

U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL

*Semiannual Report
to Congress*

APRIL 1, 2015 – SEPTEMBER 30, 2015



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FAREWELL MESSAGE FROM INSPECTOR GENERAL FRIEDMAN

I am pleased to submit the Semiannual Report to Congress for the period ending September 30, 2015. This report is a compilation of our work related to the Department of Energy's programs and operations.

During this reporting period, we issued 29 audit and inspection reports examining a variety of Departmental programs and operations. Among the significant work conducted this period was a follow-up review on [Nuclear Safety at the Los Alamos National Laboratory](#). The primary objectives of Los Alamos National Laboratory is to ensure the safety, security, and reliability of the Nation's nuclear stockpile. The audit disclosed that a number of previously identified operating deficiencies had not been effectively addressed. We also reviewed aspects of two of the Department's technology systems. In a Special Report on [Allegations Regarding Information Technology Procurement at Bonneville Power Administration](#), we found that Bonneville spent about \$5.2 million for an information system that did not meet its needs. We found weaknesses with system planning, acquisition, and contract administration. Further, Bonneville did not consistently apply lessons learned from a previous information technology system failure to its new initiative. Our audit of [Cybersecurity Controls Over a Major National Nuclear Security Administration Information System](#) revealed that the system's cybersecurity controls had not been adequately developed, documented, or implemented, leading to increased risk of loss of data and potential compromise of data integrity.

Also during this period, we continued our efforts to prevent and detect attempts to defraud the Department and U.S. taxpayers. Our work led to the recovery of \$10.5 million in criminal restitution and civil fines from a subcontractor who artificially and erroneously inflated the amounts charged to Sandia National Laboratories for computers and related equipment. We also confirmed that one of the Department's prime contractors utilized Federal funds to pay for activities related to lobbying Congress and Federal officials in order to obtain a noncompetitive renewal of its management and operating contract. This investigation resulted in a \$4.8 million settlement.

Finally, this is my last Semiannual Report to Congress as the Department of Energy Inspector General. The Department of Energy plays an essential role in the energy, economic and national security well-being of our Nation. It has been a great honor to serve the Department and the U.S. taxpayers for 17 years. I have worked with an outstanding group of professionals within the Office of Inspector General. They have been and are committed to working with agency leadership in the never ending quest to enhance and improve the Department's operations, programs, and activities. My colleagues and I have forged effective and respectful working relationships with the Department's leadership and program officials. In a constructive atmosphere, we have worked to make the Department as responsive to the needs of the U.S. citizens as possible.

I leave this post with profound gratitude to those who have been my loyal and trustworthy partners in these endeavors.



RESULTS AT A GLANCE

33	Total Reports Issued:
29	<i>Audit Reports Issued</i>
4	<i>Inspection Reports Issued</i>
\$ 4.6 million \$30.2 million	Funds Put to Better Use Dollars Recovered (Fines, Settlements, Recoveries)
9	Criminal Convictions
12	Suspensions and Debarments
28	Civil and Administrative Actions
671	Hotline Contacts
\$8.29¹	Return on Investment

¹Calculated based on the annual appropriations divided into our monetary accomplishments for the fiscal year, which includes Better Use of Funds, Questioned Costs, Unsupported Costs, and Recoveries.

POSITIVE OUTCOMES

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

- In our inspection report [Review of Allegations of Improper Disclosure of Confidential, Nonpublic Federal Energy Regulatory Commission Information \(DOE/IG-0939\)](#), we concluded that the disclosure of such information could threaten the integrity of the Commission's regulatory and enforcement processes. As a result of our findings, the Commission enhanced its postemployment guidance and employee exiting process to address inconsistencies and weaknesses in handling nonpublic Commission information. We concluded that these processes should inform departing employees, including Commissioners, on how to handle nonpublic information they had access to during their tenure at the Commission.
- In part, as a result of our inspection report [Severance Repayments at the Savannah River Site, \(INS-O-10-02\)](#), during FY 2015 the Department disallowed costs of approximately \$3.1 million to Washington Savannah River Company (WSRC), a former management and operating contractor. Our review confirmed the allegation that WSRC employees had inappropriately received severance payments under the 2007 Savannah River workforce restructuring. Specifically, it was alleged that WSRC employees were subsequently rehired to perform in the same or similar functional job areas but were not required to repay the severance money. As a result of our review, the Contracting Officer issued a demand letter of \$1.1 million to the contractor. Subsequently, due to WSRC's delinquent response, Savannah River officials conducted a more in-depth review to include the 2006 restructuring, which was not part of the inspection, and determined the total disallowed cost totaled approximately \$3.1 million.
- Our audit report, [Follow-up on Nuclear Safety: Safety Basis and Quality Assurance at the Los Alamos National Laboratory \(LANL\), \(DOE/IG-0941\)](#), found that LANL had not effectively implemented its Safety Basis Improvement Plan, which was designed to enable LANL to build upon lessons learned and assessment findings. In addition, nuclear safety deficiencies were not always resolved because corrective actions were not effectively designed to prevent recurrence. In response to our recommendations, LANL has updated its staffing analysis and identified deficiencies in technical resources. It has also requested additional funding to secure the required resources to implement the Safety Basis Improvement Plan.
- As a result of our report [Allegations Concerning Information Protection at Los Alamos National Laboratory \(DOE/IG-0935\)](#), the National Nuclear Security Administration agreed to conduct a causal analysis and to implement additional controls to ensure that classified information is appropriately protected and controlled. This allegation-based review concluded that Los Alamos National Laboratory's Classification Officer had not always adequately protected and controlled classified information, resulting in the misclassification and improper disclosure of national security information.
- As a result of our report [The Department of Energy's Participation in Energy Incentive Programs \(OAS-M-15-03\)](#), two Department sites reported that they had taken steps to improve their processes for ensuring receipt

