



memorandum

DATE: April 9, 2004

Audit Report Number: OAS-L-04-13

REPLY TO

ATTN OF: IG-35 (A04DC009)

SUBJECT: Audit Report on "Reimbursable Work for the Department of Homeland Security"

TO: Administrator, National Nuclear Security Administration, NA-1

INTRODUCTION AND OBJECTIVE

The Homeland Security Act of 2002 authorizes the Department of Homeland Security (Homeland Security) to utilize the capabilities of the Department of Energy's (Department) laboratories and other sites to carry out Homeland Security's missions. The Act further provides that the Department may accept and perform work for Homeland Security on an equal basis with other Departmental laboratory and/or site missions and that Homeland Security will reimburse the Department in an amount comparable to similar work performed by its contractors.

On February 28, 2003, the Secretaries of Energy and Homeland Security entered into a Memorandum of Agreement, specifying the requirements established in the Homeland Security Act. Department officials estimated that Homeland Security could add a significant amount of additional work for the laboratories. The purpose of this audit was to determine whether the Department has the infrastructure (personnel, facilities, etc.) to meet the reimbursable work requirements for Homeland Security. Additionally, we sought to determine whether the Department was being reimbursed in accordance with established policy and whether milestones and deliverables were being met.

CONCLUSIONS AND OBSERVATIONS

After the Memorandum of Agreement was signed, the Department's laboratories received limited Fiscal Year (FY) 2003 funding to support Homeland Security. Specifically, Los Alamos National Laboratory (Los Alamos) and Sandia National Laboratories (Sandia), two sites included in this review, received \$2.8 million and \$3.4 million, respectively. We reviewed five of the six Los Alamos proposals and all 16 Sandia proposals for the work each was conducting for Homeland Security. For these proposals, a total of 39 milestones/deliverables were due at the time of our site visit. We found that the milestones/deliverables had generally been met. Further, officials believed that Homeland Security was generally satisfied with the work performed. Thus, it appeared for the proposals we reviewed, that the existing resources were sufficient to carry out the Homeland Security requirements. Our review also disclosed that appropriate fees were being assessed for Homeland Security's work.

Sandia and Los Alamos were both prepared to provide increased support to Homeland Security in FY 2004, and in fact, had programmed their reimbursable budgets up to \$78 million and \$64 million, respectively. However, as of February 2004, the Department and its laboratories had not received an overall funding plan detailing the amount of reimbursable work it expected Homeland Security to request in FY 2004. Thus, there was not a basis to determine the adequacy of the Department's support for Homeland Security in FY 2004.

Officials at both Los Alamos and Sandia were concerned about their ability to meet Homeland Security's undefined FY 2004 reimbursable work requirements. For instance, if there was significantly more work requested than anticipated, the laboratories might not have sufficient resources to conduct the work. Conversely, laboratory officials were reluctant to acquire additional staff in the event Homeland Security did not request the reimbursable work expected.

Although National Nuclear Security Administration (NNSA) headquarters has sought long-term planning data from Homeland Security, to date this planning information has not been provided. Consequently, we suggest that NNSA officials work through the Secretary's office to establish a line of communication with Homeland Security officials so that effective planning can begin.

SCOPE AND METHODOLOGY

The audit was performed from November 2003 to February 2004 at the Department of Energy Headquarters, Washington, DC; National Nuclear Security Administration Service Center, Albuquerque, NM; Sandia National Laboratories, Albuquerque, NM, and Livermore, CA; and Los Alamos National Laboratory, Los Alamos, NM. We also discussed Homeland Security reimbursable work with officials from Lawrence Livermore National Laboratory, Livermore, CA. The scope of the audit was limited to determining whether the Department has the infrastructure to meet reimbursable work requirements for Homeland Security, and whether the fees assessed Homeland Security were in accordance with established policy.

