U.S. Department of Energy
Office of Inspector General

Planning for and Measuring Office of Inspector General Results

FY 2002 Annual Performance Report and FY 2003 Annual Performance Plan
Inspector General’s Message

We are pleased to present the Office of Inspector General’s (OIG) consolidated Fiscal Year 2002 Annual Performance Report and Fiscal Year 2003 Annual Performance Plan. This document evaluates our actual Fiscal Year (FY) 2002 performance and establishes the performance goals and strategies we will pursue in FY 2003 to fulfill our mission.

As mandated by the Inspector General Act, the OIG promotes the effective, efficient, and economical operation of the Department of Energy’s programs and operations, including the National Nuclear Security Administration (NNSA). We continue to provide assistance to the Department and the Congress by identifying opportunities to improve program performance and accountability, achieve cost savings, and return hard dollars to the Federal Government. The OIG also plays an important role in assisting the Department in implementing the Government Performance and Results Act.

As we review our FY 2002 achievements and outline our FY 2003 performance plans, we look to national events that have and may affect our role. Since the tragic events of September 11, 2001, the OIG has significantly increased our already substantial commitment to helping the Department identify and evaluate systemic and situational vulnerabilities in the areas of cyber and physical security, counterintelligence, nuclear materials management, and critical infrastructure protection. Our FY 2003 Annual Performance Plan continues this effort.

The OIG is committed to serving as a facilitator of management reform by continuing to evaluate program performance in critical areas central to the President’s Management Reform Agenda, as well as the Secretary’s priorities.

We look forward to addressing the challenges facing both our office and the Department. This document serves as our roadmap for accomplishing our mission and goals.

Signed
Gregory H. Friedman
Inspector General
Our Vision and Mission

Our Vision
To be a highly effective organization that promotes positive change by identifying opportunities for improvements in the performance and efficiency of the Department’s programs and operations.

Our Mission
Promote the effective, efficient, and economical operation of the Department of Energy and the National Nuclear Security Administration, through audits, investigations, inspections, and special reviews to detect and prevent waste, fraud, abuse, and violations of law.

Our Strategic Goal
Operate a robust review program and provide timely performance information and recommendations to facilitate the Department’s efforts to:

1. Implement the President’s Management Agenda;
2. Resolve management challenges;
3. Execute the Secretary’s priorities; and
4. Ensure the integrity of the Federal and contractor workforce while ensuring that the OIG completes statutory mandates, recovers monies, and provides opportunities for savings.

Goal 1
Promote the Management Agendas of the President, Secretary and Congress.

Goal 2
Improve economy and efficiency and reduce waste, fraud, and abuse within the Department.

Goal 3
Support the Taxpayer.
Our Responsibilities and Authorities

As required by the Inspector General Act of 1978, as amended, the OIG:

− Conducts independent and objective audits, investigations, inspections, and special inquiries;
− Promotes economy, efficiency, and effectiveness;
− Prevents and detects waste, fraud, and abuse;
− Reviews pending legislation and regulations; and
− Keeps the Secretary and Congress fully and currently informed.

In further fulfillment of its mission and goals, the OIG also performs a number of functions mandated by other statutes, Executive orders, and regulations.

Other Legal Mandates

♦ Government Management Reform Act
♦ Government Information Security Reform Act
♦ Government Performance and Results Act
♦ Executive Order 12863, President’s Foreign Intelligence Advisory Board
♦ Executive Order 12333, United States Intelligence Activities
♦ Annual Statement of Costs Incurred and Claimed Audits
Our Organizational Structure

The OIG is organized into four major functional areas and a corporate support office:

- Office of Audit Services
- Office of Investigations
- Office of Inspections
- Office of Program Review and Special Inquiries
- Office of Resource Management

In addition to the Washington, D.C. area, OIG offices are located at key Department sites around the Nation.
Human Capital

The OIG requires a highly trained and diverse workforce to carry out its mission. The Office recruits professional auditors, criminal investigators, inspectors, program analysts, and administrative support personnel. The fundable Full-Time Equivalents (FTEs) for FY 2002 were 252. The projected fundable FTEs for the OIG to accomplish the goals and objectives contained in the FY 2003 Annual Performance Plan are 263.

In FY 2002, the OIG undertook an aggressive recruitment effort. Over 30 new auditors and investigators were hired during the last two quarters of FY 2002. Of the 30, 14 were women and 7 were minorities. The OIG took a number of proactive steps that led to filling many of these positions with minorities, including making visits to historically Black colleges and universities that have significant minority enrollments. OIG staff also recruited at annual conferences of the Women in Federal Law Enforcement and the National Organization of Black Law Enforcement Executives. The OIG will continue to build on these accomplishments and strengthen diversity in its workplace.
Our FY 2002 Accomplishments

This section describes the OIG’s FY 2002 accomplishments. The OIG successfully achieved its FY 2002 goals and targets. In most instances, the OIG exceeded its performance targets. During this period, the OIG had 10 major goals with over 20 performance targets to measure its FY 2002 accomplishments. Following are the results:

FY 2002 General Goal

Promote the efficient, effective, and economical operation of the Department of Energy, including the National Nuclear Security Administration.

Performance Goal 1: Make recommendations for positive change in Department programs and operations through the issuance of reports.

Assessment: Exceeded Goal

Performance Targets:

- **Initiate at least 60 percent of audits planned for the year and replace those audits not started with more significant audits that identify time-sensitive issues needing review.**

- **Complete at least 90 percent of all audits within 12 months to provide timely information to Department management.**

- **Obtain at least 90 percent management compliance rate for recommendations made in investigative reports issued to Department management.**

- **Initiate at least 70 percent of inspections planned for the year and replace those not started with inspections having greater potential impact.**

- **Issue at least 10 inspection reports containing recommendations for positive change in Department and NNSA programs and operations.**
Accomplishments:

Each year, as part of the audit planning process, Department management, other interested parties, and OIG staff are contacted and queried to identify and prioritize audit opportunities. For the audits completed in FY 2002, 92 percent were completed within 12 months, to provide timely information to Department management. Also, the OIG’s method of prioritizing helped the Office succeed in initiating 70 percent of the audits planned for the year and replace those not started with audits having greater potential impact or more significant audits needing time-sensitive review. For example:

- At the request of the Administrator, NNSA, the OIG reviewed NNSA’s efforts to construct the Tritium Extraction Facility at the Savannah River Site. Specifically, the review was conducted to determine whether the Tritium Extraction Facility Project was within cost, schedule, and technical scope. The OIG found that the Tritium Extraction Facility will cost substantially more than the planned $401 million and, based on current progress, is unlikely to be completed by February 2006, as scheduled. The OIG determined that these baseline schedule and scope failures were due to the project team’s inability to make full use of available project management controls.

- The OIG initiated a follow-on audit at the request of the Brookhaven Area Office to gauge the sufficiency of corrective actions to an OIG audit report issued in May 1999, “Health Physics Technician Subcontracts at Brookhaven National Laboratory.” The purpose of the review was to determine whether Brookhaven administered procurements in accordance with applicable regulations and its contract. The review showed that Brookhaven had initiated some improvements. However, in a number of cases, Brookhaven was still not providing the Department advance notice about high-dollar procurements, adequately justifying some noncompetitive procurements, or maintaining accurate data on small business contracts and purchases.

- Based on information that the OIG received that raised concerns about the effectiveness and usefulness of the Advanced Vitrification System technology, a review was initiated to identify issues that could prevent successful deployment of the Advanced Vitrification System. The OIG concluded that there were a number of significant unresolved technical issues affecting the ability to develop and deploy the Advanced Vitrification System and that these challenges should be addressed before the Department funds additional research on the technology.
The OIG received responses to 63 recommendations made in investigative reports to management during FY 2002, with a 94 percent compliance rate. Department management took administrative action against 29 individuals as a result of OIG Administrative Reports to Management and obtained 19 debarments of contractors and individuals.

Examples of successes resulting from OIG investigative recommendations to management include the following:

- Ten subjects were debarred for 3 years from Government contracting. The subjects conspired to establish “shell” companies for the purpose of providing fraudulent invoices against a $2.8 million community development grant and cooperative agreement with the Department’s Savannah River Site.

- A contractor reimbursed the Department $201,618 for travel and per diem costs improperly paid to one of its subcontractors.

- The Department agreed to develop a plan to correct security weaknesses relating to computers connected remotely to Department networks at a National Laboratory.

- The Department terminated the employment of an individual for downloading over 1,100 pornographic images onto a Government computer.

The OIG initiated 87 percent of the inspections planned for the year and replaced those not started with inspections having greater potential impact. The OIG issued 22 final reports, 12 of which contained recommendations for positive change in Department and NNSA programs and operations. The following are examples of outcomes from those recommendations:

- The Department enhanced baseline cyber security measures to protect computerized employee personal information.

- Lawrence Livermore National Laboratory developed corrective action plans to improve security and protective force operations at the site.

- The Department performed a Nationwide review of the fresh pursuit policies and practices at all Department National Laboratories. The purpose of this review was to address inconsistencies at Department sites with respect to policies and practices pertaining to the “fresh pursuit” of fleeing suspected criminals in unauthorized possession of nuclear weapons, weapons components, or special nuclear material.
Performance Goal 2: Conduct audits and render an opinion as required by the Government Management Reform Act (GMRA) on the Department’s consolidated financial statements, system of internal controls, and compliance with laws and regulations; and conduct other audits required by law, regulation, or policy.

Assessment: Exceeded Goal

Performance Target:

- Complete the required annual financial statement audits by designated due dates in the law.

Accomplishments:

The OIG completed the audit of the Department’s FY 2001 consolidated financial statements and rendered an unqualified (clean) opinion on February 13, 2002, ahead of the March 1 statutory due date. As part of the review, four reportable conditions in the Department’s system of internal controls were identified: (1) the Department has made progress improving its performance measurement reporting, but more remains to be done to satisfy the requirements of the Government Performance and Results Act and related Office of Management and Budget (OMB) guidance; (2) the Department has certain network vulnerabilities and general access control weaknesses that could affect unclassified information system security; (3) the Department’s Western Area Power Administration did not uniformly perform reconciliations and could not promptly prepare account analyses; and (4) the Department’s Active Facilities Data Collection System contained inaccurate data, including incorrect facility types and errors in reported square footage which, prior to audit adjustment, overstated the active facilities environmental liability estimate.

In addition, the OIG completed the required Federal Managers’ Financial Integrity Act (FMFIA) evaluations and implemented the OMB requirements. The review disclosed that the Department continued to carry out its internal control program mandated by the FMFIA.

Performance Goal 3: Investigate allegations of violations of criminal and civil Federal law, as well as serious administrative misconduct, in order to facilitate successful prosecutions and administrative actions that maximize recovery of public resources and deter future wrongdoing.

Assessment: Met Goal
**Performance Targets:**

- Obtain judicial and/or administrative action that facilitates positive change in Department programs and operations on at least 35 percent of all cases investigated during the fiscal year.

- Obtain at least 70 percent acceptance rate on criminal and civil cases formally presented for prosecutorial consideration.

**Accomplishments:**

The OIG obtained judicial and/or administrative actions on 37 percent of all cases investigated during the fiscal year and achieved a prosecutorial acceptance rate of 82 percent. The OIG obtained 21 criminal indictments and 41 convictions, pretrial diversions, and civil judgments.

