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Office of Inspector General

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May 11, 2026

Additional Actions Needed to Recover Funds and Prevent Duplicate Payments Under the Paycheck Protection Program at the Portsmouth Paducah Project Office



AUDIT REPORT



Department of Energy
Washington, DC 20585

May 11, 2026

MEMORANDUM FOR THE ASSISTANT SECRETARY, OFFICE OF ENVIRONMENTAL
MANAGEMENT; AND ACTING MANAGER, PORTSMOUTH
PADUCAH PROJECT OFFICE

SUBJECT: *Audit Report: Additional Actions Needed to Recover Funds and Prevent Duplicate Payments Under the Paycheck Protection Program at the Portsmouth Paducah Project Office*

The attached report discusses our audit of additional actions needed to recover funds and prevent duplicate payments under the Paycheck Protection Program at the Portsmouth Paducah Project Office. This report contains seven recommendations that, if fully implemented, should help ensure that the Department of Energy's safeguards reduce risks associated with similar programs and protect taxpayer funds. Management concurred with our recommendations.

We conducted this audit from April 2024 through December 2025 in accordance with generally accepted government auditing standards. We appreciated the cooperation and assistance received during this audit.

A handwritten signature in cursive script that reads "Sarah Nelson".

Sarah Nelson
Assistant Inspector General
for Management
Performing the Duties of the Inspector General
Office of Inspector General

cc: Deputy Secretary
Chief of Staff

DOE OIG HIGHLIGHTS

Additional Actions Needed to Recover Funds and Prevent Duplicate Payments Under the Paycheck Protection Program at the Portsmouth Paducah Project Office

Why We Performed This Audit

Congress enacted the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) in March 2020. The CARES Act, “Federal Contract Authority,” Section 3610, clarifies that reimbursement requests must be reduced by any credits received from other COVID-19 relief programs, including Paycheck Protection Program (PPP) loans. There were 149 subcontractors that collectively received forgiveness for more than \$196 million of PPP loans at the Portsmouth Paducah Project Office (PPPO) sites. In addition, the Department of Energy paid subcontractors about \$13 million in Section 3610 safety pay from 2020 through 2022.

Given the risk, we initiated this audit to determine if the Department paid PPPO subcontractors for the same costs that were covered by forgiven PPP loans.

What We Found

We identified approximately \$5.2 million in duplicate payments, unsupported costs, and unallowable profit paid to the Department’s subcontractors at the PPPO that received CARES Act funds. Specifically, we identified 19 subcontractors that received approximately \$2.6 million in either duplicate payments and/or unallowable profit under Section 3610. Additionally, we identified seven subcontractors that certified the need for PPP loan forgiveness after already billing and receiving \$2.6 million in payments from the PPPO for work performed. These subcontractors also received loan forgiveness paid by the Small Business Administration for costs the Department already paid.

These issues were caused by incomplete policy guidance, inadequate oversight, and inappropriate behavior by subcontractors. For example, the PPPO did not enforce internal controls and labor monitoring during COVID-19 to prevent duplicate payments and erroneous reimbursements. In addition, the PPPO subcontractors did not always uphold ethical standards and comply with contract requirements.

What We Recommend

To address the issues identified in this report, we have made seven recommendations that, if fully implemented, should help ensure that the Department’s safeguards reduce future risks associated with similar programs and protect taxpayer funds.

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Background and Objective

In March of 2020, the Department of Energy began facing unprecedented challenges due to facility closures and a shift to a mandatory telework posture for much of its civil servant and contractor workforces because of COVID-19. In response to COVID-19, Congress enacted the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) on March 27, 2020, to reduce economic fallout. Section 3610 of the CARES Act, “Federal Contractor Authority,” authorized agencies “to reimburse at the minimum¹ applicable contract billing rates not to exceed an average of 40 hours per week any paid leave, including sick leave, a contractor provides to keep its employees or subcontractors in a ready state.” A ready state is defined as a contractor’s ability to mobilize and resume performance in a timely manner. To qualify, contractors and subcontractors² must have been unable to work due to closures or other restrictions and must have had job duties that could not be performed while teleworking.

The Portsmouth Paducah Project Office (PPPO) is under the Office of Environmental Management (Environmental Management) and manages two gaseous diffusion plant sites in Portsmouth, Ohio, and Paducah, Kentucky. The PPPO’s responsibilities involve oversight of the prime contractors managing cleanup efforts: Fluor-BWXT Portsmouth LLC (FBP), Four Rivers Nuclear Partnership, LLC (FRNP), Swift & Staley Inc. (SSI), and Enterprise Technical Assistance Services, Inc. PPPO prime contractors and subcontractors either used Section 3610 funds for idle work, performed work as normal, or both. Section 3610 of the CARES Act only authorized prime contractor- and subcontractor-paid leave reimbursements; however, no funding was appropriated in the Act. Instead, agencies were permitted to use any legally available funds. As such, existing contract obligations were used for employee-paid leave reimbursements instead of mission work required under the contract.