of available energy incentives. Argonne National Laboratory reported that it had initiated a formal procedure to ensure that personnel follow through on energy incentives for existing buildings. Further, the Richland Operations Office stated that it would work with its site contractors and the Bonneville Power Administration to develop a plan to improve the site's participation in the available utility incentive program.

- In response to our report [Allegations Related to the Energy Information Administration's Reporting Process \(DOE/IG-0940\)](#), the Energy Information Administration developed a comprehensive user manual documenting the policies, procedures, and systems used to develop its Weekly Petroleum Status Report (WPSR). Our report had found that insufficiencies in WPSR process documentation increased the risk of publishing inaccurate reports.
- As a result of our audit of [Selected Recipients of Maryland Weatherization Assistance Program Funds \(DOE/IG-0942\)](#), Maryland's Department of Housing and Community Development Program (DHCD) stated that it had eliminated program support and flat-fee payments to its subgrantees, practices that had contributed to the \$1.8 million in costs we had questioned in our audit. Additionally, DHCD stated that it had developed and implemented additional internal controls to include assessing the adequacy of subgrantee accounting systems, budget controls over training and technical assistance costs, and the implementation of a "not-to-exceed" price list.
- In response to our report [The Department of Energy's Loan Guarantee Program for Clean Energy Technologies \(DOE/IG-0849\)](#), the Loan Programs Office (LPO) reported that it

had provided program-wide guidance on the application of best practices to facilitate capturing and sharing of knowledge throughout LPO to enhance consistency in decision making and in the maintenance of institutional knowledge.

- As a result of our audit of [The Department of Energy's Management of High-Risk Excess Facilities \(DOE/IG-0931\)](#), the Department established an Excess Contaminated Facilities Working Group to develop a path forward in determining the true inventory of excess facilities. It has developed an inventory by engaging Department sites and laboratories to provide data on their respective excess facilities, to include lists of excess facilities; cost estimates for disposition; current costs for maintaining the excess facilities; risks to workers, the public, or to site missions; and any technical challenges that might be evident with disposing of the structures.
- Our audit report [Contract Awards to Small Businesses under the Mentor-Protégé Program \(DOE/IG-0898\)](#) identified weaknesses in the Department's management of its Mentor-Protégé Program. In response to our audit, the Department established a Mentor-Protégé Program Guide, which includes policies and procedures to assist sites in selecting protégé applicants most suitable for participation in the Program. The Department also strengthened procedures for monitoring semiannual mentor-protégé progress reports and the progression of protégés throughout the mentoring process.
- Our audit report on the [Department of Energy's Management of Spare Parts at Selected Sites \(DOE/IG-0936\)](#) identified concerns with the management of spare parts, including a lack of accurate inventory

records and potentially inappropriate accounting of spare parts. In response to the audit, the Office of Science Integrated Support Centers in Oak Ridge and Chicago requested spare parts accounting information from all of the contractors under their cognizance to determine whether they were using the correct accounting method. As a result, the management and operating contractor at the Thomas Jefferson National Laboratory found that they had issues of noncompliance with the Department's Financial Management Handbook and planned to complete a review of their processes and make necessary changes during FY 2015. As part of this review, they also planned to thoroughly examine their inventory to determine what needed to be written off and what needed to be recorded as inventory.

- During FY 2015, the Department identified corrective action plans to remediate several weaknesses identified in our audit report [The Strategic Petroleum Reserve's Drawdown Readiness \(DOE/IG-0916\)](#). In particular, the Department detailed its plan to conduct a long-range strategic review of the Strategic Petroleum Reserve. Further, the Department planned to transmit to Congress an implementation schedule that specifies near-term and long-term roles of the Reserve relative to the United States energy security and economic goals; describes existing legal authorities governing the Reserve; identifies and recommends a plan to achieve optimal capacity, location, and composition of petroleum products, as well as storage and distribution capabilities; and estimates the resources required for the Reserve's long-term sustainability and operational effectiveness.
- During our review of a major National Nuclear Security Administration information system at one of its key facilities, management took immediate action to withdraw the system's authorization to operate as a result of weaknesses identified during our review. In addition, the site's operating contractor was directed to perform an in-depth review of the system to ensure that all of the issues described in our report, [Cybersecurity Controls Over a Major National Nuclear Security Administration Information System \(DOE/IG-0938\)](#), had been appropriately remediated.
- Our inspection, [Alleged Attempts by Sandia National Laboratories to Influence Congress and Federal Officials on a Contract Extension \(DOE/IG-0927\)](#), substantiated the allegation that Sandia National Laboratories (SNL) used Federal contract funds to engage in activities that were intended to influence the extension of the management and operating (M&O) contract with the Department—a contract then valued at about \$2.4 billion per year. Following completion of the inspections, the OIG's Office of Investigations worked with officials from the Department of Justice to pursue a civil penalty. Ultimately, the facts as reported in this inspection report served as the basis for a \$4.7 million settlement from the contractor. The Justice Department entered into this settlement to resolve allegations that SNL violated the Byrd Amendment and the False Claims Act.
- Our [Special Report: The Department of Energy's Loan Guarantee to Solyndra, Inc. \(11-0078-I\)](#) outlines the results of a 4-year investigation into concerns that Solyndra, Inc., (Solyndra) may have provided the Department with false and misleading information during the application process for a \$535 million loan guarantee. In September 2009, the Department approved