Examples of successes as a result of OIG investigations include:

- Two subcontractors paid the Government a total of $4.7 million to resolve allegations that employees submitted false per diem claims for long-term temporary assignment to a Department facility.

- An investigation determined that a contractor improperly stored contaminated waste in violation of the Resource Conservation and Recovery Act. During the course of the investigation the contractor’s parent company paid $14.5 million in remediation and disposal cost to clean up waste stored improperly.

- A contractor employee was convicted for viewing and downloading pornographic images and videos depicting children.

**Performance Goal 4:** Maintain investigative inter-agency and intra-agency cooperative efforts to combat fraud, waste, and abuse.

**Assessment:** Met Goal

**Performance Target:**

- Ensure that at least 25 percent of all open cases during the fiscal year are task force/joint agency investigations.
Accomplishments:

The OIG opened 139 cases during FY 2002, 26 percent of which were task force agency investigations. The following are examples of successes from task force/joint agency investigations:

- A subcontractor paid the Department $800,000 and released its claim to approximately $148,000 in contract funds held by the Department. The investigation determined that the subcontractor improperly charged the Government for costs associated with the manufacturing of commercial products.

- Three individuals confessed and pleaded guilty to separate computer intrusions at Department entities as a result of joint investigations with other Federal and State law enforcement agencies.

- A contractor paid a fine of $84,957 to the Government for improper disposal of an environmental contaminant into the Emory River, which flows through the Department’s East Tennessee Technology Park. The contractor pleaded guilty and was sentenced to 12 months’ home confinement; 2 years’ supervised probation; and 300 community service hours.

Performance Goal 5: Conduct proactive investigations focusing on areas most vulnerable to fraud, waste, and abuse within the Department, including the NNSA.

Assessment: Exceeded Goal

Performance Targets:

- Conduct fraud awareness briefings every quarter with Department managers, program personnel, and contractors.

- Increase staff hours dedicated to proactive case development and investigations by 10 percent over the previous fiscal year.
Accomplishments:

OIG investigative personnel conducted 29 fraud awareness briefings in FY 2002 with an average of 5 per quarter. These presentations are designed to discuss the process for reporting fraud, waste, and abuse to the OIG and to highlight priorities and initiatives of the Office of Investigations.

The OIG dedicated 5,952 hours to proactive case development during FY 2002. This represents an increase of 49 percent in proactive work over the previous fiscal year.

The following are investigative results from FY 2002 proactive Government purchase card initiatives:

- Obtained criminal convictions involving significant misuse and abuse of Government purchase cards. One contractor employee mischarged $138,000 for personal use and was sentenced to 13 months’ incarceration, 3 years’ supervisory probation and ordered to pay restitution of $137,446. Two other subcontractor employees mischarged Government purchase cards in excess of $80,000. They were sentenced to home detention and probation. The Department has debarred three former contractor employees and two personal businesses from Government contracting for 3 years as a result of purchase card abuse.

- Four other employees entered guilty pleas for Government purchase card misuse in the amounts of $37,000, $11,000, $10,000, and $2,000, respectively.

- A “Lessons Learned” report that consolidated findings from over 20 separate OIG reviews recommended that the Department’s Government purchase card program needs to: (1) ensure independent receipt and verification of goods and services; (2) include implementation policies and procedures for identifying unallowable and non-reimbursable costs; (3) ensure adherence to prescribed policies and procedures; and (4) improve purchase card issuance controls.

Performance Goal 6: Focus performance reviews on those issues, programs and systems having the greatest potential impact on the protection or recovery of public resources; and make associated recommendations for positive change. This specifically includes evaluating the Department’s implementation of the Government Performance and Results Act.

Assessment: Exceeded Goal
**Performance Targets:**

- Ensure that at least 90 percent of performance audits incorporate approaches to evaluate performance measures and how they were applied.

- Complete at least 80 percent of management inspections within 12 months.

- Initiate at least 70 percent of inspections planned for the year and replace those not started with inspections having greater potential impact.

**Accomplishments:**

Of the performance audits conducted in FY 2002, 100 percent included an evaluation of performance measures and how they were applied. As stated previously, the OIG focuses performance reviews on those programs having the greatest potential for protection and recovery of public resources. The OIG was able to assist the Department to analyze not only the operation of programs considered the most serious management challenges facing the Department, but also determine whether or not those programs were effectively measuring their performance.

For example, in FY 2002, the OIG issued a report entitled "Environmental Management Performance Measures" (IG-0561). In that report, the OIG suggested that the Assistant Secretary for Environmental Management focus corporate measures on overall program performance. Specifically, performance measure mechanisms should be developed to: (1) supplement existing corporate performance measures and provide information on overall cost and schedule performance; and (2) capture changes in risk across Environmental Management’s site cleanup activities.

The OIG initiated 87 percent of the inspections planned for the year and replaced those not started with inspections having greater potential impact. In addition, the OIG completed 82 percent of its management inspections within 12 months. During the year, the OIG focused a significant portion of its resources on reviews of security and safety related topics. Although security and safety have always been areas of emphasis, additional resources were devoted to these areas in response to the events of September 11, 2001. The OIG completed several followup inspections to determine whether the Department was taking appropriate action on recommendations made in earlier security-related inspection reports. Specific areas of review included: the process for transmitting classified documents; the progress being made on executing the Department’s Counterintelligence Implementation Plan;
coordination activities with State, local, and tribal officials regarding shipments of nuclear weapons, nuclear weapons components, and special nuclear materials; and the export licensing process as it relates to foreign national visits. The OIG found that the Department had made progress in implementing the recommendations and made suggestions to enhance future implementation activities. The following are examples of other inspection findings during the year:

- Over $2 million was unnecessarily spent by a Department site contractor to transport, upgrade, and store equipment that sat idle.

- The Department needs to assure that sealed radioactive sources are properly controlled, inventoried, and leak tested in accordance with Federal rules and local site procedures.

- A Value Engineering policy is needed that will meet the requirements of OMB Circular A-131 and is applicable to all Department systems, equipment, facilities, services, and supplies for the purpose of achieving essential functions at the lowest life-cycle cost.

- Improvements are needed in the control of property at two inspected Department sites.

**Performance Goal 7:** Conduct inspections of noncriminal allegations that enable the Department to hold employees and contractors accountable to the highest standards of honesty, objectivity, and integrity.

**Assessment:** Exceeded Goal

**Performance Target:**

- Complete at least 80 percent of allegation-based inspections within 12 months.

**Accomplishments:**

The OIG completed 100 percent of its allegation-based inspections within 12 months. The following are examples of the results of allegation-based inspections:
- Sandia National Laboratories issued trade secret licenses to 11 companies since 1995 despite being advised both verbally and in writing over the course of the last 10 years of the Department’s policy prohibiting the licensing of trade secrets. In many instances, these licenses were issued without the Department’s knowledge. Sandia’s improper licensing activity may have resulted in the inappropriate collection of $617,422.

- There was no legal basis for the Rocky Flats Field Office’s expenditure of $11,475 to pay for golf training for one employee and pilot training for three other employees.

- There are opportunities for improvement in the overall security posture at the West Valley Demonstration Project.

**Performance Goal 8:** Conduct oversight of Department intelligence programs, including the National Nuclear Security Administration, as required by Executive order.

**Assessment:** Met Goal

**Performance Target:**

- Provide OIG intelligence oversight reports to the Intelligence Oversight Board in accordance with the requirements of Executive Orders 12333 and 12863.

**Accomplishment:**

The OIG provided quarterly reports to the Intelligence Oversight Board within required timeframes. The reports serve to inform the Intelligence Oversight Board, which is part of the President’s Foreign Intelligence Advisory Board, of Department/NNSA intelligence activities the Inspector General believes may be unlawful or contrary to Executive order, Presidential directive, or Department intelligence procedures.

**Performance Goal 9:** Effectively process complaints/allegations channeled through the OIG Hotline.

**Assessment:** Exceeded Goal
Performance Targets:

- Enter into the database 80 percent of the complaints warranting predication within 1 week of being received.

- Refer at least 85 percent of allegations to management within 14 days of the case being initiated after a referral decision has been made by the OIG.

During the year, the OIG Hotline received 962 complaints/allegations, 382 of which warranted predication in the OIG database. Ninety-six percent of those complaints were predicated within 1 week of being received. Also, 220 matters were referred to the Department or other agency management for appropriate action, and 99 percent of those referrals were made within 14 days of the case being initiated after a referral decision was made by the OIG.

Performance Goal 10: Align the organization in the most efficient, cost effective manner necessary to achieve the OIG legislative mission.

Assessment: Met Goal

Performance Targets:

- Reduce the number of and align managers based on organizational analyses and downsizing.

- Lower the decision-making levels.

- Limit any new hiring to front-line employees.

- Increase the use of automation in work processes.

Accomplishments:

The OIG conducted a major reorganization in FY 2002 that significantly changed the delivery of audit services to customers. The Office of Audit Services was realigned along programmatic lines from a regional structure. This change supports a balance between single-site and multi-site audits, as well as ensuring adequate coverage in major programmatic areas; specifically NNSA, environmental, and the combined areas of science, energy, technology and
financial statements. While this reorganization did not reduce the number of managers, it resulted in a comprehensive delivery of services that addresses the Secretary’s mission priorities.

Based on the reorganization, the Deputy Assistant Inspector General for Audit Services was delegated the authority to review and issue all draft audit reports. This delegation will streamline the audit report process to allow the Assistant Inspector General for Audit Services’ attention to be focused on the final report.

The OIG conducted an extensive recruitment effort through public announcements, Governmentwide announcements, and college fairs and visits. The OIG hired 32 new employees during FY 2002, all as front-line employees.

The OIG has continued to use automation in streamlining its work processes. Additionally, efforts to secure OIG sensitive data are ongoing. The OIG began participation in a pilot program to use biometrics as a user authentication for access to the OIG network system. The use of ENTRUST encryption was also expanded to all field computers.
Budget and Performance Integration

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<tr>
<th>Office</th>
<th>Appropriation for FY 2003 (in millions)</th>
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<tr>
<td>Office of Inspector General</td>
<td>$37.7</td>
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Budget and performance integration is a key Governmentwide initiative in the President’s Management Agenda. The OIG has aligned its planning, budget and performance measurement functions within the Office of Resource Management. This alignment has allowed the OIG to better integrate budget and performance information and has moved the office closer to its goal of developing a performance-based budget. Furthermore, this approach enables the OIG to manage the development of budget and performance information in a more effective and streamlined manner. Over the past year, the office significantly improved and realigned the performance measures in its strategic and annual plans to more closely quantify the results of the OIG’s work. The OIG will continue its strong commitment toward achieving this important initiative and further refine and strengthen the integration of its budget and performance goals.
Below is the current matrix reflecting our progress.