In addition to authorizing subcontractor employee paid leave reimbursements, the CARES Act contains a wide range of relief options for Federal subcontractors, including Paycheck Protection Program (PPP) loans available through the Small Business Administration (SBA). While multiple relief options were available, subcontractors could not seek reimbursement under Section 3610 if they were also seeking reimbursement for the same expenses under other provisions of the CARES Act or any other COVID-19 relief measures. The PPPO inserted an additional clause for Section 3610 requirements into its prime contracts, which clarified that reimbursement requests must be reduced by any credits received from other COVID-19 relief programs, including PPP loans.

PPP loans were specifically available from the SBA for small businesses. When a borrower requested a PPP loan, it certified that current economic uncertainty made the loan request necessary to support its ongoing operations. Borrowers received funds to pay 8 to 24 weeks of payroll costs (covered period), including benefits, as well as other eligible business costs.

¹ The Office of Management and Budget (OMB) issued guidance on minimum applicable billing rates and profit under Section 3610 in an April 2020 memorandum, *Preserving the Resilience of the Federal Contracting Base in the Fight Against the Coronavirus Disease 2019 (COVID-19)*; and a July 2020 memorandum, *Additional Guidance on Federal Contracting Resiliency in the Fight Against the Coronavirus Disease (COVID-19)*.

² Unless specifically referring to a PPPO prime contractor, this report will use the term “subcontractors.”

Borrowers could qualify for loan forgiveness if, among other things, at least 60 percent of the proceeds were spent on payroll costs. Additionally, borrowers had to certify that the requested forgiven payroll funds were for “payroll costs to retain employees.”

We performed a risk assessment following our audit work in our report, *Paycheck Protection Program Loans at the Hanford Site* (DOE-OIG-25-22, June 2025). Our assessment analyzed Environmental Management sites’ use of Section 3610 safety pay. We identified the PPPO as high risk because it had 149 subcontractors that collectively received more than \$196 million in PPP loan forgiveness. In addition, the Department paid PPPO subcontractors approximately \$13 million in Section 3610 safety pay from 2020 through 2022.

We initiated this audit to determine if the Department paid PPPO subcontractors for the same costs that were covered by forgiven PPP loans.

Guidance on Implementation of Section 3610

In April 2020, the OMB and the Department issued guidance on Section 3610 of the CARES Act, highlighting the need for Federal oversight. The guidance on oversight warned against the potential for contractors to use multiple relief options and emphasized the importance of obtaining supporting documentation for reimbursements due to the specific restrictions in Section 3610. OMB M-20-22, *Preserving the Resilience of the Federal Contracting Base in the Fight Against the Coronavirus Disease 2019 (COVID-19)*, outlines guiding principles designed to support rationally based decisions that reflect the best interest of the Government, which are fully supported by contractor records subject to oversight. Recognizing the multiple relief options available, this guidance identifies steps agencies should have taken to ensure relief achieved its desired impact, and Federal funds were not used to make duplicate payments. Specifically, this guidance states, “For this reason, it is important to secure fully supported documentation from contractors regarding other relief claimed or received, including credits allowed, along with the financial and other documentation necessary to support their requests for reimbursement under Section 3610.” Fully supported documentation, which may involve representations,³ helps reduce the risk of improper reimbursement.

In addition, Department Policy Flash 2020-22, *Guidance for using DOE’s Clauses developed to implement Section 3610 of the Coronavirus Aid, Relief, and Economic Security Act (CARES)*, states that contracting officers must “work with [p]rogram [o]fficials and the contractor to understand how the contractor is planning to use the relief provisions in the CARES Act and identifying [*sic*] any contractor and subcontractor employees to whom Section 3610 of the CARES Act may apply.” This policy also states that contracting officers must “work with the contractor to secure necessary documentation, representations, or both to prevent duplication of payment and ensure the correct reimbursement, including applicable credits.” Similar to OMB guidance, this policy recognizes the importance of obtaining financial and other documentation, including representations regarding COVID-19 relief claimed or received to support reimbursement requests given the multiple COVID-19 relief options available. This policy

³ Contractual representations refer to statements made by one party to another during the negotiation of a contract. These statements can influence the decision-making process of the parties, significantly impacting the agreement’s formation.

further states, “Contractors are responsible for ensuring Federal funds are not being used to make multiple payments for the same purpose; [c]ontracting [o]fficers, however, must ensure appropriate contract administration and oversight.”

