 48 audit and inspection reports that identified \$2 million in better use of funds, and \$4 million in questioned and unsupported costs. Our audits, inspections, and investigations found that contractor oversight and cybersecurity continue to be a challenge for the Department. For example, our report on [Bonneville Power Administration's Contractor Workforce, DOE-OIG-17-03](#), highlighted challenges with the Department's contractors. We found Bonneville had created prohibited personal services contracts; contract workers were at risk of inappropriately performing inherently governmental and critical work that should be reserved for Federal employees; and weaknesses in Bonneville's acquisition and administration of services contracts. These issues occurred, in part, due to problems with the manner in which Bonneville managed and implemented its supplemental labor category of contract workers, lack of a strategic workforce plan, insufficient management and oversight of its contractor workforce, and an inadequate procurement control environment. Another report on [The Department of Energy's Implementation of Multifactor Authentication Capabilities, DOE-OIG-17-08](#), found the Department made progress towards fully implementing multifactor authentication, but weaknesses related to ensuring adequate protections over access to network and application resources continued to exist.

In closing, this year we've had the pleasure of welcoming and working with the new Secretary of Energy, the Honorable Rick Perry, and the new Deputy Secretary of Energy, the Honorable Dan Brouillette. Fostering a collaborative relationship with this new administration will increase opportunities for improvement throughout the Department of Energy complex.

April G. Stephenson  
Acting Inspector General

## AT A GLANCE: PERFORMANCE RESULTS FOR FY 2017

### Our Vision

*To be a highly effective organization that promotes positive change.*

### Our Mission

*To strengthen the integrity, economy, and efficiency of the Department's programs and operations.*

The Office of Inspector General (OIG) continues to make positive contributions to the Department's mission-related priorities. Highlights of our work in FY 2017 include:

Total Reports Issued:	48
Audit Reports	42
Inspection Reports	6
Funds Put to Better Use	\$2 million
Questioned and Unsupported Costs	\$4 million
Fines, Settlements, and Recoveries	\$150 million
Criminal Convictions	19
Suspensions and Debarments	66
Civil and Administrative Actions	39
Hotline Complaints and Inquiries	1,710

## OVERVIEW

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This report consolidates the results of our accomplishments for FY 2017 and a presentation of our FYs 2018 and 2019 performance measures to track our future performance. Accomplishing these goals and measures are key to achieving our organizational vision and mission.

### **Our Performance Goals:**

- Provide independent, accurate, timely, and balanced information to the Department, Congress, and other key stakeholders in order to promote economy and efficiency in Department programs and operations.
- Work with the Department, prosecutors and others to hold recipients and overseers of Department funds accountable for actions that result in fraud, waste, and/or abuse.
- Build and maintain an efficient and effective organization that fulfills its mission and maintains a highly qualified diverse workforce.

## OUR ORGANIZATION

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The Office of Inspector General is headquartered in Washington, DC and has 12 field offices located throughout the country. The organization is responsible for conducting audits, inspections and investigations and for receiving and acting upon allegations reported through the OIG Hotline. The organization also has a corporate support function that addresses the administrative management of the organization.

**AUDITS** are conducted on Department programs and operations. Efforts are concentrated on providing reliable and credible financial and performance information and recommendations for improvements to senior management, Congress and the U.S. taxpayer. A risk-based process is used to identify areas for audit coverage based on known or emerging risks and the greatest vulnerabilities. This process ensures comprehensive coverage over Department organizations, programs and operations while meeting the Department's evolving needs. Resources are also directed toward meeting statutory audit responsibilities in the financial and information technology areas.

**INSPECTIONS** are independent and thorough assessments and reviews of Department programs and operations to evaluate operational efficiency, effectiveness, and vulnerability. Inspections consist of three types of assessments and reviews: 1) Performance-based Inspections – focused on fact-finding and analyses concerning specific issues and topics; 2) Allegation-based Inspections – focused, fact-finding efforts that are typically responsive to allegations of waste, fraud, abuse, or mismanagement. Allegation-based inspections are not specifically planned in advance; and 3) Special Inquiries or Reviews – expedited reviews responsive to requests from entities such as Congress, the Secretary, senior Department officials, the Inspector General, or the Deputy Inspector General for Audits and Inspections. Special reviews typically concern high profile or particularly sensitive matters and may be performance-based or allegation-based in nature.

**INVESTIGATIONS** address alleged violations of law that impact Department programs, operations, facilities and personnel. Priority is given to investigations of suspected violations of criminal and civil statutes, as well as serious administrative misconduct. Investigations are also used to identify opportunities for improving the economy and efficiency of Department programs and operations by identifying recommendations for positive change. Investigators work closely with Department of Justice prosecutors and other Federal, State, and local law enforcement organizations.