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<thead>
<tr>
<th>Department Business Lines</th>
<th>Outcomes</th>
<th>Outputs</th>
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<tr>
<td></td>
<td><strong>Target 2003 Reviews</strong></td>
<td><strong>Estimated FY 2003 Cost ($ in millions)</strong></td>
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<tr>
<td>National Security</td>
<td>Promote the safety and reliability of the nuclear stockpile.</td>
<td>78</td>
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<tr>
<td></td>
<td>Assess the Department’s progress in addressing and resolving the threat</td>
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<td>from weapons of mass destruction.</td>
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<td>Promote effective intelligence and counterintelligence programs.</td>
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<td>Promote security and safety within Department programs.</td>
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<td>Environmental Management</td>
<td>Promote implementing environmental cleanup faster and cheaper.</td>
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<td></td>
<td>Contribute to the success of the Department completing the characterization</td>
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<td>of the Yucca Mountain site for permanent storage of the Nation’s</td>
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<td>spent nuclear fuel.</td>
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<td>Assess the Department’s management of uranium enrichment and civilian</td>
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<td>nuclear power development.</td>
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<td>Energy/Science</td>
<td>Contribute to the protection of the critical energy infrastructure.</td>
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<td></td>
<td>Promote the implementation of the President’s National Energy Plan.</td>
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<td></td>
<td>Assist in directing research and development that directly relate to and</td>
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<td>support the missions of the Department and aid in ensuring greater</td>
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<td>application of mature technologies.</td>
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<td>Corporate Management</td>
<td>Contribute to the effectiveness of the Department’s financial management.</td>
<td>90</td>
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<td>Assure the American public that the Department is fiscally responsible in</td>
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<td>carrying out its mission.</td>
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<td>Promote effective contract management.</td>
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<td>Foster responsiveness to complaints and allegations from the Department</td>
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<td>and OIG customers.</td>
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<td>Ensure the Department has metrics in place and uses them to manage its</td>
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<td>programs and activities effectively.</td>
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<td></td>
<td>Promote the safety and health of the Department’s workforce.</td>
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<td>Total</td>
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*Note: Due to the nature of the work performed by the Office of Investigations, quantifying the number of investigations planned is not possible. However, results from the investigations will be included in the FY 2003 reporting figures.
Critical Outside Influences

Numerous external factors could affect the achievement of the OIG goals and objectives. Specifically, these factors could create a significant impact on workloads, formulating budgets, assessing organizational structure, evaluating procedures, and establishing priorities. Some examples include:

**Budget.** Thus far in FY 2003, the OIG has been operating under a continuing resolution at the FY 2002 appropriation level. This reduced funding has negatively impacted the progress the Office would anticipate accomplishing otherwise. This annual plan assumes that the Office will shortly receive the anticipated FY 2003 funding level. The OIG expects to increase its reviews and investigations accordingly. However, should a continuing resolution remain in effect for longer than 4 months, the Office may be unable to complete the reviews reflected in this FY 2003 annual plan. Consequently, meeting performance goals may not be achievable in all cases.

**Secretarial/Congressional Priorities.** Unplanned, resource intensive, but nevertheless important, quick turnaround requests by the Secretary and Congress could impact on planned work and thereby affect progress towards achieving the OIG goals and objectives.

**New Statutory Requirements.** New legislative mandates and unfunded audit, investigative, inspection, or inquiry requirements would have a direct impact on the OIG strategic plan. Specifically, new statutory requirements could divert resources away from other critical areas, including evaluating the performance of the Department’s programs and operations as they relate to the President’s Management Agenda, the Secretary’s priorities, and the most serious management challenges facing the Department. The OIG goals and objectives are built around many of these areas.

**Recruitment and Retention.** A number of factors could significantly impact the OIG’s ability to attract and retain a skilled and diverse workforce. The OIG consists of highly trained professional staff whose skills are in demand in both the public and private sectors. Consequently, vacancies are often difficult and time consuming to fill. Since September 11, 2001, the OIG faces even more competition from many law enforcement agencies within the Federal Government. For example, the Federal Bureau of Investigation has initiated a hiring effort to fill 1,000 vacancies. In addition, the OIG will be competing with the Transportation Security Administration, and the Department of Homeland Security could attract talent away from the OIG.
Our Long-Term Plans

This portion of the Annual Performance Plan reflects the goals, objectives, and strategies included in the OIG’s FY 2002 - 2007 Strategic Plan. During FY 2002, the OIG devoted a considerable amount of resources to revise and streamline its planning goals, strategies and objectives.

Goal 1: Promote the Management Agendas of the President, Secretary, and Congress

1. Objective: Conduct reviews seeking positive change in the Department relating to the implementation of the initiatives in the President’s Management Agenda, the Secretary’s Priorities, and the OIG-identified Management Challenges.

Strategy:

- Conduct reviews as outlined in the OIG annual plan relating to: (1) the President’s Management Agenda initiatives; (2) the Secretary’s Priorities; and (3) the OIG-identified Management Challenges. Specifically:
  
  - Complete reviews that address every President’s, Secretary’s, and OIG-identified initiative, priority, and/or challenge as identified in FY 2002 by 2005.
  
  - Conduct a review within 1 year of new initiatives and priorities that the Department has initiated.

Goal 2: Improve economy and efficiency and reduce waste, fraud, and abuse within the Department

2. Objective: Concentrate OIG efforts on issues that have the greatest impact and usefulness to the Department.
Strategies:

- Ensure that every performance review includes an analysis of program accomplishments and the use of metrics to measure results.

- Ensure at least 50 percent of all performance audits include recommendations leading to demonstrable cost savings, program efficiencies and/or funds that can be put to better use.

- Complete five follow-up reviews annually from FYs 2003 to 2007 to determine status and efficacy of corrective actions.

- Complete an annual risk-based programmatic assessment that considers OIG institutional knowledge, past program performance, funding levels, Presidential, Secretarial, and congressional concerns, as well as input from Department program managers.

- Ensure that each year 80 percent of all planned performance reviews address high-risk areas as identified in the OIG annual risk-based programmatic assessments.

- Strive for the Department to accept 75 percent of review recommendations.

3. Objective: Provide timely information to the Department so that prompt action can be taken to improve program performance.

Strategies:

- Issue 80 percent of audit reports no later than 60 days following receipt of management comments.

- Complete 75 percent of special inquiries within 60 days.

- Ensure that 90 percent of administrative reports to management are issued within 60 days of resolution of criminal and civil investigations.

- Complete follow-up inspections and special inquiries as identified in the OIG annual plans within 90 days of initiation.

- Complete the fieldwork for 80 percent of inspections within 90 days of initiation.
4. **Objective:** Strengthen financial management and cyber security through completion of mandatory reviews in accordance with Office of Management and Budget and other applicable requirements.

**Strategies:**

- Complete annually the Department’s consolidated financial statement audits to determine whether the financial statements are free from material misstatement.

- Review the Department’s classified and unclassified information security system programs in conjunction with the financial statement audit.

- Complete at least 10 ”Statement of Costs Incurred and Claimed” audits annually to assess internal controls over costs claimed by the Department’s major contractors.

5. **Objective:** Concentrate investigative efforts on allegations of criminal and civil violations of law that adversely impact major Department programs and operations, with emphasis on maximizing the recovery of public resources and deterring future wrongdoing.

**Strategies:**

- Achieve an annual acceptance rate of 70 percent for cases presented for prosecutorial consideration.

- Ensure that 75 percent of all cases opened focus on key areas of Department vulnerability, specifically procurement and grant fraud, environmental violations, qui tams, or computer crimes.

6. **Objective:** Coordinate with other law enforcement agencies to establish effective networks in order to identify areas that are most vulnerable to waste, fraud, and abuse.

**Strategy:**

- Ensure at least 25 percent of all open cases are joint agency/task force investigations with external law enforcement agencies, such as the Federal Bureau of Investigation and other OIGs.

7. **Objective:** Heighten awareness of potential fraud among internal and external customers.
**Goal 3: Support the Taxpayer**

8. **Objective:** Provide an effective and efficient mechanism for the Department and the public to report waste, fraud, and abuse.

**Strategies:**

- Operate the OIG Hotline in a manner that ensures at least 80 percent of Hotline complaints warranting further action begin processing within 7 days of receipt.

- Forward 85 percent of the complaints identified for referral to the Department within 14 days of initiation of the case.

9. **Objective:** Report to the public.

**Strategy:**

- Ensure that all OIG public reports are accessible via the Internet within 4 working days of submission to the Secretary.
OFFICE OF AUDIT SERVICES

The Office of Audit Services uses a risk-based process for identifying areas for audit coverage. Specific areas with the greatest vulnerability and those with significant dollar amounts are identified. This process leads to the office’s conducting program performance reviews that focus on the most serious management challenges facing the Department, the President’s Management Agenda, and the Secretary’s priorities. A significant portion of the OIG’s resources is directed toward meeting its statutory audit responsibilities. In the past, these responsibilities were mostly financial in nature and crosscut all of the challenge areas, the President’s five key management initiatives, and the Secretary’s priorities. The OIG’s statutory audit responsibilities continue to increase with the addition of information technology security responsibilities.

The Office of Audit Services has scheduled 81 performance audits to start in FY 2003. Many non-discretionary taskings from external sources impact on the office’s workload demands, and it is sometimes necessary to delay, postpone, or cancel planned audits to accommodate these demands. Following is a summary of audits scheduled to begin in FY 2003. The audits are grouped by management challenge area as appropriate. The planned audit workload is summarized later in this Plan.

National Security

Stockpile Stewardship. The Department is responsible for maintaining the safety, reliability, and performance of the aging nuclear weapons in the Nation’s stockpile. Since the moratorium on underground testing of nuclear weapons, the Department accomplishes this responsibility through its Stockpile Stewardship Program. The Department is required, based on activities conducted under the Stockpile Stewardship Program, to annually certify to the President that the nuclear weapons stockpile is, in fact, safe and reliable and that underground nuclear testing does not need to be resumed. Ultimately, the program’s success is dependent upon developing an unprecedented set of
scientific tools to better understand nuclear weapons, enhancing stockpile surveillance capabilities, and in the process, extending the life of the weapons that comprise the stockpile.

Deficiencies have been identified in surveillance tests of stockpiled nuclear weapons, a key component of the Stockpile Stewardship Program. Since 1996, the Department has not met many of its milestones for surveillance testing, which has resulted in a significant backlog. The backlog in surveillance testing puts the Department at risk for not having critical information on the reliability of these weapons. Deficiencies have also been identified in conducting Significant Finding Investigations to determine the cause and impact of problems identified by surveillance tests, and to recommend corrective actions. The Department has not been meeting internally established timeframes for initiating and conducting investigations of defects and malfunctions in nuclear weapons. This resulted in test data and findings related to weapon reliability not being readily available to the Departments of Energy and Defense. Ensuring that the Department can guarantee the safety and reliability of the nuclear stockpile is one of the Secretary’s priorities.

Audits in the Stockpile Stewardship area, scheduled to begin in FY 2003, will determine whether:

- The Department is meeting the goals of the Nuclear Survivability Campaign. (A03DC008)
- The goals and objectives of the Enhanced Surveillance Program are being achieved. (A03DC009)
- The Department is disposing of disassembled weapons parts that have no identified need. (A03DC011)
- Los Alamos is meeting identified delivery schedules for containment vessels. (A03LA012)
- Los Alamos is stabilizing fissionable and other radioactive materials. (A03LA013)
- The required parts and materials necessary for a hydro test shot are available. (A03LA014)
- NNSA’s Stockpile Life Extension Program is meeting scheduled milestones for refurbishment. (A03LL022)
- Routine operations at the Nevada Test Site can be consolidated. (A03LV024)
The Department has established requirement levels for tritium that are consistent with current weapons planning. (A03SR022)

Y-12 operations can ensure the reliability of its Enriched Uranium Operations. (A03YT027)

Funds received by the Office of Transportation Safeguards are used only in support of mission essential expenditures. (A03AL036)

The Foreign Research Reactor Spent Nuclear Fuel program is maximizing the recovery of domestic highly enriched uranium that is dispersed throughout the world. (A03SR031)

**Security and Safety.** The Department and its predecessor agencies have long played a critical role in our Nation’s national security mission. The Department’s complex is large and multi-faceted with a wide variety of locations, facilities, sensitive materials, and activities that must be kept safe and secure. In coordination with the Department of Defense and other agencies, the Department helps to ensure that we live in a safe and secure world. There have been profound changes in U.S. national security policies in the post-Cold War era, but the commitment to a secure national defense remains as strong as ever. However, recent terrorist activities have prompted the Department to consider new security threats and to identify and implement new security measures on an evolving basis. For example, the Department established a direct-funded safeguards and security budget and obtained supplemental security funding in response to the September 11, 2001, terrorist attacks. However, the Department still needs to improve certain procedures for cyber security, controls over classified and nuclear weapons-related information, and security of its networking infrastructure necessary for critical systems.