Results of Review

THE DEPARTMENT MADE \$5.2 MILLION IN QUESTIONABLE PAYMENTS ASSOCIATED WITH CARES ACT FUNDS PROVIDED TO PPPO SUBCONTRACTORS

We identified approximately \$5.2 million in duplicate payments, unsupported costs, and unallowable profit paid to subcontractors at the PPPO that received CARES Act funds through the Department’s prime contractors. Specifically, we identified 19 subcontractors that received approximately \$2.6 million in duplicate payments, unsupported costs, and/or unallowable profit associated with Section 3610 payments, and 7 subcontractors that certified the need for PPP loan forgiveness after already billing and receiving approximately \$2.6 million in payments from the PPPO for work performed.

The Department Paid Section 3610 Costs Covered by Forgiven PPP Loans

We identified 19 subcontractors that received approximately \$2.6 million in duplicate payments, unsupported costs, and/or unallowable profit associated with Section 3610 payments. First, we identified \$1,958,485 in questioned costs for which 13 PPPO subcontractors received both Section 3610 funds and had their PPP loans forgiven by the SBA. For example, 9 of the 13 subcontractors claimed the same Section 3610 labor hours to support forgiven PPP loans (\$1,817,325), thereby obtaining twice the appropriate amount of Federal funding. The remaining four PPPO subcontractors lacked the necessary supporting documentation to demonstrate that they did not include \$141,160 of Section 3610 hours in their PPP loan forgiveness application.⁴ Due to the lack of supporting documentation, we could not trace Section 3610-billed costs to PPP loan support and decipher whether the subcontractors’ charges complied with guidance to use the “minimum applicable contract billing rates” and to not “exceed an average of 40 hours per week.”

As indicated in Table 1, we questioned \$1,817,325 in duplicate payments from nine subcontractors and \$141,160 as unsupported costs invoiced by four subcontractors for Section 3610 costs. A breakdown of these costs can be found in Table 1.^{5,6}

⁴ One of the subcontractors had filed for bankruptcy, and we were unable to contact someone from the company. Another subcontractor had been subsequently sold, and the new owner could not find the PPP loan documentation. The other two subcontractors gave us their PPP loan support documentation; however, their Section 3610 invoices did not break down labor charges by employee and/or the actual number of safety leave hours.

⁵ The dollar amounts calculated are based on full amounts of Section 3610 costs identified to have overlapped with PPP loan forgiveness labor support.

⁶ We used a structured naming system to protect the anonymity of subcontractors. This system also ties to the naming conventions used throughout this report.

Table 1: Questionable Section 3610 Costs				
Subcontractor	Costs Questioned by Prime Contractor			Total Amount Questioned
	FBP	FRNP	SSI	
A	\$585,994	-	-	\$585,994
B	-	-	\$488,474	\$488,474
C	\$214,325	-	-	\$214,325
D	-	\$186,269	-	\$186,269
E	-	\$137,399	-	\$137,399
F	-	-	\$109,701	\$109,701
G	\$83,318	-	-	\$83,318
H	-	-	\$6,272	\$6,272
I	-	\$5,573	-	\$5,573
Total Section 3610 Labor Double Payment				\$1,817,325
J	-	\$84,000	-	\$84,000
K	\$39,270	-	-	\$39,270
L	-	-	\$8,989	\$8,989
M	-	-	\$8,901	\$8,901
Total Other Section 3610 Issues				\$141,160
Grand Total	\$922,907	\$413,241	\$622,337	\$1,958,485

As of February 2026, the PPPO had not received any credits from the 13 subcontractors that: (1) received Section 3610 funds and had duplicate labor charges with forgiven PPP loans, or (2) could not support their use of Section 3610 funds. However, the contract clause related to Section 3610 safety pay requires subcontractors to certify that they had not received, had not claimed, or would not claim any other reimbursement for Federal funds available under the CARES Act for the same purpose.

Second, we identified \$849,625 in unallowable profit,⁷ and questioned \$629,111 that was not already included in the calculations for Table 1. Specifically, we identified 10 subcontractors (see Table 2) that were paid for Section 3610 safety leave costs at the same fully burdened rates⁸ used under regular contract work; 6 of the 10 subcontractors were not included in Table 1, totaling 19 subcontractors with questioned costs. Section 3610 of the CARES Act allowed the Department to “reimburse at the minimum applicable contract billing rates [...] to keep its employees or subcontractors in a ready state.” Further, both the Department and the OMB issued guidance directing that reimbursement should be limited to actual costs incurred and that profit should not be reimbursed. However, only one prime contractor flowed this requirement down to its subcontracts.

⁷ Our calculations are based on the employee’s billed fully burdened labor rates less the employee’s actual paid payroll rate multiplied by the number of Section 3610 hours billed. OMB guidance stated that agencies were permitted to reimburse at contractor billing rates, which might include certain overhead costs in addition to labor but shall not include profit or fees. However, because subcontractors did not submit revised billing rates breaking out each cost element (i.e. base labor rate, overhead, etc.), we were limited in developing our calculation.

⁸ Fully burdened labor rates include an employee’s base labor rate, company overheads, and profit.