the loan guarantee to Solyndra for the construction of a photovoltaic manufacturing facility in Fremont, California, referred to as Fab 2. In the ensuing 2 years, the Department disbursed over \$500 million to Solyndra. In September 2011, the company initiated the layoff of 1,100 employees, ceased operations and manufacturing, and filed for bankruptcy protection.

We issued this public report for two primary reasons. First, we believe there is a compelling public interest in this matter given the loss to U.S. taxpayers in excess of \$500 million, a loss of confidence in the loan guarantee program, and the significant controversy that surrounded the Solyndra matter. Second, we have concluded that it is important that there be heightened awareness of key shortcomings in the Solyndra loan guarantee process and, in this context, that the Department be provided with certain lessons learned as it proceeds to exercise its authority to grant an additional \$40 billion in loan guarantees.

- The Hotline referred allegations to the National Nuclear Security Administration that a Y-12 subcontractor removed potentially radioactive equipment from a pipe without proper survey or reporting. The subcontractor also allegedly charged the Department for work they did not perform. The National Nuclear Security Administration conducted a review resulting in the following actions: \$27,500 was withheld from the subcontractor's payment; the prime contractor was instructed to educate the subcontractor on safety protocols and procedures before allowing them to resume work at Y-12; and the Subcontract Technical Representative received clarification regarding

requirements of the contract. There was no harm to personnel or the environment.

- The Hotline referred concerns of lax security policies to the Office of Environment, Health, Safety and Security. Specifically, a minor was observed unattended in a vehicle parked in the Forrestal garage. The issue was brought to the attention of security personnel, who determined the minor was not a security risk and took no further action. A further review of the matter, including the response of security personnel at the time, by the Office of Environment, Health, Safety and Security resulted in the issuance of a Headquarters Security Officer Spotlight notification explaining escort requirements for unbadged visitors and additional training for Department employees and security personnel.
- After receiving a Hotline referral, the Office of Environmental Management conducted a management review of operations at the Idaho National Laboratory and found that a Waste Retrieval Operator entered a contaminated structure without adequate respiratory protection. The review concluded there was a potential for systemic issues resulting from employee and supervisory complacency. Corrective actions were taken, including additional training and procedural modifications. There was no harm to the Operator.
- During this reporting period, the Department finalized multiple debarment actions in response to information provided by the Office of Investigations. The standard debarment period is 3 years; however, several notable examples from this reporting period exceeded that time frame. Two former Los Alamos National Laboratory contractor employees were debarred for a period of 50 years each after pleading guilty

to knowingly converting and communicating Restricted Data to another individual with reason to believe such data would be utilized to secure an advantage to a foreign nation. A former subcontractor was debarred for 18 years after pleading guilty to fraud and conspiracy charges after an OIG investigation determined the subcontractor sold the serial numbers of Department computers to an individual who used the serial numbers to place fraudulent orders for replacement computer parts. A former National Nuclear Security Administration contractor employee was debarred for 6 years after pleading guilty to bulk cash smuggling after an OIG investigation determined the former contractor employee solicited and received kickbacks from subcontractors while working on a Department project in Taiwan.

- In response to various Investigative Reports to Management, the Department recovered approximately \$286,431 during this reporting period. In one case, our investigative results led the Department to discover \$190,950 in disallowed equipment costs, which the grant recipient then

returned to the Department. In another instance, the Department recovered \$25,570 in disallowed charges from a former subcontract company related to time and attendance charges. Finally, the Department recovered \$69,911 from a former contractor after an investigation determined the former contractor failed to follow the contract transition plan with regard to records management, resulting in questionable charges being billed to the Department.

- The Department took multiple administrative disciplinary actions in response to investigative findings. Four federal employees resigned or retired in lieu of disciplinary action, three contractor employees and one federal employee were suspended from employment, four contractor employees were terminated or removed from employment, two former contractor employees had clearances suspended or revoked, and one federal employee received a written reprimand.

TABLE OF REPORTS

Investigative Outcomes

All of our investigations that result in a reportable outcome are disclosed to the public in our Semiannual Report. Reportable outcomes are defined as public and nonpublic reports, indictments, convictions, disciplinary actions, monetary recoveries, contractor debarments, and other similar results. The following reportable outcomes occurred during the period April 1, 2015, through September 30, 2015.