Ensuring the safety and health of its workforce and the public is one of the Department’s most difficult, long-term challenges. The Department is tasked with simultaneously addressing the consequences of past activities, managing current operations, and preventing future human and environmental problems. Safety and health issues encompass all activities relating to the identification, testing, handling, labeling, cleanup, storage, and/or disposal of radioactive and hazardous waste. Other activities relate to nuclear safety and occupational and worker safety and health. The Department is implementing new safety programs and conducting on-site evaluations to monitor conduct of operations and compliance with environment, safety and health requirements.

Audits in the Security and Safety area, scheduled to begin in FY 2003, will determine whether:
Costs for Safeguards and Security activities are incurred for their stated purpose and indirect charges proportionately benefit safeguards and security programs. (A03NE009)

The Materials Protection, Control and Accounting Program is meeting its revised goal for completing physical protection upgrades of Russia’s weapons and weapons-usable material storage facilities. (A03AL001)

There are adequate safeguards in the Technology Transfer Program to prevent the proliferation of nuclear/sensitive technology. (A03AL003)

NNSA’s Chemical and Biological National Security Program is meeting its mission goals and objectives for Domestic Demonstration and Application activities. (A03DC005)

The Department has implemented corrective actions for safety deficiencies identified by internal Department and Defense Nuclear Facility Safety Board safety reviews. (A03DC010)

The Department is meeting its responsibilities for physical critical energy infrastructure and taking advantage of National Infrastructure Simulation and Analysis Center services. (A03TG023)

The Savannah River Site’s medical facilities are operated in a manner consistent with Department policies. (A03SR019)

**Infrastructure and Asset Management.** The Department’s physical infrastructure includes more than 50 major facilities in 35 States. Modernization of these aging facilities and restoration of sites to make them safe and viable are two of the most important tasks facing the Department. The aging and deterioration of the Department’s defense and research and development facilities have resulted in facilities operating well beyond their expected useful life. The Department is at risk for not being able to meet existing mission objectives if the condition and functionality of its facilities are not addressed. The Department has embarked on a long-range program to consolidate and build a smaller, modern and more efficient weapons production complex. This long-range program includes repairing and improving existing facilities, upgrading roads and utilities, and improving or constructing mission support structures. The Department has also developed a Strategic Facilities Plan for each multi-program laboratory that identifies expected general-purpose infrastructure modernization needs. In addition, the Department has developed Infrastructure Restoration Plans for its three long-term multi-program environmental sites. The plans are tied to current and planned cleanup and other Department missions, recognizing current capabilities and conditions and the extent of deferred maintenance.
The Department also has extensive inventories of nuclear and non-nuclear materials that may no longer be necessary due to mission changes. However, the Department continues to spend funds to store, secure, and handle these materials that could be put to better use. In addition, the potential exists for safety and health concerns. While the Department has taken steps to improve its management of infrastructure and asset inventories, such as seeking additional funding for infrastructure purposes, drafting management policy for real property, and demonstrating new technologies to identify and track the locations of assets, more needs to be done. The deterioration of infrastructure in the Department is at a critical stage.

In FY 2003, audits in the Infrastructure area will determine whether:

- There is a programmatic requirement for NNSA’s current and planned line-item projects. (A03AL004)
- The appropriate infrastructure is in place to ensure the successful resolution of an emergency event. (A03DC006)
- Livermore is maximizing the use of its available facilities and infrastructure to meet its mission at the least cost to the Department. (A03LL020)
- NNSA can consolidate the hydrodynamic test infrastructure and support throughout the weapons complex. (A03LL021)
- The Kansas City Plant’s restructuring initiative will achieve its intended results. (A03YT026)
- The Y-12 Highly Enriched Uranium Materials Facility will be completed on time and within budget. (A03YT028)
- The Department’s Isotope Production Program has consolidated facilities and refocused production. (A03NE008)
- The Power Marketing Administrations have systems in place to ensure protection of critical assets. (A03DN004)

**Environmental Management**

*Environmental Stewardship.* The Department faces significant environmental challenges at its facilities due to past operations that left a legacy of unacceptable risk to the environment. It is charged with the daunting task of protecting human health and the environment by cleaning up large volumes of hazardous and radioactive wastes and contaminated facilities that supported
nuclear weapons production activities. The Department must also address the need to permanently dispose of defense-related high-level radioactive wastes as well as spent nuclear fuel from civilian nuclear power plants. All of these activities must be carried out consistent with established Federal, State, and local requirements and standards. The Secretary has two main priorities in the Environmental Program: completing a “top-to-bottom” review of the entire Environmental Management Program (completed in February 2002); and producing a plan to accelerate the cleanup and closure of all sites where there is no longer a national security mission.

In FY 2003, audits in the Environmental Stewardship area will determine whether:

- The Department is adequately preparing for its post-closure responsibilities at Rocky Flats. (A03DN005)

- Actions have been taken to improve the efficiency and effectiveness of groundwater monitoring activities. (A03FF005)

- Surplus highly enriched uranium usable for nuclear weapons is being eliminated. (A03AL002)

- The Department is on schedule to meet Government-Furnished Services and Items requirements at its environmental cleanup and closure sites. (A03DN001)

- The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) Pit Project is the most cost-effective alternative for the disposal of CERCLA waste at the Idaho National Engineering and Environmental Laboratory (INEEL). (A03IF007)

- The revised Pit 9 demonstration project will meet Environmental Management’s environmental risk reduction objectives. (A03IF009)

- The Department effectively managed the cleanup of the waste silos and pits at the Fernald Environmental Management Project. (A03OR013)

- The Department has identified the safest and most cost-effective method for processing and disposing of plutonium at the Hanford Site. (A03RL015)

- The Department is fully utilizing the Waste Receiving and Processing Facility at the Hanford Site. (A03RL017)
The Office of River Protection has used the most cost-effective strategy in planning for the Waste Treatment Plant. (A03RL018)

Transportation routes within the State of Nevada will be available to transport waste to Yucca Mountain by 2010. (A03LV025)

Environmental Management (EM) is funding research and development activities at the INEEL that do not contribute to EM’s mission of reducing risk and accelerating cleanup. (A031D030)

**Energy and Science**

*Research and Development Investment.* Science and technology are critically important to keeping the Nation’s economy competitive and for addressing challenges we face in health care, defense, energy production and use, anti-terrorism, and the environment. One of the President’s Management Agenda reform initiatives is Better Research and Development Investment Criteria. As such, every Federal research and development dollar must be invested as effectively as possible. During FY 2001, the Department spent about $7.7 million on a broad range of research activities, representing more than 40 percent of its budget. However, the OMB has been critical of some of the Department’s research and development efforts. Given the magnitude of the Department’s research and development activities and the great benefit that can flow from these activities, significant care needs to be taken in the prioritization and management of these activities. Directing the Department’s research and development budgets towards innovations and ideas that are relatively immature in their development and ensuring greater applications of mature technologies is one of the Secretary’s priorities.

In FY 2003, audits in the Research and Development Investment area will determine whether:

- Three separate nanoscale science research centers are necessary to satisfy the Department’s research goals. (A03SC019)

- Livermore is efficiently disseminating nonproliferation technologies to monitoring agencies for implementation and use. (A03LL017)

- The activities funded by the Department’s Transportation Program: (1) are in accordance with the President’s National Energy Plan; and (2) do not duplicate activities funded by the Department or by private industry. (A03CH003)

- New technologies are being developed to meet identified military needs. (A03LA015)
Energy Supply. The Department leads the Nation in the effort to develop affordable advanced clean energy for the 21st Century and to accelerate its acceptance and use, both nationally and internationally, by providing cutting-edge research in a broad range of energy sources. As energy demand outpaces supply, the Nation will need to expand its sources of domestic energy production. Volatility in U.S. energy markets over the last few years has demonstrated the need to strengthen the stability of the Nation’s energy production and delivery systems as well as ensure the country’s energy security. In FY 2001, the President presented a comprehensive National Energy Policy to meet our energy challenges. This policy established five key national goals: modernize our conservation efforts; modernize our energy infrastructure; increase energy supplies; accelerate the protection and improvement of the environment; and increase our Nation’s energy security. One of the Secretary’s priorities is for the Department to take a leadership role in exploring ways to identify and use potentially abundant new sources of energy with dramatic environmental benefits.

Audits in the Energy Supply area, scheduled to begin in FY 2003, will determine whether:

- The Path 15 Expansion Project is on schedule to be operational by Fall 2004. (A03DN003)

- The Power Marketing Administrations’ Investment Activities are consistent with mission needs and conform to applicable laws and regulations. (A03FF004)

- The Federal Energy Regulatory Commission has developed and is monitoring the rules and policies for the establishment of Regional Transmission Organizations. (A03NE007)

- The Distributed Energy Resources Program has established long-term goals, has implemented a spending strategy to meet its goals, and is subsidizing commercial ventures. (A03PR013)
**Corporate Management**

*Information Technology Management.* The President has encouraged the use of electronic commerce in several pronouncements and has pledged the Federal Government will increase its use of electronic commerce. The President calls for the Administration to advance E-Government strategy by supporting projects that offer performance gains across agency boundaries, such as E-procurements and projects that can deliver significant productivity and performance gains across the Government. Information technology systems are an essential component of the Department’s day-to-day operations and are vital to its programmatic and administrative functions.

With an estimated $1.4 billion annual expenditure for Information Technology (IT), it is essential that the Department develop and implement an effective IT management, investment and control process. To enhance the management control and security of IT, Congress passed the Clinger-Cohen Act of 1996 and the Government Information Security Reform Act of 2001. The Clinger-Cohen Act required Federal agencies to appoint a Chief Information Officer to manage IT investments and to adopt a performance- and results-based management approach to acquiring, using, and disposing of IT. Although the Department continues to increase integrating IT into all aspects of its management and administration of various missions, it has experienced problems in fully implementing the requirements of the Clinger-Cohen Act.

In FY 2002, the Secretary called for the full implementation of electronic commerce Departmentwide. In FY 2002, the Department’s E-Government initiative, the Innovative Department of Energy E-Government Applications (IDEA), was announced. The immediate goal of IDEA is to complete and approve the electronic Government program’s action plan and road map.