Table 2: Unallowable Profit		
Prime	Subcontractor	Unallowable 3610 Profit
FRNP	D	\$97,967
SSI	F	\$61,357
FRNP	E	\$59,459
FRNP	I	\$1,731
Table 1 Overlap Total		\$220,514 ¹
FRNP/FBP/SSI	N	\$241,417
FBP	O	\$173,059
SSI	P	\$110,144
FRNP	Q	\$64,438
FRNP	R	\$24,855
FRNP	S	\$15,198
Not in Table 1 Total		\$629,111
Grand Total		\$849,625

Table Notes:¹ This amount is also identified in *Table 1: Questionable Section 3610 Costs*. We removed this amount from the total questioned costs mentioned in the “Conclusion” section of the report to prevent duplication.

Subcontractor Self-Certifications Not Received or Validated

The labor overlap occurred, in part, because the PPPO did not ensure that prime contractors received and validated subcontractors’ self-certifications that they accurately and appropriately followed Section 3610 requirements. Specifically, we found that only one prime contractor obtained the required self-certifications from subcontractors in real-time as they utilized Section 3610, and two prime contractors did not obtain self-certifications at any point. Further, the PPPO did not track PPP loans and did not know that one of its prime contractors received PPP loan forgiveness until nearly 3 years after the contractor submitted the application. The SBA and the Department of the Treasury released PPP loan recipients’ names in July 2020, and the Pandemic Response Accountability Committee released the PPP loan forgiveness data in July 2021.

Additional controls, such as validation of self-certifications, can help contracting officers fulfill their oversight responsibilities and should be put into effect prior to, or as close to real-time as possible, for maximum effectiveness. For example, Department Policy Flash 2020-22, *Guidance for using DOE’s Clauses developed to implement Section 3610 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act* (Pub. L. No 116-136), states that contracting officers must “work with the contractor to secure necessary documentation, representations, or both to prevent duplication of payment and ensure the correct reimbursement, including applicable credits.” As

the chair of the Pandemic Response Accountability Committee⁹ stated, “Prevention on the front end will reduce the volume of funds disbursed using a ‘pay and chase’ model—a problematic and ineffective approach that makes it difficult for agencies to recover improper or fraudulent funds.” Finally, preventive management oversight is critical because subcontractors may go out of business before the Government can recover duplicate payments.

SUBCONTRACTORS RECEIVED FEDERAL PAYMENT AND PPP LOAN RELIEF FOR SAME WORK

Separate from the Section 3610 payment issue, we found that the Federal Government¹⁰ paid PPPO subcontractors twice for the same work. Specifically, we identified that 19 of 34 (56 percent) PPPO subcontractors we sampled received payments from the Department for what appeared to be the same employee labor hours used to support the subcontractors’ PPP loan forgiveness. We reviewed a subset (7 of the 19) of these subcontractors to determine a potential cost impact and found that the Department paid approximately \$2.6 million for labor that was also paid through forgiven PPP loans, as indicated in Table 3.

Table 3: Duplicated Cost Impact	
Subcontractor	Non-3610 Cost Impact
T	\$1,850,765
R	\$297,974
I	\$190,040
E	\$86,611
U	\$86,220
H	\$29,586
V	\$29,462
Grand Total	\$2,570,658

For example:

- Subcontractor T had overlapping labor costs of \$1,850,765 for at least 104 of its 317 employees to support its forgiven PPP loan request. Subcontractor T’s loan forgiveness totaled approximately \$5.8 million. Subcontractor T is the parent company of Enterprise Technical Assistance Services, Inc., a PPPO prime contractor created to only perform work at the PPPO. Subcontractor T also had contracts at other Department sites that resulted in additional labor overlapping with PPP loan forgiveness support. We estimated that total overlapping labor costs were \$2.5 million for 140 of the 317 employees at the PPPO (104), the Oak Ridge Reservation (35), and the Idaho Operations Office (1).

⁹ Statement of Michael E. Horowitz, Chair, Pandemic Response Accountability Committee, Inspector General, U.S. Department of Justice, before the U.S. Senate Committee on Homeland Security & Governmental Affairs Emerging Threats and Spending Oversight Subcommittee concerning “Examining Federal COVID-era Spending and Preventing Future Fraud.”

¹⁰ In this report, “Federal Government” refers to the Department of Energy and the SBA.

- Subcontractor R had overlapping labor costs of \$297,974 for 23 of its 273 employees performing work at the PPPO sites. Subcontractor R’s loan forgiveness totaled approximately \$4.6 million. Subcontractor R also had contracts at other Department sites that resulted in additional labor overlapping with PPP loan forgiveness support. Subcontractor R had overlapping labor costs of approximately \$4.3 million for 251 of the 273 employees at the PPPO (23), Savannah River Site (74), Oak Ridge Reservation (128), Waste Isolation Pilot Plant (15), and Hanford Site (11). We already reported a cost impact at the Hanford Site of \$135,658.¹¹
- Subcontractor V had overlapping labor costs of \$29,462 for all its staff working on Department contracts. Subcontractor V’s loan forgiveness totaled \$62,942.