SUMMARY TITLE	PAGE
Special Report Issued in Loan Guarantee Case	32
Resolution in Contract Fraud Investigation	32
Settlement Reached with Department Management and Operating Contractor	32
Settlement Reached with Department Contractor	33
Civil Settlement Reached in Small Business Innovation Research Grant Fraud Investigation	33
Sentencing in Small Business Innovation Research Fraud Investigation	33
Sentencings in Hanford Timecard Investigation	33
Guilty Pleas in Kickback Investigation	34
Sentencing of Former Contractor Employee in Theft of Government Property Investigation	34
Guilty Plea and Sentencing in Recovery Act Weatherization Fraud Investigation	34
Sentencing in Y-12 Trespassing Investigation	34
Nuclear Weapons Protestor Sentenced for Damaging Federal Property	35
Guilty Pleas in Small Business Innovation Research Fraud Investigation	35
Guilty Plea in Recovery Act Grant Fraud Investigation	35
Plea Agreement and Debarment in Theft of Government Property Investigation	35

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Guilty Plea in Contract Fraud Investigation	36
Guilty Plea in Purchase Card Investigation	36
Pretrial Diversion Agreement in Bomb Threat Investigation	36
Department Grant Recipient Indicted	36
Indictment in Trade Secrets Investigation	36
Criminal Complaint and Arrest in Department Contractor Employee Investigation	37
Indictment and Arrest in Travel and Time and Attendance Fraud Investigation	37
Indictment in Fuel Card Fraud Investigation	37
Arrest of Former Contractor Employee in Child Pornography Investigation	37
Target Letter Issued in False Statement Investigation	37
Recovery of Stolen Property in Phishing Investigation	38
Administrative Action Taken in Recovery Act Weatherization Fraud Investigation	38
Response to Investigative Report to Management	38
Response to Investigative Report to Management Issued in Device Fraud Investigation	38
Former Department Contractor Employee Debarred Following Kickback Investigation	38
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Debarment in Theft of Government Property Investigation	39
Recovery of Department Grant Funds	39
Investigative Report to Management Results in Recovered Funds - West Valley Demonstration Project	39
Investigative Report to Management Results in Recovered Funds – Sandia National Laboratory	39

SUMMARY TITLE	PAGE
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Suspensions in False Statements Investigation	40
Administrative Action in Misuse of Position Investigation	40
Response to Investigative Report to Management Issued in Misuse of Position Investigation	40

Audits

The following identifies all audit reports issued between April 1, 2015, and September 30, 2015.

DATE ISSUED	REPORT TITLE	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Apr 8, 2015	The Department of Energy's Participation in Energy Incentive Programs (OAS-M-15-03)		\$190,500		41
Apr 28, 2015	The Department of Energy's Improper Payment Reporting in the Fiscal Year 2014 Agency Financial Report (OAS-FS-15-10)				41
Apr 29, 2015	Assessment of Audit Coverage of Cost Allowability for UT-Battelle, LLC, During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC05-00OR22725 (OAS-V-15-02)		\$76,623,971		41
May 8, 2015	Security at the Nevada National Security Site (OAS-L-15-06)				42
May 21, 2015	The Department of Energy's Management of Spare Parts at Selected Sites (DOE/IG-0936)				43
May 29, 2015	Legacy Management Activities at Selected Closure Sites (OAS-L-15-07)				43
Jun 2, 2015	The Status of Cleanup at the Department of Energy's Paducah Site (DOE/IG-0937)	\$4,600,000			44
Jun 3, 2015	Cybersecurity Controls Over a Major National Nuclear Security Administration Information System (DOE/IG-0938)				44
Jun 10, 2015	Allegations Related to the Energy Information Administration's Reporting Process (DOE/IG-0940)				45
Jun 12, 2015	Southwestern Federal Power System's Fiscal Year 2014 Financial Statement Audit (OAS-FS-15-11)				45
Jun 22, 2015	The Department of Energy's Implementation of the Pilot Program for Agreements for Commercializing Technology (OAS-M-15-04)				45
Jun 26, 2015	Subcritical Experiment Activities at the Nevada National Security Site (OAS-L-15-08)				46
Jul 10, 2015	The National Nuclear Security Administration's Management of Support Service Contracts (OAS-M-15-05)				46

DATE ISSUED	REPORT TITLE	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Jul 16, 2015	Funds Control Management of Savannah River Nuclear Solutions Recovery Act Projects (OAS-M-15-06)				47
Jul 16, 2015	Follow-up on Nuclear Safety: Safety Basis and Quality Assurance at the Los Alamos National Laboratory (DOE/IG-0941)				47
Jul 30, 2015	Selected Recipients of Maryland Weatherization Assistance Program Funds (DOE/IG-0942)		\$1,476,000	\$312,000	48
Jul 31, 2015	Subcontract Administration at Selected Department of Energy Management and Operating Contractors (OAS-M-15-07)				49
Aug 3, 2015	Allegations Regarding Information Technology Procurement at Bonneville Power Administration (DOE/IG-0943)				49
Aug 6, 2015	Western Federal Power System's Fiscal Year 2014 Financial Statement Audit (OAS-FS-15-12)				50
Aug 10, 2015	Alleged Misuse of FutureGen 2.0 Project Funds (OAS-L-15-10)				50
Aug 12, 2015	Treatment of Salt Waste at the Savannah River Site (OAS-L-15-09)				51
Aug 18, 2015	Follow-up Audit of Nanoscale Materials Safety at the Department's Laboratories (OAS-M-15-08)				52
Aug 28, 2015	Security Improvements at the Y-12 National Security Complex (DOE/IG-0944)				52
Sep 3, 2015	The Department of Energy's Management of Electronic Mail Records (DOE/IG-0945)				53
Sep 9, 2015	Assessment of Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-15-03)		\$2,569,251		54
Sep 21, 2015	Assessment of Audit Coverage of Cost Allowability for Stanford University During Fiscal Years 2012 and 2013 Under Department of Energy Contract No. DE-AC02-76SF00515 (OAS-V-15-04)		\$198,846,859		54
Sep 29, 2015	Enforcement Activities Conducted by the Federal Energy Regulatory Commission (DOE/IG-0947)				55