**THE HOTLINE** facilitates the reporting and resolution of allegations of fraud, waste, abuse and mismanagement involving Department programs and activities. Allegations are received from Department employees, contractors and the general public. Upon receipt of a specific allegation, the OIG may open an investigation, audit, or inspection; refer the matter to Department management for appropriate review and action; or refer the allegation to another Federal agency.

**COUNSEL TO THE INSPECTOR GENERAL** provides legal advice to senior leadership, serves as the primary liaison to Congressional staff, and manages the Freedom of Information Act process. Also within this office is the OIG Whistleblower Ombudsman who educates Department employees about prohibitions on retaliation for whistleblowing, as well as employees' rights and remedies if anyone retaliates against them for making a whistleblower disclosure.

**MANAGEMENT AND ADMINISTRATION** directs the development, coordination, and execution of overall OIG management and administrative policy and planning. This responsibility includes directing the OIG's strategic planning process, financial management activities, personnel management and security programs, administrative support services, and information technology programs.

## External Factors Challenging Our Organization

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Various external factors impact the OIG's ability to meet its performance goals. The most significant factor is congressionally mandated work, which demands a relatively large portion of OIG resources. This mandated work includes, among other things, work required by the Government Performance and Results Modernization Act of 2010, the Federal Financial Management Improvement Act of 1996, the Federal Information Security Modernization Act of 2014, the Improper Payments Elimination and Recovery Act of 2010, the Whistleblower Protection Enhancement Act of 2012, and the Government Charge Card Abuse Prevention Act of 2012.

In addition, in December 2016, Congress permanently extended the provisions of the FY 2013 National Defense Authorization Act that established a pilot program prohibiting employees of a Federal contractor, subcontractor, or grantee from being retaliated against for certain protected disclosures. Under the statute, the only avenue for addressing the alleged retaliation is an investigation by the OIG. During the 4 years of the pilot program, the OIG only received one Whistleblower Retaliation allegation. However, in FY 2017 after the provisions were made permanent and OIG issued a report that found contractor retaliation occurred at DOE, the OIG received 4 allegations in a matter of 4 months. In order to be able to address this unprecedented increase in FY 2017 and to be able to meet the statutory provisions and time lines for responding to these allegations, the OIG will need to increase the resources available to work these matters, which are among the most resource intensive matters that the OIG addresses.

## MEASURING OUR PERFORMANCE

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Our work is significant to the Department's success in fulfilling its Strategic Plan. It is imperative that the OIG ensure its resources and activities cover the issues and concerns most critical to the Department. The OIG's *FY 2017 – FY 2019 Strategic Plan* identifies the goals and measures that we use to track our performance. Our performance goals help us assist the Department in identifying and taking corrective action to improve areas most vulnerable to waste, fraud, and mismanagement. In FY 2017, the OIG met or exceeded all but one of its performance measures.

As a result of the impact of our audits, inspections, and investigative activities, we strive to realize a positive return for each tax dollar invested in the OIG. In addition, the OIG addresses many health and safety issues that do not have a monetary impact. In FY 2017, we did not meet our target return on investment (ROI) of \$4.00 for every dollar appropriated primarily due to an increase in health and safety matters assessed; the actual ROI was \$3.52. Although the dollar threshold was not met this year, the OIG has consistently demonstrated a positive ROI over the last decade. Last year the OIG's ROI was \$17.05. The OIG's 5-year ROI average was \$11.95. This year, the OIG completed significant work that impacted the health and safety of the organization. Although health and safety recommendations do not normally have a monetary impact, the impact of these recommendations are extraordinarily valuable to the well-being of the country.



## Goal 1

**Provide independent, accurate, timely, and balanced information to the Department, Congress and other key stakeholders in order to promote economy and efficiency in Department programs and operations.**

*Goal Leader: Deputy Inspector General for Audits and Inspections*

<b>Performance Measures</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
1.1 Percentage of reports issued with recommendations/ suggestions.	<b>Target:</b> 40%	<b>Target:</b> 70%	<b>Target:</b> 70%	<b>Target:</b> 70%	<b>Target:</b> 71%
	<b>Actual:</b> 81%	<b>Actual:</b> 77%	<b>Actual:</b> 77%		
1.2 Percentage of recommendations accepted.	<b>Target:</b> 85%	<b>Target:</b> 85%	<b>Target:</b> 85%	<b>Target:</b> 86%	<b>Target:</b> 87%
	<b>Actual:</b> 96%	<b>Actual:</b> 96%	<b>Actual:</b> 94%		
1.3 Percentage of final reports issued within 60 days of receipt of management comments.	<b>Target:</b> 80%	<b>Target:</b> 80%	<b>Target:</b> 80%	<b>Target:</b> 80%	<b>Target:</b> 81%
	<b>Actual:</b> 98%	<b>Actual:</b> 85%	<b>Actual:</b> 87%		