Lack of Non-Section 3610 COVID-19 Relief Guidance

These non-Section 3610 double payments occurred because the PPPO did not issue guidance to its prime contractors on expectations for oversight of work performed and paid for by the Federal Government in relation to COVID-19 relief options. Also, the SBA PPP loan guidance did not specify whether an applicant could claim payroll costs covered by a Government contract. Department Policy Flash 2020-22, *Guidance for using DOE’s Clauses developed to implement Section 3610 of the Coronavirus Aid, Relief, and Economic Security Act (CARES)*, states that “[c]ontractors are responsible for ensuring Federal funds are not being used to make multiple payments for the same purpose; [c]ontracting [o]fficers, however, must ensure appropriate contract administration and oversight.” However, that guidance was written specifically for Section 3610 funds and neither the Department Environmental Management nor PPPO issued separate guidance related to non-Section 3610 funds.

INAPPROPRIATE SUBCONTRACTOR ACTION

The duplicate payments for Section 3610 and non-Section 3610 hours occurred, in part, due to PPPO subcontractors not fulfilling their obligations or meeting the expectation of ethical conduct. Standards of ethical conduct for Government contractors are addressed in numerous sources, such as the Federal Acquisition Regulation, applicable contract clauses, and established ethics and compliance programs. The applicability of these sources may vary depending on the contractor’s size. However, for the subcontractors that utilized Section 3610 leave, PPPO officials inserted a contract clause requiring subcontractors to represent in any request for reimbursement that it “has not received, has not claimed, and will not claim any other reimbursement [...] for federal funds available under the CARES Act for the same purpose, including, but not limited to, funds available under sections 1102 and 1106 of the CARES Act [*sic*].” Therefore, the subcontractors were aware of their obligation to properly utilize Section 3610 leave.

Moreover, the Federal Acquisition Regulation 3.1002, *Contractor Code of Business Ethics and Conduct*, “Policy,” prescribes that:

¹¹ *Paycheck Protection Program Loans at the Hanford Site* (DOE-OIG-25-22, June 2025).

(a) Government contractors must conduct themselves with the highest degree of integrity and honesty, and (b) Contractors should have a written code of business ethics and conduct. To promote compliance with such code of business ethics and conduct, contractors should have an employee business ethics and compliance training program and an internal control system that:

1. Are suitable to the size of the company and extent of its involvement in Government contracting;
2. Facilitate timely discovery and disclosure of improper conduct in connection with Government contracts; and
3. Ensure corrective measures are promptly instituted and carried out.

However, during our audit, we identified multiple subcontractors that submitted inaccurate or potentially false representations on their reimbursement requests for Section 3610 costs. Specifically, those subcontractors certified that they: (1) were not afforded any other benefit under Section 3610 of the CARES Act or the *Families First Coronavirus Relief Act*; or (2) had further received no expanded or additional unemployment compensation or payroll protection/assistance type benefit, regardless of whether they were paid under the CARES Act or other Federal or state statute or regulations. Despite most of the subcontractors making these representations months before requesting loan forgiveness, they included Section 3610 costs, already paid by the Department, in their SBA loan forgiveness support. Even with robust oversight, contracting officers rely, in part, on subcontractors to behave appropriately and ethically.

CONCLUSION

The incomplete policy guidance, inadequate oversight, and inappropriate subcontractor behavior contributed to the report's findings. As a result of our findings, we questioned \$2,587,596 that the Department paid to its prime contractors for subcontractor Section 3610 payroll hours that overlapped with forgiven PPP loans and/or included unallowable profit. In addition, we determined the Department paid at least \$2,570,658 for labor that was both paid on Government invoices and claimed in forgiven PPP loans. Claiming duplicate costs may have denied other small businesses from accessing PPP loans. Further, the duplicate payments impacted Department operations because funds for mission-related activities paid for contractor-paid leave reimbursements. We have coordinated, and continue to coordinate, with law enforcement and legal counterparts to pursue appropriate remedies for the duplicate payments.

Recommendations

We recommend that the Acting Manager, PPPO, direct the contracting officers to:

1. Determine whether credits or reimbursements are owed for the questioned \$2,587,596 in Section 3610 costs identified in this report, in coordination with the SBA and law enforcement, as appropriate;

2. Identify and recoup unallowable profit received by subcontractors on Section 3610 payments;
3. Coordinate with the SBA for the resolution of the \$2,570,658, where the Federal Government paid PPPO subcontractors twice for the same work;
4. Implement proactive oversight measures when relying on self-certifications;
5. Consider the findings of this report when conducting risk assessment activities for Department audits and contractors' internal audits; and
6. Reinforce the requirements and expectations of ethical conduct to all contractors and their personnel who conduct business at the PPPO.