DATE ISSUED	REPORT TITLE	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
Sep 30, 2015	Assessment of Audit Coverage of Cost Allowability for Babcock and Wilcox Technical Services Y-12, LLC, During Fiscal Years 2013 and 2014 Through June 30, 2014, Under Department of Energy Contract No. DE-AC05-00OR22800 (OAS-V-15-05)		\$1,999,765		56
Sep 30, 2015	Assessment of Audit Coverage of Cost Allowability for Los Alamos National Security, LLC, During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC52-06NA25396 (OAS-V-15-06)		\$611,803		56

Inspections

The following identifies all inspection reports issued between April 1, 2015, and September 30, 2015.

DATE ISSUED	REPORT TITLE	BETTER USE OF FUNDS	QUESTIONED COSTS	UNSUPPORTED COSTS	PAGE
May 21, 2015	Alleged Nuclear Material Control and Accountability Weaknesses at the Department of Energy's Portsmouth Project (INS-O-15-04)				58
Jun 4, 2015	Review of Allegations of Improper Disclosure of Confidential, Nonpublic Federal Energy Regulatory Commission Information (DOE/IG-0939)				58
Sep 1, 2015	Allegations Regarding Management of Highly Enriched Uranium (INS-L-15-03)				59
Sep 18, 2015	The Department of Energy's Freedom of Information Act Process (DOE/IG-0946)				60

NOTE: During the reporting period, the Office of Inspector General updated and re-released the report titled "[Management of Certain Aspects of the Human Reliability Program and Incident Reporting within the Office of Secure Transportation](#)" that was originally released on September 24, 2014.

RESULTS

Legislative and Regulatory Reviews

The Inspector General Act of 1978, as amended, requires the OIG to review and comment upon legislation and regulations relating to Department programs and to make recommendations concerning the impact of such legislation or regulations on Departmental economy and efficiency. During this reporting period, the OIG reviewed nine pieces of proposed legislation/regulations.

Interference With IG Independence

During the reporting period, the Department neither restricted communications between our office and Congress nor put in place any budgetary constraints designed to limit the capabilities of our office.

Resistance to Oversight Activities or Restricted/Significantly Delayed Access

Access to documents the OIG believed necessary to perform work was not restricted.

Comments Not Provided Within 60 Days

For the reporting period April 1, 2015, through September 30, 2015, the Department failed to provide comments on the following reports within 60 days.

DATE ISSUED	REPORT TITLE	LENGTH OF TIME TO RECEIVE COMMENTS
<u>Audits/Inspections</u>		
Sep 24, 2014 ¹	Management of Certain Aspects of the Human Reliability Program and Incident Reporting within the Office of Secure Transportation (DOE/IG-0919)	85 days
Jul 31, 2015	Subcontract Administration at Selected Department of Energy Management and Operating Contractors (OAS-M-15-07)	85 days
Sep 30, 2015	Audit Coverage of Cost Allowability for Los Alamos National Security, LLC, During Fiscal Year 2013 Under Department of Energy Contract No. DEAC52-06NA25396 (OAS-V-15-06)	87 days
N/A	Ongoing Long Lead Procurement at the Office of River Protection	Pending more than 60 days
<u>Investigative Matters²</u>		
Oct 24, 2014	Suspension/debarment following criminal conviction	205 days
Nov 17, 2014	Suspension/debarment after allegations of false claims were substantiated	Pending more than 60 days
Dec 10, 2014	Suspension/debarment following criminal conviction	230 days
Feb 10, 2015	Suspension/debarment following criminal conviction	Pending more than 60 days
Mar 4, 2015	Suspension/debarment after allegations of theft substantiated	Pending more than 60 days
Apr 1, 2015	Administrative action after allegations of false statements and gratuities substantiated	Pending more than 60 days
Apr 16, 2015	Administrative action after allegations of false statements substantiated	67 days
May 1, 2015	Administrative action after allegations of false claims substantiated	79 days

¹During this reporting period, the Office of Inspector General updated and re-released this report.

²All reports under Investigative Matters relate to suspension and debarment actions or administrative actions. The suspension and debarment process typically takes longer than 60 days and administrative actions may take longer than 60 days to complete. In all instances where the Department response was pending at the end of the reporting period, the Department and Office of Inspector General have coordinated.

DATE ISSUED	REPORT TITLE	LENGTH OF TIME TO RECEIVE COMMENTS
May 12, 2015	Administrative action related to programmatic weakness identified during investigation of unsubstantiated allegations	79 days
May 20, 2015	Suspension/debarment following criminal non-prosecution agreement	Pending more than 60 days
June 5, 2015	Administrative action following false claims settlement	Pending more than 60 days
Jul 20, 2015	Suspension/debarment following criminal conviction	Pending more than 60 days

Reports Lacking Management Decision

The Department has a system in place to track audit and inspection reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by audit agencies and agreed to by management are addressed as efficiently and expeditiously as possible. Listed below is one audit report that is over six months old that was issued before the beginning of the reporting period for which no management decision had been made by the end of the reporting period. The reason a management decision had not been made and the estimated date by which a management decision will be made is described in the table below.