In FY 2003, audits in the Information Technology Management area will determine whether the:

- Department’s Electronic Commerce strategy is producing increased competition and cost savings to the Department and improved customer service. (A03TG020)

- The Department has an integrated cost-effective information systems framework for controlling physical access and tracking security clearance information. (A03TG035)

- The Department’s cyber security incident reporting methods provide for adequate protection of Department systems. (A03TG036)
The Department has fully developed and implemented a process for managing sensitive equipment throughout its lifecycle. (A03TG037)

**Contract Administration.** A significant portion of the Department’s mission is accomplished through contracts, with industrial, academic, and nonprofit institutions operating the Government-owned plants and laboratories under a management and operating relationship. These contracts represent the largest share of the Department’s annual budget. Contractors operate and manage a broad range of scientific and production activities and facilities. For example, contractors operate 11 multi-program National Laboratories located throughout the United States. The programs carried out in these laboratories range from fundamental research in the physical and life sciences to advanced and goal-oriented development of nuclear and alternative energy. Contract administration, which includes project management, has been a longstanding challenge. Although the Department has drastically changed its contract management practices and policies with respect to its major facility contracts, as well as the overall management of its procurement system, the Department continues to be criticized for its contract management practices. For example, there is criticism about the lack of contractual features to ensure contractor performance accountability and the general indemnification of contractors for the cost of all performance failures and liabilities under a contract. In addition, the Department continues to experience difficulties in managing some of its major projects.

In FY 2003, audits in the Contract Administration area will determine whether:

- The Stanford Positron-Electron Asymmetric Ring 3 Upgrade Project is on schedule and within budget. (A03LL019)
- The Total System Life Cycle Cost for the permanent repository is supported by approved change orders. (A03LV023)
- Controls are in place to ensure that non-facilities acquisitions are adequately competed, comply with Federal and Department directives, and contain appropriate performance measurement attributes. (A03CH001)
- Small Business Innovative Research grantees are receiving funding from multiple Federal sources for the same research and development work. (A03CH002)
- NNSA’s Elimination of Weapons Grade Plutonium Production Program is effectively meeting its program goals. (A03LL018)
Oak Ridge has implemented a cold standby program at Portsmouth that ensures the plant’s capability to resume production within 24 months of the restart decision. (A03OR010)

Non-Federal work at the Office of Science laboratories is directly related to the Department’s mission, does not compete with the private sector, and is not subsidized by Department funds. (A03PR010)

The Department is ensuring that contractors are taking full advantage of and expanding consortium-buying opportunities. (A03PR011)

Project costs are being accurately charged and reported and whether non-project funds are being used to subsidize projects. (A03PR012)

The Department is applying sound project management practices to projects that receive directed funding. (A03SC016)

The Department has adequate internal controls to monitor grantee performance for construction or major project-related awards made by the Office of Science. (A03SC018)

The Department is on track to meet the Administration’s competitive outsourcing goals. (A03DN002)

The Department is paying its fair share of remediation costs at Kerr-McGee’s West Chicago Thorium Processing Facility. (A03OR011)

The Pit Disassembly and Conversion Facility is on schedule to meet the Department’s weapons-grade plutonium conversion goals at the Savannah River Site. (A03SR021)

Human Capital. Strategic Management of Human Capital is one of the President’s Management reform initiatives and also one of the most serious challenges facing the Department. The Department’s staff has been criticized for its lack of project and contract management skills required to oversee large projects, such as the cleanup of radioactive and hazardous waste sites. The Department is highly dependent on its Federal workforce for its mission accomplishment. Since 1995, the Department has experienced a 27 percent reduction in the workforce. In addition, other factors such as a moratorium on hiring, the relative age of the workforce, reductions in force, and buyouts, have contributed to the decline in staff that has left the Department with a significant management challenge. Currently, only nine percent of the workforce is under the age of 35 and the situation is even more severe for the technical workforce, which has only six percent of its population under 35. This high average age combined with a very low number of younger employees
leads to concerns about succession planning and the infusion of new ideas and sustaining technical capabilities.

In addition, some of the Department’s major contractors have experienced similar losses. Many of those retiring or resigning take with them technical and scientific knowledge that is not easily replaced. The experienced designers and engineers who built the weapons in the stockpile and understand how they work are reaching or past retirement age. The Department is also faced with shortages of technicians skilled in techniques associated with weapons production, such as the plutonium pit manufacturing process. The Department needs to address the challenge of recruiting and training the next generation of technical and managerial staff before it reaches crisis proportions by the end of this decade.

Audits in the Human Capital area will determine whether:

- Los Alamos National Laboratory’s recruitment and retention program is meeting program goals. (A03LA016)
- The Department is able to recruit and retain sufficient numbers of administrative personnel. (A03PT015)
- Bechtel is effectively managing human resources at the INEEL. (A03IF008)
- The current retention allowances paid by the Rocky Flats Field Office are justified. (A03DN032)

**Performance Management.** The President’s Management Agenda identified Budget and Performance Integration as a Governmentwide initiative and outlined a plan to provide a results-oriented management process for the Federal Government. A primary focus of the President’s Plan is that funding allocations are based on the achievement of goals. Under-performing programs would have to demonstrate evidence of attaining meaningful goals or face reduced funding or elimination. In the past, the Department has been criticized for deficiencies that include: (1) performance measures that are not quantifiable; (2) performance measures that do not support key goals; and (3) underlying processes that are not results oriented. In response to this criticism, the Department created the Office of Program Analysis and Evaluation and is moving toward a 5-year planning, programming budget and evaluation system, which is intended to better integrate improved performance measures with the budget. The Department needs to ensure that it has metrics in place and uses them to manage its programs and activities effectively.

Audits in the Performance Management area, scheduled to begin in FY 2003, will determine whether:
- The Office of Science performance measures reflect overall program performance. (A03SC017)

- The Department has established research plans and budgets to evaluate the technological readiness of the Carbon Sequestration Process. (A03PT014)

- The Department is meeting the goals for the Recovery and Recycling Program for plutonium, enriched uranium and tritium. (A03DC007)

- The Idaho Operations Office will meet performance expectations for the Advanced Mixed Waste Treatment Project. (A03IF006)

- The Department’s Cleanup Reform projects are meeting their performance targets and reducing risk to the public, employees, and environment. (A03OR012)

- The Department is achieving its goals for the Waste Management Program at the Oak Ridge Reservation. (A03OR014)

- The Groundwater/Vadose Zone Integration Project has met the Department’s goals and provided a sound technical basis for making cleanup decisions at the Hanford Site. (A03RL016)

- Performance-based incentive fees paid to Westinghouse were consistent with performance objectives established at the start of the performance period. (A03SR020)

**OFFICE OF INVESTIGATIONS**

The Office of Investigations conducts investigations into 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. Particular focus is placed on the prevention and detection of contract and grant fraud; environment, safety and health violations; computer crimes; and issues that reflect on the integrity and credibility of Department officials. This generally involves the investigation of Department personnel, contractors, and others receiving Department funds. As the law enforcement arm of the OIG, Special Agents work closely with prosecutors and are afforded a full range of law enforcement authorities—carry firearms, apply for and execute search warrants, and make arrests.
Significant accomplishments over the past 5 years illustrate the positive impact that the office has in deterring and preventing wrongdoing and improving programs and operations within the Department. Since 1997, the Office of Investigations has referred 152 cases for prosecution, with 116 accepted, for an average acceptance rate of 76 percent. Investigative work has resulted in 57 indictments, 67 convictions, 13 pretrial diversions, and 24 civil actions. The Office of Investigations has issued 99 investigative reports to Department management, with 267 recommendations for positive change. Results included 50 debarments and 57 suspensions of individuals and companies, and 80 disciplinary actions against Federal and contractor employees. Other notable outcomes include over $88 million in recoveries and fines resulting from investigations. This office has averaged $17.6 million per year in recoveries and fines.

As we enter FY 2003, the Office of Investigations plans to build on its existing efforts in combating fraud, waste, and abuse within the Department. The office is committed to preserving the integrity of investigative work by continuing to adhere to the Quality Standards for Investigations issued by the President’s Council on Integrity and Efficiency.

**National Program Area Initiative**

The Office of Investigations is unique when compared to the other functional offices. The work performed by the Office of Investigations has been historically reactive in nature—responding to allegations of wrongdoing. The office, however, has begun to proactively identify areas in the Department that seem to be most vulnerable to waste, fraud, and abuse, better known as the National Program Area Initiative. The program focuses on four primary areas: (1) contract and grant fraud; (2) Environment, Safety, and Health (ES&H) violations; (3) qui tam matters; and (4) technology crimes. Beginning in FY 2003, the office’s goal is to have 75 percent of open investigations address at least one of the four program areas.

**Contract and Grant Fraud.** A majority of the Department’s budget is expended on contracts and grants. One major investigative success in this area involved a subcontractor paying the Government a total of $2.2 million to resolve allegations that employees submitted false per diem claims for long-term temporary assignment to a Department facility. Given the continuing potential for significant fraud, in FY 2003, the Office of Investigations will continue to: (1) identify and pursue contract and grant fraud investigations proactively; (2) prioritize contract and grant fraud investigations, placing emphasis on cases with a potential high dollar recovery to the Department; (3) provide fraud awareness briefings throughout the Department, including NNSA; (4) work with established contract and grant task forces, and identify opportunities to establish new task forces; (5) attend appropriate contract and grant fraud training; (6) work with the Department of Justice in delivering anti-
trust briefings to the Department and its contractors; and (7) coordinate and pursue leads referred by the OIG Offices of Audit Services and Inspections.

**Environment, Safety and Health Violations.** The Department funds one of the largest environmental cleanup projects in history. In FY 2002, one major ES&H investigation determined that a contractor improperly stored contaminated waste in violation of the Resource Conservation and Recovery Act. During the course of the investigation the contractor’s parent company paid $14.5 million in remediation and disposal cost to clean up waste stored improperly. Additionally, the Office of Investigations continued its participation in environmental task forces located in multiple States, including New Mexico, Nevada, Colorado, and Tennessee. The office also maintained its role in the “Environmental Consortium,” a multi-agency effort which serves to: (1) conduct a proactive review of the potential “overlapping” environmental projects between agencies; (2) seek opportunities for information sharing and liaison; and (3) identify joint cooperative initiatives.

In FY 2003, the Office of Investigations will continue to: (1) work with established ES&H task forces, and identify opportunities to establish new task forces; (2) develop and maintain ES&H contacts in the Department, NNSA and other Government agencies; and (3) identify proactive investigative activity with the assistance of environmental task force members’ proactive investigative activity.

**Qui Tams.** The Office of Investigations continues to actively pursue qui tam matters and, in the process, work closely with the Department of Justice, Civil Division, Commercial Litigation Branch. Through the qui tam process, private citizens may file a civil suit under the False Claims Act on behalf of the Government. These investigations have a major impact on the Department, and generally involve significant allegations of fraud involving millions of dollars and multiple Federal agencies. Settlement amounts are divided among the Department of Justice, the U.S. Treasury, affected agencies, and the complainants. The office is currently working with the Department of Justice on 27 qui tam lawsuits involving alleged fraud against the Government in the amount of approximately $186 million.

In FY 2003, the Office of Investigations will continue to: (1) provide assistance to the Department of Justice in investigating and providing analysis of the qui tam cases; (2) adjust resources appropriately to ensure priority qui tam cases are being resolved in a timely manner; and (3) identify specific qui tam training for Office of Investigations personnel.