We recommend that the Assistant Secretary, Environmental Management:

7. Direct Environmental Management contracting officers to work with prime contractors to identify and recoup unallowable profit received on Section 3610 payments.

Management Comments and OIG Response

Management concurred with each of our recommendations. Specifically, for Recommendations 1 and 3, management stated that the contracting officer will coordinate with the SBA and a local OIG investigator and pursue administrative remedies where appropriate. For Recommendation 2, management stated it will review invoices and, where applicable, take steps to recoup any unallowable profits previously received by subcontractors on the Section 3610 payments. For Recommendation 4, management stated that new contractors are establishing new procurement systems, which will be required to undergo extensive reviews before they are approved. For Recommendation 5, management stated that the findings of this report will be shared with the PPPO prime contractors. For Recommendation 6, management stated it will provide specific direction to all prime contractors and reinforce the requirements of the Federal Acquisition Regulation 52.203-13, *Contractor Code of Business Ethics and Conduct*. Finally, for Recommendation 7, management stated that it will investigate and request reimbursement through the prime contractor, if warranted. We found the Department's responses and planned actions to be responsive to our recommendations.

Management's comments are included in Appendix 3.

Objective, Scope, and Methodology

Objective

We initiated this audit to determine if the Department of Energy paid the Portsmouth Paducah Project Office (PPPO) subcontractors for the same costs that were covered by forgiven Paycheck Protection Program (PPP) loans.

Scope

The audit was performed from April 2024 through December 2025 with the PPPO in Lexington, Kentucky. The audit scope included reviewing invoices; the *Coronavirus Aid, Relief, and Economic Security Act*, “Federal Contractor Authority,” Section 3610; safety pay; and regular hours of the PPPO prime contractors’ subcontractors that had received PPP loan forgiveness from January 2020 through December 2022. The audit was conducted under Office of Inspector General project number A24RL005.

Methodology

To accomplish our audit objective, we:

- Reviewed applicable policies, procedures, laws, and regulations pertaining to the PPPO and the Department.
- Reviewed reports issued by the Department, Office of Inspector General, Government Accountability Office, and other entities.
- Interviewed key personnel from the PPPO and the Department’s Office of Environmental Management.
- Completed steps to reconcile contractors’ and subcontractors’ forgiven PPP loan supporting documentation with the PPP loan forgiveness submissions.
- Evaluated the Department’s ability to monitor Section 3610 safety pay funds claimed throughout the audit scope.
- Selected 100 percent of the 24 PPPO subcontractors and 1 prime contractor that received Section 3610 safety pay and had a forgiven PPP loan. Judgmentally selected one identified lower-tier subcontractor that received Section 3610 safety pay and had a forgiven PPP loan. Because the selection of these 26 subcontractors was based on a judgmental or nonstatistical sample, results and overall conclusions were limited to the items tested and could not be projected to the entire population.

- Obtained and reviewed the 26 subcontractors' invoices to determine if the invoices contained Section 3610 billings. We also compared the invoices' detailed billing information to the prime contractors' and subcontractors' forgiven PPP loan documentation to determine if the invoices billed to the Department for Section 3610 safety pay and regular labor were for the same costs as those forgiven in Form 3508.
- Judgmentally selected and analyzed an additional eight subcontractors that had received a forgiven PPP loan from 2020 through 2022. The judgmental factors were based on risk, such as subcontractors identified in both the PPPO's PPP forgiven loan universe and the Hanford Site's PPP loan audit sample. Because the selection was based on a judgmental or nonstatistical sample, results and overall conclusions were limited to the items tested and could not be projected to the entire population.
- Obtained and reviewed the 34 subcontractors' invoices to determine if they contained labor hours billed to the Department. We also compared the invoices' detailed billing information to the prime contractors' and subcontractors' forgiven PPP loan documentation to determine if the invoices billed to the Department for regular labor were for the same costs as those forgiven in Form 3508.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. We assessed elements of the monitoring and control activities components, as well as the underlying principles of implementation of control activities and perform monitoring activities. However, because our audit was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit. To assess the reliability of the data elements needed to answer the audit objectives, we performed electronic testing, reviewed related documentation, and interviewed agency officials knowledgeable about the data. The results of our electronic testing showed that data elements key to our review contained inaccuracies in the data. Therefore, we determined the data was not sufficiently reliable for the purposes of this report. Because the data was found to be unreliable, we based our findings on the review of source documents provided by contractors, subcontractors, and the Department.

Management officials waived an exit conference on April 8, 2026.