DATE ISSUED	REPORT TITLE	STATUS OF MANAGEMENT DECISION
Apr 10, 2012	Use of Noncompetitive Procurements to Obtain Services at the Savannah River Site (DOE/IG-0862)	The OIG has requested the Department temporarily delay submitting a Management Decision on the recommendations in this report, pending the outcome of an ongoing related review.

Recommendations Not Implemented

The following table identifies 86 reports with a total of 196¹ recommendations which were agreed to by the Department but for which corrective actions have not been implemented as of September 30, 2015. The total potential cost savings associated with these reports is \$1,149,162,433. The OIG is committed to working with management to expeditiously address the management decision and corrective action process, recognizing that certain initiatives will require long-term, sustained, and concerted efforts. [Non-hyperlinked reports are not available on the OIG website.]

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Mar 12, 2002	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Cost Claimed by and Reimbursed to TRW Environmental Safety Systems, Inc. Under Department of Energy Contracts No. DE-AC01-91RW00134 and No. DE-AC08-RW00134 (WR-V-02-03)	2	\$396,040,881
Dec 20, 2005	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation Under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-06-06)	1	\$2,032,805
Jan 16, 2007	Assessment of Changes to the Internal Control Structure and their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-07-05)	1	\$2,836,181
Dec 17, 2007	Beryllium Surface Contamination at the Y-12 National Security Complex (IG-0783)	1	
Apr 11, 2008	The Department's Progress in Meeting Los Alamos National Laboratory Consent Order Milestones (IG-0793)	1	
May 7, 2008	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation, under the Department of Energy Contract, No. DE-AC04-94AL85000 for Fiscal Year 2006 (OAS-V-08-09)	1	\$3,393,317

¹Those recommendations that are not agreed to by management are not tracked by the Department as open/unimplemented recommendations. Since 2002, the Department has only failed to agree on 4 recommendations issued by the OIG.

² A single recommendation in our reports may often be addressed to multiple program elements. In the past, the total number of open recommendations included a count of all program elements that had not taken corrective action. Going forward with this semiannual reporting period, the total number of open recommendations will include any recommendation for which at least one of the program elements has not completed its agreed upon corrective actions.

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

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
July 14, 2008	Management Controls over Monitoring and Closeout of Small Business Innovation Research Phase II Grants (OAS-M-08-09)	1	
Nov 13, 2009	Management Controls over Selected Aspects of the Department of Energy's Human Reliability Program (OAS-M-10-01)	2	
Jul 29, 2010	Audit Coverage of Cost Allowability for Bechtel SAIC Company, LLC during Fiscal Years 2004 through 2009 Under Contract No. DE-AC28-01RW12101 (OAS-V-10-15)	1	\$178,979,948
Sep 22, 2010	The Department of Energy's Audit Resolution and Follow-up Process (IG-0840)	2	
Oct 5, 2010	Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Years 2007 AND 2008 under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-11-01)	1	\$10,324,001
Feb 6, 2012	Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2011 (OAS-FS-12-05)	1	
Apr 25, 2012	The Department of Energy's \$12.2 Billion Waste Treatment and Immobilization Plant- Quality Assurance of Black Cells Vessels (IG-0863)	2	
Jun 18, 2012	The National Nuclear Security Administration (NNSA) Contractors' Disability Compensation and Return-to-Work Programs (IG-0867)	1	\$4,564,093
Jun 29, 2012	Office of Secure Transportation Capabilities (OAS-M-12-05)	1	
Oct 26, 2012	Review of the Compromise of Security Test Materials at the Y-12 National Security Complex (IG-0875)	2	
Nov 5, 2012	Allegations of Organizational Conflicts of Interest at Portsmouth and Oak Ridge (INS-O-13-01)	3	
Nov 8, 2012	The Department's Unclassified Cyber Security Program - 2012 (IG-0877)	3	
Dec 11, 2012	Follow-up Audit of the Department's Cyber Security Incident Management Program (IG-0878)	2	
Jan 31, 2013	Management Letter on the Department of Energy's Isotope Development and Production for Research and Applications Program's Fiscal Year 2010 Balance Sheet Audit (OAS-FS-13-11)	1	
Feb 20, 2013	Assessment of Audit Coverage of Cost Allowability Sandia Corporation during Fiscal Years 2009 and 2010 under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-13-07)	2	\$12,760,295
Apr 9, 2013	The Department of Energy's Use of the Environmental Management Waste Management Facility at the Oak Ridge Reservation (IG-0883)	2	\$14,400,000