**Technology Crimes.** A Technology Crimes Section within the Office of Investigations is staffed by investigators with the specialized skills necessary to proactively and reactively respond to complex computer crimes committed against the Department and to provide computer forensic support during
general fraud investigations. This is essential because risks and vulnerabilities (i.e., fraud, employee misuse, virus attacks, security breaches, and computer systems intrusions) are on the increase, and historic methodologies for committing crime, especially white-collar crime, have been successfully adapted to modern technology. The Technology Crimes Section worked aggressively in FY 2002, and obtained several criminal convictions against individuals who hacked into Department computer networks, as well as others who used Government equipment to download and view child pornography.

During FY 2003, the Technology Crimes Section will continue to: (1) proactively contribute to and support criminal investigations through consultations and forensic media analysis; (2) investigate incidents of technology crimes and noncompliance with applicable regulations involving protection of the information infrastructure throughout the Department’s complexes; (3) clarify and extend the office’s role in technology incident response and investigations in the Department; (4) refine and provide technology crimes awareness briefings throughout the Department complex; and (5) provide basic technology crimes training to Criminal Investigators.

**Other Initiatives**

In addition to its work within the four program areas in FY 2003, the Office of Investigations will, as resources allow, address other initiatives aimed at improving operational effectiveness and efficiency.

**Proactive Work**

During FY 2002, the Office of Investigations dedicated an increasing amount of attention and resources to proactive investigations rather than merely reacting to incoming allegations—thus, enhancing the office’s ability to target vulnerable areas. In FY 2003, the office will streamline and formalize its proactive case development process. In prior years, the process had been effective, but ad hoc. A more targeted approach will ensure an efficient and effective use of resources. Additionally, partnerships with other law enforcement agencies and Department managers and employees will be expanded, and productive sources of information will be further cultivated.

One area that will continue to receive proactive attention is Government purchase cards that provide the Government with a means to simplify its small purchase procedures and improve its cash management. The Office of Investigations obtained notable criminal convictions involving significant misuse and abuse of such cards. The office expects to continue to obtain such notable criminal convictions as reflected in the FY 2002 performance results.
Quality Assurance Reviews

During FY 2002, the Internal Review Process was redesigned and renamed the Quality Assurance Review (QAR) program. The program is designed to evaluate whether: (1) investigative offices are operating in compliance with the PCIE Quality Standards for Investigations, relevant Federal laws and regulations, Department and OIG directives and orders, and internal Office of Investigations policies, objectives and priorities; and (2) field managers are administering personnel, fiscal, and other resources in an efficient and effective manner.

During FY 2003, the initial round of quality assurance reviews will be completed. In addition to providing assessments of organizational performance, the process will also be used to identify opportunities to improve, streamline, and reduce redundancies in office policies and programs.

Case Opening Thresholds

In FY 2003, the Office of Investigations will continue to conduct reviews of its minimum case opening thresholds. Such reviews are an essential component of the office’s effort to focus on the Department’s programs and operations most vulnerable to fraud, waste, and abuse. In 1996, the Office of Investigations established policy whereby dollar loss to the Government became one of the primary criteria for committing resources to investigations. As in other years, the Office of Investigations will reevaluate the dollar threshold and determine if investigative resources dictate the need to increase the minimum case opening dollar amount.

OFFICE OF INSPECTIONS

The Office of Inspections employs a wide range of analytical techniques and methodologies to perform multiple missions. The office conducts performance-and allegation-based inspections and manages the OIG Hotline and Management Referral Systems. Additionally, the office conducts special inquiries in response to concerns raised by Congress and senior levels of the Department involving Department programs and operations. The office serves as a key player in facilitating management reform in the Department by evaluating and providing recommendations to improve program performance. Although the office plans a portion of its annual inspection work, it exercises a degree of flexibility to promptly address non-criminal complaints and allegations received during the course of the year. The office initiated an annual average of 14 allegation-based inspections over the last 3 years.
When planning its performance inspection work, the office identifies and prioritizes topics responsive to the President’s Management Agenda, the Secretary’s Priorities, and the Department’s Management Challenges as identified by the OIG. Inspections are initiated with consideration given to their significance and potential impact on Department programs and operations. In light of current heightened concerns over homeland security, the office is focusing its resources to address critical safety and security issues affecting programs and operations throughout the Department complex. The following represents open inspections that the office will carry into FY 2003 and performance inspections that it plans to initiate.

**National Security**

Eighteen inspections will be carried into FY 2003 and 16 are planned that focus on National Security. These include inspections of:

**Carry-In**

- Aircraft requirements for the Department’s Joint Technical Operations Team mission.  (S02IS040)
- Internal control of firearms at selected Department sites.  (S02IS039)
- Internal controls over the use and inventory of laptop computers at selected Department sites.  (S02IS038)
- Security policies and procedures for the Department’s aircraft.  (S02IS036)
- Security and inventory controls for hazardous/toxic chemicals at selected Department sites.  (S02IS035)
- Department participation in the international cooperative effort to study sabotage involving civil nuclear/radioactive material in storage and transit.  (S02IS034)
- Concern regarding a hazardous waste shipment.  (S02IS031)
- Use of memorandums of agreement for security and safety support at a selected Department site.  (S02IS030)
- Department policies and procedures for control and accountability of special nuclear material from foreign countries.  (S02IS028)
- Safety of explosives at selected Department sites.  (S02IS001)
− Security policies and procedures to protect spent nuclear fuel shipments during transport.  (S02IS027)

− Status of action to correct deficiencies identified during force-on-force exercises.  (S02IS021)

− Nuclear waste security at a selected Department site.  (S02IS017)

− Followup on safeguards and security survey activity at a Department site.  (S02IS013)

− Security of explosives while in storage or in transit.  (S02IS012)

− Security of key assets while in transport.  (S02IS005)

− Management of the Department-sponsored visa program.  (S02IS037)

− Intelligence oversight (fourth quarter) as required by Executive Order 12863, “President’s Foreign Intelligence Advisory Board,” with a report to the President’s Intelligence Oversight Board.  (S02IS041)

**Planned**

− The Department’s role in analyzing the cumulative effect of the export of dual-use and munitions commodities.

− Physical security of bioagents at Department facilities.

− Aviation support to Department programs and operations.

− Sensitive information on Department websites.

− Status of recommendations made in prior export control-related reports.

− Personnel reliability program at selected Department sites.

− Role of the Office of Counterintelligence in the Department’s counter-terrorism efforts.

− Compliance with intelligence requirements at a selected field site.

− Demilitarization of excess military equipment.

− Oversight of shock sensitive chemicals at a selected Department site.
– Handling of export controlled information associated with grants to academic institutions and work-for-others contracts with non-Government entities at a selected Department site.

– Use of emergency medical coordination memorandums of agreement at a selected Department facility.

– Intelligence activities, as required by Executive Order 12333, “United States Intelligence Activities,” and Executive Order 12863, “President’s Foreign Intelligence Advisory Board” (quarterly reviews, with reports to the President’s Intelligence Oversight Board).

**Environmental Quality**

The following two inspections focusing on Environmental Quality will be carried into FY 2003:

**Carry-In**

– Reportable incident reports at a Department laboratory. (S01IS022)

– Applicability and implementation of Price Anderson Act and Department nuclear safety rules at a Department site. (S01IS030)

**Energy and Science**

The following inspection focusing on Energy and Science will be carried into FY 2003:

**Carry-In**

– The Department’s efforts to reduce energy consumption to meet prescribed energy levels. (S01IS016)
**Corporate Management**

Six inspections will be carried into FY 2003 that focus on Corporate Management, and two inspections are planned in this area. These include inspections of:

**Carry-In**

- Grants awarded to the States of South Carolina and Georgia for emergency response and law enforcement related activities. (S02IS026)
- Possible unauthorized use of discretionary funds and over-payment of funds to a contractor for leased space. (S02IS015)
- Alleged procurement irregularities involving a Department office. (S02IS003)
- Procurement concerns in connection with a Department solicitation. (S01IS034)
- Concerns involving assignment of tasks for site upgrade at a Department National Laboratory. (S01IS032)
- Remarketing concerns. (S02IS029)

**Planned**

- Objective merit review and evaluation of grants and cooperative agreements at a selected Department site.
- Disposition of property, equipment, and chemicals at a selected Department site.

**OFFICE OF PROGRAM REVIEW AND SPECIAL INQUIRIES**

In May 2002, the Inspector General established the Office of Program Review and Special Inquiries to perform special, expedited reviews or inquiries concerning high profile or particularly sensitive matters. The newly formed
office employs an inter-disciplinary staff whose major initiatives include performing such expedited fact-finding inquiries, including particularly sensitive NNSA matters, as well as proactive reviews of major program areas. The office's efforts are initiated based on requests from Congress, the Secretary or other senior Department officials, the Inspector General or the Principal Deputy Inspector General.

Early in FY 2003, the Office of Program Review and Special Inquiries initiated a major fact-finding inquiry, requested by the Acting NNSA Administrator, into allegations of integrity concerns involving the management of the Los Alamos National Laboratory and its handling of instances of waste, fraud, or abuse. This effort is expected to consume a substantial portion of resources. During FY 2003, the Office of Program Review and Special Inquiries also intends to continue developing proactive initiatives in the areas of purchase cards and grants, and to continue to be responsive to congressional, Secretarial, as well as other special expedited reviews and inquiries.
# FY 2003 Performance Plan Schedule