To accomplish the audit objective, we:

- Reviewed Federal and Departmental requirements related to reimbursable work;
- Reviewed prior external and internal reports regarding reimbursable work, including the Federal Managers' Financial Integrity Act;
- Reviewed task plans to ensure milestones were being met;
- Discussed reimbursable work with NNSA officials from Headquarters, the NNSA Service Center, Los Alamos, Sandia, and Lawrence Livermore National Laboratory;
- Examined proposals to determine whether Homeland Security had been assessed appropriate charges and whether deliverables were provided as scheduled; and,

- Reviewed Performance Measures established in accordance with the Government Performance and Results Act.

The audit was performed in accordance with generally accepted Government auditing standards for performance audits, and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective.

Accordingly, we assessed the significant internal controls related to reimbursable work for Homeland Security. Because our review was limited, it would not necessarily have identified all internal control deficiencies that may have existed. Additionally, we did not rely extensively on computer-processed data. Finally, we reviewed the implementation of the Government Performance and Results Act of 1993, as it related to reimbursable work.

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



Lawrence R. Ackerly, Division Director
National Nuclear Security Administration
Audits Division
Office of Inspector General

cc: Director, Policy and Internal Controls Management, NA-66
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Washington Audit Group
NNSA Audits Project File - A04DC009.

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DATE: April 9, 2004

REPLY TO
ATTN OF: IG-35 (A04DC009)

SUBJECT: Final Report Package for "Reimbursable Work for the Department of Homeland Security"

TO: Director for Performance Audits and Administration

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

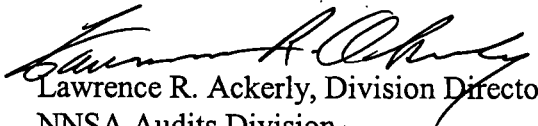
1. Actual Staff days: 156

Actual Elapsed days: 106

2. Names of OIG audit staff:

Assistant Director: David Sedillo
Team Leader: Lynda Crowder
Auditor-in-Charge: Della Bobian
Audit Staff: Katherine Balke

3. Coordination with Investigations and Inspections: November 2003 and April 2004.


Lawrence R. Ackerly, Division Director
NNSA Audits Division
Office of Inspector General

Attachments:

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

MONETARY IMPACT OF REPORT NO.: OAS-L-04-13

1. Title of Audit: Reimbursable Work for the Department of Homeland Security

2. Division: NNSA Audits Division/Washington Audit Group

3. Project No.: A04DC009

4. Type of Audit:

Financial: _____ Performance: X
 Financial Statement _____ Economy and Efficiency X
 Financial Related _____ Program Results _____
 Other (specify type): _____

5.

FINDING		BETTER USED		QUESTIONED COSTS			MGT. POSITION	POTENTIAL BUDGET IMPACT
(A)	(B) Title	(C) One Time	Recurring (D) Amount Per Year	(E) Questioned Portion	(F) Unsupported Portion	(G) Total	(H) C=Concur N=Noncon U=Undec	(I) Y=Yes N=No
	Audit of Reimbursable Work for the Department of Homeland Security					N/A		
TOTALS--ALL FINDINGS								

6. Remarks: None

7. Contractor: None

10. Approvals:

8. Contract No.: None

Division Director & Date: *[Signature]* 4/9/04

9. Task Order No.: None

Technical Advisor & Date: *[Signature]*

AUDIT DATABASE INFORMATION SHEET

1. Project No.: A04DC009
2. Title of Audit: Reimbursable Work for the Department of Homeland Security
3. Report No./Date: OAS-L-04-13/April 9, 2004
4. Management Challenge Area: National Security
5. Presidential Mgmt Initiative: N/A
6. Secretary Priority/Initiative: N/A
7. Program Code: _____
8. Location/Sites: Headquarters, Sandia National Laboratories, and Los Alamos National Laboratory
9. Finding Summary: N/A
10. Keywords:
 - Department of Homeland Security
 - DHS
 - Reimbursable Work
 - Work for Others
 - WFO
 - Homeland Security Act of 2002