## Goal 2

**Work with the Department, prosecutors and others to hold recipients and overseers of Department funds accountable for actions that result in fraud, waste, and/or abuse.**

*Goal Leader: Deputy Inspector General for Investigations*

<b>Performance Measures</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
2.1 Number of fraud awareness briefings conducted to educate and inform Department employees, contractors, and fund recipients.	<b>Target:</b> 47	<b>Target:</b> 48	<b>Target:</b> 50	<b>Target:</b> 70	<b>Target:</b> 70
	<b>Actual:</b> 67	<b>Actual:</b> 99	<b>Actual:</b> 86		
2.2 Average number of days to issue an Investigative Report to Management.	<b>Target:</b> 44 days	<b>Target:</b> 43 days	<b>Target:</b> 43 days	<b>Target:</b> 40 days	<b>Target:</b> 30 days
	<b>Actual:</b> 32 days	<b>Actual:</b> 18 days	<b>Actual:</b> 9 days		
2.3 Percentage of cases presented for prosecutorial consideration that are accepted for further action.	<b>Target:</b> 76%	<b>Target:</b> 78%	<b>Target:</b> 77%	<b>Target:</b> 77%	<b>Target:</b> 70% <sup>1</sup>
	<b>Actual:</b> 77%	<b>Actual:</b> 86%	<b>Actual:</b> 83%		
2.4 Average number of days by which hotline complaints are referred to responsible entities following a disposition decision.	<b>Target:</b> 16 days	<b>Target:</b> 15 days	<b>Target:</b> 15 days	<b>Target:</b> 12 days	<b>Target:</b> 12 days
	<b>Actual:</b> 7 days	<b>Actual:</b> 9 days	<b>Actual:</b> 10 days		

<sup>1</sup>The lower target in FY 2019 reflects that changes in the definitions and processes related to recording this performance measure were made in FY 2017.

### Goal 3

**Build and maintain an efficient and effective organization that fulfills its mission and maintains a highly qualified diverse workforce.**

*Goal Leader: Assistant Inspector General for Management and Administration*

<b>Performance Measures</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
3.1 Percentage of required employee performance management system actions conducted within prescribed timeframes.	<b>Target:</b> 91%	<b>Target:</b> 91.5%	<b>Target:</b> 92%	<b>Target:</b> 93%	<b>Target:</b> 94%
	<b>Actual:</b> 99.6%	<b>Actual:</b> 100%	<b>Actual:</b> 100%		
3.2 Percentage of Individual Development Plans established within prescribed timeframes.	<b>Target:</b> 93%	<b>Target:</b> 93.5%	<b>Target:</b> 94%	<b>Target:</b> 94.5%	<b>Target:</b> 95%
	<b>Actual:</b> 99.3%	<b>Actual:</b> 99.6%	<b>Actual:</b> 100%		
3.3 Percentage of employees completing mandatory training within prescribed timeframes.	<b>Target:</b> 98%	<b>Target:</b> 98%	<b>Target:</b> 98%	<b>Target:</b> 98%	<b>Target:</b> 98%
	<b>Actual:</b> 99.7%	<b>Actual:</b> 99.8%	<b>Actual:</b> 99.96%		
3.4 A positive return for each tax dollar invested in OIG activities.	<b>Target:</b> \$3.15	<b>Target:</b> \$3.75	<b>Target:</b> \$4.00	<b>Target:</b> \$4.00	<b>Target:</b> \$4.00
	<b>Actual:</b> \$8.29	<b>Actual:</b> \$17.81	<b>Actual:</b> \$3.52		