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
May 15, 2013	The Use of Staff Augmentation Subcontracts at the National Nuclear Security Administration's Mixed Oxide Fuel Fabrication Facility (IG-0887)	2	
Jun 24, 2013	Mitigation of Natural Disasters at Los Alamos National Laboratory (OAS-M-13-04)	2	
Aug 26, 2013	The Department of Energy's Administration of Energy Savings Performance Contract Biomass Projects (IG-0892)	2	\$67,400,000
Sep 30, 2013	Department of Energy Quality Assurance: Design Control for the Waste Treatment and Immobilization Plant at the Hanford Site (IG-0894)	3	
Oct 3, 2013	Review of Allegations Regarding Prohibited Personnel Practices at the Bonneville Power Administration (IG-0895)	2	
Oct 24, 2013	The Department's Fleet Vehicles Sustainability Initiatives at Selected Locations (IG-0896)	3	
Oct 29, 2013	The Department of Energy's Unclassified Cyber Security Program -2013 (IG-0897)	2	
Nov 26, 2013	Assessment of Audit Coverage of Cost Allowability for National Renewable Energy Laboratory during Fiscal Years 2009 through 2011 under Department of Energy Contract Number No. DE-AC36-08GO28308 (OAS-V-14-03)	1	
Dec 6, 2013	Special Review - The Department of Energy's July 2013 Cyber Security Breach (IG-0900)	2	
Jan 2, 2014	NNSA's Management of the \$245 Million Nuclear Materials Safeguards and Security Upgrades Project Phase II (IG-0901)	5	
Jan 9, 2014	Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2013 (OAS-FS-14-05)	1	
Feb 14, 2014	The Technology Transfer and Commercialization Efforts at the Department of Energy's National Laboratories (OAS-M-14-02)	3	
Feb 20, 2014	Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2013 (OAS-FS-14-06)	1	
Mar 26, 2014	National Nuclear Security Administration Nuclear Weapons Systems Configuration Management (IG-0902)	2	
Apr 3, 2014	Office of Energy Efficiency and Renewable Energy's Integrated Resource and Information System (IRIS) Project (IG-0905)	1	\$674,774
Apr 15, 2014	The Department of Energy's Management and Use of Mobile Computing Devices and Services (IG-0908)	2	
Apr 23, 2014	Assessment of Audit Coverage of the Cost Allowability for Sandia Corporation under Department of Energy Contract No. DE-AC04-94-AL-85000, for Fiscal Years 2011 and 2012 (OAS-V-14-10)	2	\$5,741,818

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
May 7, 2014	Implementation of Recommendations from the January 2012 Independent Consultant's Review of the Department of Energy Loan and Loan Guarantee Portfolio (IG-0909)	1	
May 22, 2014	Cost and Schedule of the Mixed Oxide Fuel Fabrication Facility at the Savannah River Site (IG-0911)	3	
May 30, 2014	Assessment of Audit Coverage of Cost Allowability for Los Alamos National Laboratory, during Fiscal Years 2011 and 2012 under the Department of Energy Contract No. DE-AC52-06NA25396 (OAS-V-14-11)	1	\$601,927
Jun 3, 2014	Conference Management at Selected Department Sites (IG-0913)	2	
Jun 17, 2014	Selected Activities of the Office of Energy Efficiency and Renewable Energy's Advance Manufacturing Office (OAS-RA-14-04)	1	
Jun 26, 2014	The Department of Energy's Implementation of Voice over Internet Protocol Telecommunications Networks (IG-0915)	2	\$365,000
Jul 10, 2014	The Strategic Petroleum Reserve's Drawdown Readiness (IG-0916)	1	
Aug 6, 2014	Management of the National Nuclear Security Administration's Biosafety Laboratories (IG-0917)	2	
Aug 18, 2014	Assessment of Audit Coverage of Cost Allowability for Pacific Northwest National Laboratory under Department of Energy Contract No. DE-AC05-76RL01830 during Fiscal Year 2012 (OAS-V-14-15)	2	
Sep 19, 2014	The Department of Energy's Management of Cloud Computing Activities (IG-0918)	2	
Sep 24, 2014	Assessment of Audit Coverage of Cost Allowability for Bechtel Jacobs Company, LLC under Department of Energy Contract No. DE-AC05-98OR22700 during Fiscal Year 2011 (OAS-V-14-17)	1	\$160,007,744
Sep 30, 2014	Follow-up on the Department of Energy's Acquisition and Maintenance of Software (IG-0920)	2	
Sep 30, 2014	MANAGEMENT ALERT: Remediation of Selected Transuranic Waste Drums at Los Alamos National Laboratory – Potential Impact on the Shutdown of the Department's Waste Isolation Pilot Plant (IG-0922)	2	
Oct 22, 2014	The Department of Energy's Unclassified Cybersecurity Program – 2014 (IG-0925)	2	
Oct 30, 2014	Follow-up on the Department of Energy's Management of Information Technology Hardware (IG-0926)	4	
Nov 7, 2014	Alleged Attempts by Sandia National Laboratories to Influence Congress and Federal Officials on a Contract Extension (IG-0927)	4	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Nov 12, 2014	Follow-up Audit of Contractor Intergovernmental Personnel Act Assignments (IG-0928)	2	\$3,000,000
Dec 15, 2014	Management Letter on the Western Federal Power System's Fiscal Year 2013 Financial Statement Audit (OAS-FS-15-04)	2	
Dec 16, 2014	Follow-up on the Los Alamos National Laboratory Hydrodynamic Test Program (IG-0930)	4	
Jan 5, 2015	Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2014 (OAS-FS-15-06)	3	
Jan 7, 2015	Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2014 (OAS-FS-15-07)	15	
Jan 12, 2015	Materials System Inventory Management Practices at Washington River Protection Solutions (OAS-M-15-01)	2	
Jan 23, 2015	The Department of Energy's Management of High-Risk Excess Facilities (DOE/IG-0931)	2	
Feb 11, 2015	Allegations Concerning Information Protection at Los Alamos National Laboratory (DOE/IG-0935)	3	
Feb 26, 2015	Argonne National Laboratory Infrastructure Projects (OAS-M-15-02)	3	
Apr 8, 2015	The Department of Energy's Participation in Energy Incentive Programs (OAS-M-15-03)	1	
Apr 29, 2015	Assessment of Audit Coverage of Cost Allowability for UT-Battelle, LLC, During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC05-00OR22725 (OAS-V-15-02)	2	\$75,623,971
May 21, 2015	The Department of Energy's Management of Spare Parts at Selected Sites (DOE/IG-0936)	2	
Jun 2, 2015	The Status of Cleanup at the Department of Energy's Paducah Site (DOE/IG-0937)	2	\$4,600,000
Jun 3, 2015	Cybersecurity Controls Over a Major National Nuclear Security Administration Information System (DOE/IG-0938)	2	
Jun 10, 2015	Allegations Related to the Energy Information Administration's Reporting Process (DOE/IG-0940)	3	
Jun 12, 2015	Southwestern Federal Power System's Fiscal Year 2014 Financial Statement Audit (OAS-FS-15-11)	3	
Jun 22, 2015	The Department of Energy's Implementation of the Pilot Program for Agreements for Commercializing Technology (OAS-M-15-04)	2	
Jul 10, 2015	The National Nuclear Security Administration's Management of Support Service Contracts (OAS-M-15-05)	1	