Related Reports

Department of Energy Office of Inspector General

- Audit Report: [*Paycheck Protection Program Loans at the Hanford Site*](#) (DOE-OIG-25-22, June 2025). The audit found that 43 companies certified the need for Paycheck Protection Program loan forgiveness after already billing and receiving payment from the Hanford Site for work performed. These companies received \$11.9 million in loan forgiveness paid by the Small Business Administration for costs that were already paid to those companies for work performed. Additionally, we questioned approximately \$2.2 million in payments received by companies working at the Hanford Site. These companies received approximately \$2.2 million to cover labor payments from the *Coronavirus Aid, Relief, and Economic Security Act*, “Federal Contract Authority,” Section 3610, funds and then received loan forgiveness under the Paycheck Protection Program for those same labor costs, thereby obtaining twice the appropriate amount of Federal funding. Without implementing strong internal controls, communication, and labor monitoring during COVID-19, the Department did not ensure it conducted its due diligence to protect the Government’s interest and taxpayer dollars.

Department of Defense Office of Inspector General

- Audit Report: [*Audit of Department of Defense Implementation of Section 3610 of the Coronavirus Aid, Relief, and Economic Security Act*](#) (DODIG-2021-030, December 2020). Department of Defense (DoD) contracting officers complied with the Office of Management and Budget and DoD guidance to support rational decisions that were in the best interest of the Government when implementing Section 3610 of the *Coronavirus Aid, Relief, and Economic Security Act*, “Federal Contractor Authority.” For the 37 contracts reviewed, the DoD Office of Inspector General found that the majority of contracting officers ensured that contractors provided necessary supporting documentation, claimed only 40 hours per week for each employee, charged billing rates in line with the contract rates, and excluded profit from their request for reimbursement. In addition, the majority of contracting officers justified that contractors needed to be kept in a ready state and obtained information from the contractors on other relief claimed or received. However, the DoD Office of Inspector General identified some challenges that the DoD faced while implementing Section 3610 that extended beyond the sample. Specifically, contracting officers had to rely on contractors to self-certify that the Section 3610 costs claimed were the only reimbursement that contractors were receiving for the paid leave, and that contractors were not being reimbursed from any other source of COVID-19 relief for the same leave expenses. DoD’s use of the Section 3610 authority was limited; tracking and identifying DoD contracts using Section 3610 was not easy; not all contracts using Section 3610 authority were clearly identified in DoD information systems; and some contracts were mislabeled as using Section 3610 authority when they did not use it.

Government Accountability Office

- Audit Report: [*COVID Relief: Fraud Schemes and Indicators in SBA Pandemic Programs*](#) (GAO-23-105331, May 2023). In fiscal year 2023, the Government Accountability Office identified that there were 330 criminal and civil fraud cases brought by the Department of Justice that involved Paycheck Protection Program or COVID-19 Economic Injury Disaster Loans. Of these 330 cases, Federal prosecutors filed charges against 524 individuals for bank fraud, wire fraud, money laundering, identity theft, and other charges. Individual charges included: misrepresenting eligibility, falsifying documents, and using stolen identities. The Government Accountability Office calculated that there was about \$188 million in direct financial losses for 155 of the 330 cases which resulted in a guilty plea or conviction. These cases also accounted for 94 individuals sentenced to an average of 37 months in prison. The report notes that the number of cases would continue to grow, and as of January 2023, the Small Business Administration Office of Inspector General had 536 ongoing investigations.

Management Comments



Department of Energy

Washington, DC 20585

March 26, 2026

MEMORANDUM FOR SARAH NELSON
ASSISTANT INSPECTOR GENERAL
FOR OFFICE OF MANAGEMENT

FROM: STEVE TRISCHMAN Charles Trischman
Digitally signed by Charles Trischman
Date: 2026.03.26 11:03:32 -0400
ASSOCIATE PRINCIPAL DEPUTY ASSISTANT
SECRETARY FOR CORPORATE SERVICES

SUBJECT: Management Response to the Office of Inspector General's Draft Report, "Additional Actions Needed to Recover Funds and Prevent Duplicate Payments Under the Paycheck Protection Program at the Portsmouth Paducah Project Office" (A24RL005)

Thank you for the opportunity to review and comment on the subject draft report. The Department of Energy (DOE) appreciates the Office of Inspector General's review and acknowledges that the COVID-19 pandemic created unprecedented operational and oversight challenges across the federal government. The implementation of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) including the use of Section 3610, Federal Contractor, authorities required rapid action to maintain a safe and ready workforce at critical nuclear cleanup sites, including the Hanford Field Office and the Portsmouth and Paducah Project Office (PPPO).

Although DOE issued robust guidance and contract direction early in the pandemic, we recognize that continuous improvement is essential. The federal COVID-19 response demonstrated that, even with strong initial controls, agencies must coordinate more effectively when multiple relief programs increase the risk of fraud, waste, and abuse. We agree that clearer alignment of multi-agency funding guidance, enhanced communication with prime contractors, and more consistent real-time validation would have further strengthened oversight and prevented the Small Business Administration (SBA) from approving and/or forgiving Paycheck Protection Program loans to applicants that were already covered under the CARES Act through the DOE PPPO prime contractors.