**Office of Audit Services**

<table>
<thead>
<tr>
<th>AUDIT NUMBER</th>
<th>TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>A02AL035</td>
<td>PLANNING AND BUDGETING FOR NNSA’S INFRASTRUCTURE</td>
</tr>
<tr>
<td>A02AL036</td>
<td>REPAIRS IDENTIFIED BY STOCKPILE SURVEILLANCE PROGRAM</td>
</tr>
<tr>
<td>A02AL048</td>
<td>NNSA’S PLANNING, PROGRAMMING AND BUDGETING SYSTEM PROCESS</td>
</tr>
<tr>
<td>A02AT012</td>
<td>WIRELESS COMMUNICATIONS</td>
</tr>
<tr>
<td>A02AT015</td>
<td>FOLLOWUP AUDIT OF INTERNET PRIVACY</td>
</tr>
<tr>
<td>A02CF008</td>
<td>DOE’S SAFETY ANALYSIS REQUIREMENTS</td>
</tr>
<tr>
<td>A02CF038</td>
<td>NUCLEAR FACILITIES</td>
</tr>
<tr>
<td>A02CG004</td>
<td>SCIENCE INFRASTRUCTURE</td>
</tr>
<tr>
<td>A02CG022</td>
<td>CLEARANCES AND BADGE ACCESS CONTROLS AT SELECTED FIELD LOCATIONS</td>
</tr>
<tr>
<td>A02CG029</td>
<td>FOLLOWUP AUDIT OF DOE’S MANAGEMENT OF FIELD CONTRACTOR EMPLOYEES</td>
</tr>
<tr>
<td></td>
<td>ASSIGNED TO HEADQUARTERS AND OTHER FEDERAL AGENCIES</td>
</tr>
<tr>
<td>A02CG030</td>
<td>DOE’S CONTROLS OVER FOREIGN VISITORS</td>
</tr>
<tr>
<td>A02CG032</td>
<td>PROJECT MANAGEMENT PRACTICES IN THE OFFICE OF SCIENCE</td>
</tr>
<tr>
<td>A02CH001</td>
<td>REMOTE TREATMENT FACILITY AT ARGONNE-WEST</td>
</tr>
<tr>
<td>A02CH002</td>
<td>INITIATIVES FOR NUCLEAR NONPROLIFERATION</td>
</tr>
<tr>
<td>A02DN028</td>
<td>PROCUREMENT AT ROCKY FLATS</td>
</tr>
<tr>
<td>A02EM039</td>
<td>BERYLLIUM METAL INVENTORIES</td>
</tr>
<tr>
<td>A02EM041</td>
<td>CALUTRON ISOTOPE PRODUCTION</td>
</tr>
<tr>
<td>A02EM044</td>
<td>BERYLLIUM OPERATIONS AT Y-12</td>
</tr>
<tr>
<td>A02IF010</td>
<td>DISPOSAL OF REMOTE HANDLED TRANSURANIC WASTE</td>
</tr>
<tr>
<td>A02IF011</td>
<td>DOE’S SPENT NUCLEAR FUEL LEAD LABORATORY</td>
</tr>
<tr>
<td>A02IF013</td>
<td>IDAHO SETTLEMENT AGREEMENT MILESTONES AT INEEL</td>
</tr>
<tr>
<td>A02IF032</td>
<td>PERFORMANCE EVALUATION MANAGEMENT PLAN AT INEEL</td>
</tr>
<tr>
<td>A02LA021</td>
<td>DUAL AXIS RADIOGRAPHIC HYDRODYNAMIC FACILITY</td>
</tr>
<tr>
<td>A02LL018</td>
<td>NATIONAL IGNITION FACILITY PROJECT</td>
</tr>
</tbody>
</table>
A02LL019 LIVERMORE’S RECRUITMENT AND RETENTION PROGRAM
A02LL037 W80 REFURBISHMENT
A02LV043 DISPOSAL OF SURPLUS/EXCESS PERSONAL PROPERTY AT THE NEVADA TEST SITE
A02LV047 LOCAL GOVERNMENT USE OF NUCLEAR FUNDS
A02OR007 DOMESTIC PLUTONIUM-238 PRODUCTION
A02OR029 REINDUSTRIALIZATION AT THE EAST TENNESSEE TECHNOLOGY PARK (ETTP)
A02OR030 TREATMENT OF MIXED INCINERABLE WASTE
A02OR033 DOE’S AGREEMENT FOR UTILITY SERVICES AT THE ETTP
A02PR010 WEATHERIZATION ASSISTANCE PROGRAM
A02PT027 SECURITY FORCE ADMINISTRATION
A02PT033 ADMINISTRATION OF FINANCIAL INSTRUMENTS AT NATIONAL LABORATORIES
A02PT034 RESEARCH AND DEVELOPMENT INVESTMENT CRITERIA FOR FOSSIL ENERGY PROGRAM
A02RL022 PLANNED WASTE CHARACTERIZATION
A02RL024 FACILITY MAINTENANCE ACTIVITIES
A02SR013 SUBCONTRACTING PRACTICES AT SAVANNAH RIVER
A02SR031 WASTE PROCESSING FACILITY AT SAVANNAH RIVER

**GMRA Fiscal Year 2003-Carry-in Audits**

A01DN040 WESTERN AREA POWER ADMINISTRATION - FY 2001
A02FN001 DOE - FY 2002
A02FN002 ISOTOPE PRODUCTION DISTRIBUTION - FY 2002
A02FN003 DECOMMISSIONING AND DECONTAMINATION - FY 2002
A02FN004 FEDERAL ENERGY REGULATORY COMMISSION - FY 2002
A02FN008 WESTERN AREA POWER ADMINISTRATION - FY 2002

**Other Fiscal Year 2003 Financial Carry-in Audits**

A02CH015 ARGONNE NATIONAL LABORATORY FY 2001 FINANCIAL CERTIFICATION
A02DN027 NREL FY 1999-2001 FINANCIAL CERTIFICATION
A02LA045 COMMISSIONING LOS ALAMOS LABORATORY’S DUAL AXIS RADIOPHAPHIC HYDROTEST FACILITY
A02LV029 BECHTEL NEVADA FY 2001 FINANCIAL CERTIFICATION
A02PR024 NASA CONTRACT WITH PRINCETON
A02RL032 BATELLE MEMORIAL FY 2001 FINANCIAL CERTIFICATION
A02SR020 WESTINGHOUSE SAVANNAH RIVER SITE FY 2001 FINANCIAL CERTIFICATION
**Planned Fiscal Year 2003 Performance Audits**

<table>
<thead>
<tr>
<th>Audit Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A03AL001</td>
<td>INTERNATIONAL MATERIALS PROTECTION, CONTROL &amp; ACCOUNTING PROGRAM</td>
</tr>
<tr>
<td>A03AL002</td>
<td>DISPOSITION OF SURPLUS HIGHLY ENRICHED URANIUM</td>
</tr>
<tr>
<td>A03AL003</td>
<td>SAFEGUARDS OF NUCLEAR/SENSITIVE TECHNOLOGIES IN THE TECHNOLOGY TRANSFER PROGRAM</td>
</tr>
<tr>
<td>A03AL004</td>
<td>NNSA’S CURRENT AND PLANNED LINE ITEM PROJECTS</td>
</tr>
<tr>
<td>A03AL036</td>
<td>CONTROLS OVER EXPENDITURES WITHIN THE OFFICE OF TRANSPORTATION SAFEGUARDS</td>
</tr>
<tr>
<td>A03CH001</td>
<td>CONTROLS OVER RECURRING ACQUISITIONS</td>
</tr>
<tr>
<td>A03CH002</td>
<td>DUPLICATE FUNDING OF SMALL BUSINESS INNOVATIVE RESEARCH PROJECTS</td>
</tr>
<tr>
<td>A03CH003</td>
<td>THE DEPARTMENT’S TRANSPORTATION PROGRAM</td>
</tr>
<tr>
<td>A03DC005</td>
<td>CHEMICAL AND BIOLOGICAL NATIONAL SECURITY DOMESTIC DEMONSTRATION AND APPLICATIONS PROGRAMS</td>
</tr>
<tr>
<td>A03DC006</td>
<td>NUCLEAR WEAPONS INCIDENT RESPONSE PROGRAM</td>
</tr>
<tr>
<td>A03DC007</td>
<td>MATERIAL RECYCLE AND RECOVERY PROGRAM</td>
</tr>
<tr>
<td>A03DC008</td>
<td>NUCLEAR SURVIVABILITY OF THE ENDURING STOCKPILE</td>
</tr>
<tr>
<td>A03DC009</td>
<td>ENHANCED SURVEILLANCE PROGRAM</td>
</tr>
<tr>
<td>A03DC010</td>
<td>TIMELY RESOLUTION OF SAFETY DEFICIENCIES</td>
</tr>
<tr>
<td>A03DC011</td>
<td>DISPOSAL OF UNNEEDED WEAPONS PARTS</td>
</tr>
<tr>
<td>A03DN001</td>
<td>DELIVERY OF GOVERNMENT-FURNISHED SERVICES AND ITEMS IN SUPPORT OF SITE CLOSURE</td>
</tr>
<tr>
<td>A03DN002</td>
<td>DOE’S IMPLEMENTATION OF GOVERNMENT OUTSOURCING INITIATIVES</td>
</tr>
<tr>
<td>A03DN003</td>
<td>WESTERN AREA POWER ADMINISTRATION’S PATH 15 PROJECT</td>
</tr>
<tr>
<td>A03DN004</td>
<td>POWER MARKETING ADMINISTRATION INFRASTRUCTURE PROTECTION</td>
</tr>
<tr>
<td>A03DN005</td>
<td>POST-CLOSURE RESPONSIBILITIES AT ROCKY FLATS</td>
</tr>
<tr>
<td>A03DN032</td>
<td>RETENTION ALLOWANCES AT ROCKY FLATS OFFICE</td>
</tr>
<tr>
<td>A03FF004</td>
<td>POWER MARKETING ADMINISTRATION INVESTMENT ACTIVITIES</td>
</tr>
<tr>
<td>A03FF005</td>
<td>FOLLOWUP AUDIT OF GROUNDWATER MONITORING ACTIVITIES AT DOE</td>
</tr>
<tr>
<td>A03ID030</td>
<td>FUNDING FOR MISSION DEVELOPMENT ACTIVITIES AT INEEL</td>
</tr>
<tr>
<td>A03IF006</td>
<td>ADVANCED MIXED WASTE TREATMENT PROJECT AT INEEL</td>
</tr>
<tr>
<td>A03IF008</td>
<td>HUMAN RESOURCE MANAGEMENT AT INEEL</td>
</tr>
<tr>
<td>A03IF009</td>
<td>REVISED PIT 9 CLEANUP PLAN AT INEEL</td>
</tr>
<tr>
<td>A03LA012</td>
<td>CONTAINMENT VESSELS</td>
</tr>
<tr>
<td>A03LA013</td>
<td>NUCLEAR MATERIALS STABILIZATION PROGRAM</td>
</tr>
<tr>
<td>A03LA014</td>
<td>HYDROTEST PROGRAM</td>
</tr>
<tr>
<td>A03LA015</td>
<td>DEFENSE TECHNOLOGIES</td>
</tr>
<tr>
<td>A03LA016</td>
<td>RECRUITMENT AND RETENTION PROGRAM AT LANL</td>
</tr>
</tbody>
</table>
A03LL017   NONPROLIFERATION TECHNOLOGY IMPLEMENTATION
A03LL018   RUSSIAN PLUTONIUM PLANT CONVERSION
A03LL019   UPGRADE OF THE STANFORD SYNCHROTRON RADIOLOGICAL LAB
A03LL020   USE OF FACILITIES AND INFRASTRUCTURE AT LIVERMORE
A03LL021   CONSOLIDATION OF HYDRODYNAMIC TEST INFRASTRUCTURE
A03LL022   STOCKPILE LIFE EXTENSION PROGRAM
A03LV023   TOTAL SYSTEM LIFE CYCLE COSTS FOR SPENT NUCLEAR FUEL AND HIGH LEVEL WASTE
A03LV024   EXECUTION OF ROUTINE OPERATIONS AT THE NEVADA TEST SITE
A03LV025   TRANSPORTATION NEEDS WITHIN THE STATE OF NEVADA
A03NE007   FERC'S FORMULATION AND MONITORING OF REGIONAL TRANSMISSION ORGANIZATIONS
A03NE008   ISOTOPE PRODUCTION AND DISTRIBUTION PROGRAM
A03NE009   SAFEGUARDS AND SECURITY FUNDING AT DOE FIELD SITES
A03OR010   COLD STANDBY PROGRAM AT THE PORTSMOUTH GASEOUS DIFFUSION PLANT
A03OR011   COST SHARING AT THE WEST CHICAGO THORIUM PROCESSING FACILITY
A03OR012   ENVIRONMENTAL MANAGEMENT CLEANUP REFORM APPROPRIATION
A03OR013   REMEDIATION OF THE WASTE SILOS AND PITS AT FEMP
A03OR014   WASTE MANAGEMENT AT THE OAK RIDGE RESERVATION
A03PR010   NON-FEDERAL WORK AT SCIENCE LABORATORIES
A03PR011   CONSORTIUM BUYING BY DEPARTMENT CONTRACTORS
A03PR012   SCIENCE PROJECT COSTING PRACTICES
A03PR013   DISTRIBUTED ENERGY RESOURCES PROGRAM
A03PT014   DOE’S CARBON SEQUESTRATION PROGRAM
A03PT015   DOE’S RECRUITMENT AND RETENTION EFFORTS
A03RL015   PLUTONIUM FINISHING PLANT AT HANFORD
A03RL016   GROUNDWATER/VADOSE ZONE INTEGRATION PROJECT AT HANFORD
A03RL017   WASTE RECEIVING AND PROCESSING FACILITY AT HANFORD
A03RL018   PLANNING FOR THE WASTE TREATMENT PLANT AT HANFORD
A03SC016   MANAGEMENT OF DIRECTED PROJECTS
A03SC017   OFFICE OF SCIENCE PERFORMANCE MEASURES
A03SC018   OFFICE OF SCIENCE GRANTS ADMINISTRATION
A03SC019   DOE’S NANO SCALE SCIENCE RESEARCH CENTERS
A03SR019   SAVANNAH RIVER SITE MEDICAL SERVICES
A03SR020   PERFORMANCE BASED INCENTIVES AT WESTINGHOUSE SAVANNAH RIVER
A03SR021   PIT DISASSEMBLY AND CONVERSION FACILITY AT SAVANNAH RIVER
A03SR022   REQUIREMENTS FOR TRITIUM
A03SR031   FOREIGN RESEARCH REACTOR SPENT NUCLEAR FUEL PROGRAM