## APPENDIX A

### Audit and Inspection Work Plan for FY 2018

#### Eastern Region

- Risk Assessment of the Department of Energy's GSA SmartPay2 Purchase Card
- Risk Assessment of the Department of Energy's Travel Card
- Monitoring of Department of Energy Sponsored Conferences
- Fiscal Year 2017 Cost Allowability at a Selected Site on the Oak Ridge Reservation
- Counterintelligence Inspection Program
- Insider Threat Program Analysis and Referral Center
- Internal Controls Over Sensitive Property in the Office of Intelligence
- Packaging and Transportation of Radioactive Materials at Selected Sites
- Controls Over Improvised Nuclear Device Information on Strategic Partnership Projects
- Nuclear Material Availability
- Waste Disposal Management at the Oak Ridge Reservation
- Savannah River Site's High Level Waste System Support for the Salt Waste Processing Facility
- National Nuclear Security Administration's Operations Security Program at Selected Sites
- Work Package Closure at the Mixed Oxide Fuel Fabrication Facility
- Preventative Maintenance on Electrical Substations at Selected Sites
- Safety Program at the Portsmouth and Paducah Depleted Hexafluoride Conversion Facilities
- Followup on the Department of Energy's Canine Program
- Flow Down of Quality Assurance Requirements at the Uranium Processing Facility
- Aging Infrastructure at the Savannah River National Laboratory
- Decontamination and Decommissioning Project at the Portsmouth Site
- Depleted Uranium Operations at the Y-12 National Security Complex
- Strategic Petroleum Reserve Modernization Program
- Highly Enriched Uranium Materials Facility Storage Capacity
- National Nuclear Security Administration's Secondary Assessment Technology Subprogram
- National Nuclear Security Administration's Tritium Sustainment Program
- Kesselring Site Engine Room Trainer Facility Construction Project
- Management Controls Over Title X Claims Reimbursement at the West Chicago Thorium Processing Facility
- Security Protection Program at Selected Sites

- Testing of Electrical Equipment at Selected Sites
- Motor Vehicle Safety Program for Alternative Modes of Transportation

## **Central Region**

- Consolidation of the Department of Energy's Office of Chief Human Capital Officer
- Office of Indian Energy Policy and Programs
- Department of Energy's Suspension and Debarment Process
- Department of Energy's Management of the Contract Closeout Process
- Department of Energy's Federal Employee Substance Abuse Testing Program
- Personnel Security Clearances and Badge Access Controls for Separated Employees
- Followup on the Department of Energy's Child Development Centers
- Department of Energy's Headquarter Emergency Preparedness Program
- Facility Maintenance and Repair Activities at Selected Office of Science Laboratories
- Procurements within the National Nuclear Security Administration
- Department of Energy's Classified Foreign Visits and Assignments Program
- Laboratory Directed Research and Development Projects at Selected Science Laboratories
- Department of Energy's Wildland Fire Prevention Efforts
- Department of Energy's Management of the Disposition of Unexpended and Spent Explosive Ordnances

## **Western Region**

- Waste Tank Integrity Program at the Hanford Site
- Nuclear Material Control and Accountability
- Honeywell Federal Manufacturing and Technologies, LLC Organizational Conflict of Interest
- Management of Employees Between Assignments
- Secure Transportation Asset Modernization
- Implementation of Employee Concerns Programs at Selected Department of Energy Sites
- National Nuclear Security Administration's High Explosives Capability
- Environmental Management Project Activities at Los Alamos National Laboratory
- Bechtel National Inc. Subcontract Audits
- National Nuclear Security Administration's Management of Weapons Complex Deferred Maintenance
- Los Alamos National Laboratory's Commercial Grade Dedication Process
- Chemical Safety Management at Sandia National Laboratories
- Management of the Radioactive Laboratory, Utility and Office Building Equipment
- National Nuclear Security Administration's Management of the Global Material Security Program

- National Nuclear Security Administration's Trusted Microsystems Capability Project
- Reliance on Department of Energy Audit Groups Who Perform Incurred Cost Audits on Prime Contractors
- Integrative Genomics Building Project
- Management of the PF-4 Equipment Installation Phase 1 Subproject
- Los Alamos National Laboratory's Configuration Management of Nuclear Facilities
- Management of Low Activity Waste Pretreatment Systems (LAWPS) Project
- National Nuclear Security Administration's Management of Concurrent Directed Stockpile Work
- Resumption of Transuranic Waste Shipments to the Waste Isolation Pilot Plant
- National Nuclear Security Administration's Advanced Simulation and Computing's Advanced Technology Development and Mitigation Subprogram
- Electrical Safety Program at Los Alamos National Laboratory
- Management of Hazardous Material Inventories at a Selected Site
- Nonproliferation and Arms Control
- Idaho National Laboratory Campus Expansion
- Management of Non-Nuclear Explosive Components of Nuclear Weapons at Department of Energy Sites
- Hanford Site Beryllium Protection Program
- Corrective Action Program at Washington River Protection Solutions, LLC
- Maintenance of Safety Equipment at the Y-12 National Security Complex, Pantex Plant, and Hanford Site
- Beryllium Controls at the Pantex Plant
- Follow-up on Security at the Device Assembly Facility
- Sandia National Laboratories' Consulting Contracts
- Criticality Safety Program at Los Alamos National Laboratory
- Configuration Management at the Nevada National Security Site