DOE and its prime contractors had multiple checks and balances in place to guard against fraud waste and abuse during this unique time. In hindsight, rather than relying on self-certification on the front-end, a more coordinated effort with SBA could have improved the flow of money at the outset to minimize duplicate payments and having to chase reimbursement from bad actors. PPPO will continue to identify and recover improper costs, where appropriate, and reinforce ethical and contractual expectations. We remain committed

to improving internal controls, refining risk-based oversight practices, and applying lessons learned to future emergency response and acquisition activities.

The Office of Environmental Management (EM) concurs with the seven recommendations contained in the draft report. The attachment to this memorandum details actions already taken, or planned to be taken, by EM. The general and technical comments to the draft report have been provided separately.

If you have any questions, please contact Ms. Angela Watmore, Deputy Assistant Secretary for Acquisition and Project Management, at (202) 253-0993.

Attachment

Attachment

Management Response
OIG Draft Report: Additional Actions Needed to Recover Funds and Prevent Duplicate Payments Under the Paycheck Protection Program at the Portsmouth Paducah Project Office

Recommendation 1: The Acting Manager, PPPO, directs the contracting officers to: determine whether credits or reimbursement are owed for the questioned \$2,587,596 in Section 3610 costs identified in this report, in coordination with SBA and law enforcement, as appropriate.

DOE Response: Concur

The PPPO will coordinate with the SBA and work with the local OIG Investigator to determine if they are pursuing ongoing investigations into the identified contractors/subcontractors. For those contracts where no investigations are underway, we will pursue administrative remedies allowed under the contract.

Estimated Completion Date: December 31, 2026

Recommendation 2: The Acting Manager, PPPO, directs the contracting officers to: identify and recoup unallowable profit received by subcontractors on Section 3610 payments.

DOE Response: Concur

PPPO will review the invoices and the cost audits incurred and where applicable take steps to recoup any unallowable profits previously received by subcontractors on the Section 3610 payments.

Estimated Completion Date: December 31, 2026

Recommendation 3: The Acting Manager, PPPO, directs the contracting officers to: coordinate with the SBA for the resolution of the \$2,570,658, where the Federal Government paid PPPO subcontractors twice for the same work.

DOE Response: Concur

PPPO will coordinate with the SBA and work with the local OIG Investigator to determine if they are pursuing ongoing investigations into the identified contractors/subcontractors. For those contracts where no investigations are underway, we will pursue administrative remedies allowed under the contract.

Estimated Completion Date: December 31, 2026

Recommendation 4: The Acting Manager, PPPO, directs the contracting officers to: implement proactive oversight measures when relying on self-certifications.

DOE Response: Concur

PPPO has several new Contractors in place all of which are establishing new Procurement Systems and will be required to undergo extensive reviews before their procurement systems are approved. The assigned Contracting Officer will be reviewing all awards exceeding the simplified acquisition threshold. Once the procurement systems have completed and passed a headquarters level review the contracting officers will continue to monitor the contractor on a periodic basis.

Estimated Completion Date: December 31, 2026

Recommendation 5: The Acting Manager, PPPO, directs the contracting officers to: consider the findings of this report when conducting risk assessment activities for Department audits and contractors' internal audits.

DOE Response: Concur

Incurred cost audits are conducted annually on all PPPO prime contracts. All PPPO Contractors are required to conduct their own internal audits on an annual basis. Contracting Officers are required to submit annual procurement risk assessments to the Senior Procurement Executive for every Cost-Plus Award Fee contract. The findings of this report will be shared with the PPPO Prime Contractors and will be incorporated in future reports.

Estimated Completion Date: December 31, 2026

Recommendation 6: The Acting Manager, PPPO, directs the contracting officers to: reinforce the requirements and expectations of ethical conduct to all contractors and their personnel who conduct business at the PPPO.

DOE Response: Concur

The DOE Contracting Officers will in accordance with the Federal Acquisition Regulation and the FAR Guidance provided in FAR 3.1004 include FAR 52.203-12, Contractor Code of Business Ethics and Conduct in all solicitations and contracts if the value is expected to exceed \$7.5 million and the period of performance is 120 days or longer. This contract clause will be flown down from the prime contractors to the subcontractors where applicable. Specific direction will be provided to all prime contractors to reinforce this requirement.

Estimated Completion Date: December 31, 2026

Recommendation 7: The Assistant Secretary, Environmental Management: direct Environmental Management contracting officers to work with prime contractors to identify and recoup unallowable profit received on Section 3610 payments.

DOE Response: Concur

There may be extremely limited instances where a subcontractor may not have removed fee from the wrap rate for the time of an on-call worker that was paid under section 3610 for idle time when the work could not be performed by teleworking. We will investigate that further and request reimbursement through the prime contractor, if warranted.

Estimated Completion Date: December 31, 2027

FEEDBACK

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