50
A03TG020  DOE’S ELECTRONIC COMMERCE STRATEGIES
A03TG023  CRITICAL ENERGY INFRASTRUCTURE PROTECTION
A03TG031  DOE’S UNCLASSIFIED INFORMATION SYSTEMS
A03TG032  DOE’S CLASSIFIED INFORMATION SYSTEMS
A03TG033  INTELLIGENCE COMMUNITY INFORMATION SYSTEMS
A03TG034  FERC INFORMATION SYSTEMS
A03TG035  DOE’S INTEGRATED SECURITY SYSTEM
A03TG036  IMPLEMENTATION OF THE INDICATIONS, WARNING, ANALYSIS AND REPORTING CAPABILITY
A03TG037  SENSITIVE EQUIPMENT ACCOUNTABILITY
A03YT026  RECONFIGURATION OF THE KANSAS CITY PLANT
A03YT027  ENRICHED URANIUM OPERATIONS
A03YT028  HIGHLY ENRICHED URANIUM MATERIALS STORAGE PROJECT AT Y-12

Planned Fiscal Year 2003 GMRA Audits

A03FN001  DOE - FY 2003
A03FN002  ISOTOPE PRODUCTION DISTRIBUTION - FY 2003
A03FN003  DECOMMISSIONING AND DECONTAMINATION - FY 2003
A03FN004  FEDERAL ENERGY REGULATORY COMMISSION - FY 2003
A03FN005  WESTERN AREA POWER ADMINISTRATION - FY 2003

Other Planned Fiscal Year 2003 Financial Audits

A03AL029  LOCKHEED MARTIN SANDIA CORP FY 2002 FINANCIAL CERTIFICATION
A03AL030  HONEYWELL FY 2002 FINANCIAL CERTIFICATION
A03DN023  MIDWEST RESEARCH FY 2002 FINANCIAL CERTIFICATION
A03FF024  ARGONNE NATIONAL LAB FY 2002 FINANCIAL CERTIFICATION
A03FF025  AMES FY 2002 FINANCIAL CERTIFICATION
A03FF0124  BECHTEL BWXT IDAHO FY 2002 FINANCIAL CERTIFICATION
A03FF006  WORKING CAPITAL FUND
A03FF007  FMFIA FY 2002
A03FF026  STRATEGIC PETROLEUM RESERVE FY 2002 FINANCIAL CERTIFICATION
A03LA031  LOS ALAMOS NATIONAL LABORATORY FY 2002 FINANCIAL CERTIFICATION
A03LL032  LAWRENCE LIVERMORE NATIONAL LABORATORY FY 2002 FINANCIAL CERTIFICATION
A03LL033  ROCKET DYNE FY 2002 FINANCIAL CERTIFICATION
### Office of Inspections

#### National Security

<table>
<thead>
<tr>
<th>INSPECTION NUMBER</th>
<th>TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Carry-In</strong></td>
<td></td>
</tr>
<tr>
<td>S02IS041</td>
<td>FY 2002 FOURTH QUARTER INTELLIGENCE OVERSIGHT</td>
</tr>
<tr>
<td>S02IS040</td>
<td>DOE AIRCRAFT SUPPORT OF THE JOINT TECHNICAL OPERATIONS TEAM</td>
</tr>
<tr>
<td>S02IS039</td>
<td>FIREARMS INTERNAL CONTROLS</td>
</tr>
<tr>
<td>S02IS038</td>
<td>LAPTOP COMPUTER INTERNAL CONTROLS</td>
</tr>
<tr>
<td>S02IS037</td>
<td>DEPARTMENT’S VISA PROGRAM</td>
</tr>
<tr>
<td>S02IS036</td>
<td>DOE AIRCRAFT SECURITY</td>
</tr>
<tr>
<td>S02IS035</td>
<td>HAZARDOUS/TOXIC CHEMICAL SECURITY</td>
</tr>
<tr>
<td>S02IS034</td>
<td>REVIEW OF INTERNATIONAL MEMORANDUM OF UNDERSTANDING</td>
</tr>
<tr>
<td>S02IS031</td>
<td>SECURITY ISSUES</td>
</tr>
<tr>
<td>S02IS030</td>
<td>MEMORANDUMS OF AGREEMENT AT A SELECTED DOE SITE</td>
</tr>
<tr>
<td>S02IS028</td>
<td>SPECIAL NUCLEAR MATERIALS RECEIVED FROM FOREIGN COUNTRIES</td>
</tr>
<tr>
<td>S02IS027</td>
<td>SECURITY OF SPECIAL NUCLEAR FUELS SHIPMENTS</td>
</tr>
<tr>
<td>S02IS021</td>
<td>FORCE-ON-FORCE RECOMMENDATIONS</td>
</tr>
<tr>
<td>S02IS017</td>
<td>REVIEW OF NUCLEAR WASTE SECURITY</td>
</tr>
<tr>
<td>S02IS013</td>
<td>SAFEGUARDS AND SECURITY SURVEY</td>
</tr>
<tr>
<td>S02IS012</td>
<td>EXPLOSIVES TRANSPORTATION AND SECURITY</td>
</tr>
<tr>
<td>S02IS005</td>
<td>TRANSPORTATION SECURITY</td>
</tr>
<tr>
<td>S02IS001</td>
<td>EXPLOSIVES SAFETY</td>
</tr>
</tbody>
</table>

#### Planned

- REVIEW OF EXPORT OF MILITARY SENSITIVE TECHNOLOGIES
- PHYSICAL SECURITY REQUIREMENTS OF BIOAGENTS
DEPARTMENT AVIATION SUPPORT
SENSITIVE INFORMATION ON DEPARTMENT WEBSITES
FOLLOW-UP ON PRIOR EXPORT CONTROL RECOMMENDATIONS
PERSONNEL RELIABILITY PROGRAM AT SELECTED DOE SITES
ROLE OF COUNTERINTELLIGENCE IN DOE’S COUNTERTERRORISM EFFORTS
COMPLIANCE WITH INTELLIGENCE REQUIREMENTS AT A SELECTED FIELD SITE
DEMILITARIZATION OF EXCESS MILITARY EQUIPMENT
OVERSIGHT OF SHOCK SENSITIVE CHEMICALS AT SELECTED DOE SITE
EXPORT CONTROL OF SENSITIVE INFORMATION ON GRANTS/WORK-FOR-OTHERS
MEMORANDUMS OF AGREEMENT AT A SELECTED SITE
FY 2003 FIRST QUARTER INTELLIGENCE OVERSIGHT REVIEW
FY 2003 SECOND QUARTER INTELLIGENCE OVERSIGHT REVIEW
FY 2003 THIRD QUARTER INTELLIGENCE OVERSIGHT REVIEW
FY 2003 FOURTH QUARTER INTELLIGENCE OVERSIGHT REVIEW

Corporate Management

<table>
<thead>
<tr>
<th>INSPECTION NUMBER</th>
<th>TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Carry-In</strong></td>
<td></td>
</tr>
<tr>
<td>S02IS026</td>
<td>EMERGENCY RESPONSE AND LAW ENFORCEMENT-RELATED GRANTS</td>
</tr>
<tr>
<td>S02IS015</td>
<td>FUNDING AND LEASING ISSUES</td>
</tr>
<tr>
<td>S02IS003</td>
<td>PROCUREMENT ISSUES</td>
</tr>
<tr>
<td>S01IS034</td>
<td>TRANSPORTATION PROCUREMENT</td>
</tr>
<tr>
<td>S01IS032</td>
<td>DIRECTING OF SUBCONTRACT TASKS</td>
</tr>
<tr>
<td>S02IS029</td>
<td>REMARKETING CONCERNS</td>
</tr>
<tr>
<td><strong>Planned</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EVALUATION OF GRANTS AND COOPERATIVE AGREEMENTS AT SELECTED DOE SITE</td>
</tr>
<tr>
<td></td>
<td>DISPOSITION OF ASSETS AT SELECTED DOE SITE</td>
</tr>
</tbody>
</table>

53
### Environmental Quality

<table>
<thead>
<tr>
<th>INSPECTION NUMBER</th>
<th>TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carry-In</td>
<td></td>
</tr>
<tr>
<td>S01IS022</td>
<td>REPORTABLE INCIDENT REPORTS</td>
</tr>
<tr>
<td>S01IS030</td>
<td>NUCLEAR SAFETY RULES</td>
</tr>
</tbody>
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### Energy and Science

<table>
<thead>
<tr>
<th>INSPECTION NUMBER</th>
<th>TITLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carry-In</td>
<td></td>
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<tr>
<td>S01IS016</td>
<td>IN-HOUSE ENERGY MANAGEMENT</td>
</tr>
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Validation and Verification

The chart below represents how the OIG validates and verifies its performance activities.

<table>
<thead>
<tr>
<th>Data Sources:</th>
<th>OIG Semiannual and Quarterly Reports to Congress; Inspector General Act of 1978, as amended; Government Management Reform Act; Government Performance and Results Act; Government Information Security Reform Act; False Claims Act; Executive Order 12863, &quot;President's Foreign Intelligence Advisory Board</th>
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<tbody>
<tr>
<td>Frequency:</td>
<td>Annually/Semiannually/Quarterly</td>
</tr>
<tr>
<td>Data Storage:</td>
<td>OIG Energy Inspector General Project Tracking System</td>
</tr>
<tr>
<td>Verification:</td>
<td>OIG policies and procedures; Yellow Book Standards; PCIE Quality Standards for Investigations and Inspections; and internal and external peer reviews.</td>
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</tbody>
</table>
Cross-Cutting Program Activities

In performing its mission, the OIG undertakes many of its activities with other external organizations to achieve a common goal. Such organizations include:

- Federal prosecutors in the Department of Justice and United States Attorneys Offices throughout the country;
- The Defense Contract Audit Agency;
- The General Accounting Office;
- Other law enforcement agencies on task force/joint agency investigations;
- State and local prosecutors;
- Other Federal agency OIGs for mandated export control reviews;
- The Intelligence Oversight Board on intelligence matters concerning violations of law, Executive order, Presidential directive, or Department Intelligence Procedures;
- Intelligence community OIGs for interagency reviews of intelligence issues; and
- The PCIE and its committees.