## **Technology Audits**

- Management of Electronic Data for Freedom of Information Act and Litigation Requests
- Joint Review with Nuclear Regulatory Commission
- Management of the Cybersecurity Program at a Selected Department of Energy Location
- Management of the Federal Energy Regulatory Commission's Cybersecurity Program
- Management of the Office of Energy Efficiency and Renewable Energy Program Information Center
- The Department of Energy's Efforts to Manage Missional Essential Information Technology Functions

- Select Information Technology Support Contracts at the Department of Energy
- The Department of Energy's Management and Use of Legacy Information Technology Systems
- The Department of Energy's Implementation of Selected Components of the Federal Information Technology Acquisition Reform Act
- Followup on the Management of Naval Reactors' Cybersecurity Program
- The Department of Energy's Unclassified Cybersecurity Program – 2018
- The Federal Energy Regulatory Commission's Unclassified Cybersecurity Program – 2018
- Information Technology Management Letter for Fiscal Year 2017

### **Statement of Costs Incurred and Claimed (SCIC)**

- Los Alamos National Security, LLC – Los Alamos National Laboratory FY 2014 – 2016
- University of Chicago Argonne, LLC – Argonne National Laboratory FY 2014- 2016
- Battelle Memorial Institute – Pacific Northwest National Laboratory FY 2015 - 2016
- Brookhaven Science Associates, LLC – Brookhaven National Laboratory FY 2014 - 2016

### **Government Management Reform Act (GMRA)**

- Audit of the Department of Energy's Fiscal Year 2018 Consolidated Financial Statements
- Audit of the Department of Energy's Improper Payment Reporting in the Fiscal Year 2017 Agency Financial Report
- Audit of the Fiscal Year 2018 Financial Statements of the Federal Energy Regulatory Commission
- Audit of the Fiscal Year 2018 Financial Statements of the Nuclear Waste Fund
- Audit of the Fiscal Year 2018 Combined Financial Statements of the Southwestern Federal Power System
- Audit of the Fiscal Year 2018 Combined Financial Statements of the Western Area Power Administration
- Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2017

## APPENDIX B

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### Investigative Work Plan Priorities for FY 2018

#### **Contract and Grant Fraud**

A majority of the Department's budget is expended on contracts and grants; therefore, the opportunity for fraud to occur or exist within various Department programs is significant. In FY 2018, Investigations will continue to: (1) prioritize contract and grant fraud investigations, placing emphasis on cases with a potential high dollar recovery to the Department with a focus on sub-contractor risks; (2) coordinate and pursue leads referred by the OIG Office of Audits and Inspections; and (3) proactively identify and pursue contract and grant fraud investigations.

#### **Environment, Safety, and Health (ES&H)**

The Department's program for cleaning up the environmental contamination caused by nuclear weapons research, production and testing is estimated to cost over \$250 billion over the next several decades. The OIG has identified environmental cleanup as a Department Management Challenge that is likely to persist well into the future. In FY 2018, Investigations will: (1) pursue investigations involving potential ES&H violations; (2) continue liaison efforts with ES&H contacts in the Department, NNSA, and other Government agencies; and (3) provide ES&H awareness briefings throughout the Department complex.

#### **Issues Impacting the Integrity of Government Officials and Retaliation Against Whistleblowers**

Government officials have a responsibility to maintain the public's trust and confidence in the integrity of the Federal Government programs and operations. In FY 2018, based on information received through the OIG Hotline and other sources, the OIG Office of Investigations will continue to work with the Department of Justice to address allegations of criminal misconduct and ethical lapses on the part of government officials. The Office of Investigations will also continue to investigate related activities that may have resulted in fraud, waste, abuse and mismanagement. Furthermore, the Office of Investigations, based on information received through the Hotline, will conduct investigations of alleged retaliatory actions against contractor and grantee employees.

#### **Technology Crimes**

The Office of Investigations' Technology Crimes Section (TCS) is staffed by investigators with the specialized skills necessary to proactively and reactively investigate the expanding number of complex technology crimes that are allegedly occurring within many of the Department's programs. TCS further strengthens the Office of Investigations' support to



the Department, including NNSA, in detecting, preventing and investigating illegal network intrusions. During FY 2018, TCS will: (1) continue to proactively support OIG fraud investigations through consultations and forensic media analysis; (2) investigate incidents of technology crimes and non-compliance with applicable regulations involving protection of the information infrastructure throughout the Department; (3) extend the Office of Investigations' role in technology incident response and investigations in the Department through participation in various interagency working groups; and (4) provide technology crimes awareness briefings throughout the Department complex.