DATE ISSUED	REPORT TITLE	TOTAL # OF OPEN RECS ²	POTENTIAL MONETARY BENEFIT ³
Jul 16, 2015	Follow-up on Nuclear Safety: Safety Basis and Quality Assurance at the Los Alamos National Laboratory (DOE/IG-0941)	3	
Jul 30, 2015	Selected Recipients of Maryland Weatherization Assistance Program Funds (DOE/IG-0942)	8	\$1,788,000
Jul 31, 2015	Subcontract Administration at Selected Department of Energy Management and Operating Contractors (OAS-M-15-07)	5	
Aug 3, 2015	Allegations Regarding Information Technology Procurement at Bonneville Power Administration (DOE/IG-0943)	5	
Aug 10, 2015	Alleged Misuse of FutureGen 2.0 Project Funds (OAS-L-15-10)	2	
Aug 18, 2015	Follow-up Audit of Nanoscale Materials Safety at the Department's Laboratories (OAS-M-15-08)	2	
Aug 28, 2015	Security Improvements at the Y-12 National Security Complex (DOE/IG-0944)	3	
Sep 3, 2015	The Department of Energy's Management of Electronic Mail Records (DOE/IG-0945)	4	
Sep 9, 2015	Assessment of Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC04-94AL85000 (OAS-V-15-03)	2	\$2,569,251
Sep 21, 2015	Assessment of Audit Coverage of Cost Allowability for Stanford University During Fiscal Years 2012 and 2013 Under Department of Energy Contract No. DE-AC02-76SF00515 (OAS-V-15-04)	2	\$198,846,859
Sep 29, 2015	Management of Certain Aspects of the Human Reliability Program and Incident Reporting within the Office of Secure Transportation (DOE/IG-0919)	1	
Sep 30, 2015	Assessment of Audit Coverage of Cost Allowability for Babcock and Wilcox Technical Services Y-12, LLC, During Fiscal Years 2013 and 2014 Through June 30, 2014, Under Department of Energy Contract No. DE-AC05-00OR22800 (OAS-V-15-05)	1	\$1,999,765
Sep 30, 2015	Assessment of Audit Coverage of Cost Allowability for Los Alamos National Security, LLC, During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC52-06NA25396 (OAS-V-15-06)	2	\$611,803

Total Open Recommendations

196

\$1,149,162,433

**AUDIT AND INSPECTION REPORTS WITH
RECOMMENDATIONS FOR BETTER USE OF FUNDS
APRIL 1, 2015 – SEPTEMBER 30, 2015**

The following table shows the total number of audit and inspection reports and the total dollar value of the recommendations that funds be put to better use by management.

	TOTAL NUMBER	BETTER USE OF FUNDS
Reports issued before the reporting period that included recommendations for better use of funds for which decisions on dollars had not been made as of September 30, 2015: ¹	22	\$577,404,182
Reports issued during the reporting period that include recommendations for better use of funds (regardless of whether a decision on dollars has been made):	1	\$4,600,000
Reports that include recommendations for better use of funds for which a decision on dollars was made during the reporting period: ²	11	\$61,267,409
(i) Agreed to by management:		\$54,667,409
(ii) Not agreed to by management:		\$6,600,000
Reports that include recommendations for better use of funds for which decisions on dollars have not been made at the end of the reporting period:	12	\$520,736,773

Better Use of Funds: Funds that could be used more efficiently by implementing recommended actions.

Management decision: Management's evaluation of the finding and recommendations included in the audit report and the issuance of a final decision by management concerning its response.

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

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

**AUDIT AND INSPECTION REPORTS WITH
QUESTIONED AND/OR UNSUPPORTED COSTS
APRIL 1, 2015 – SEPTEMBER 30, 2015**

The following table shows the total number of audit and inspection reports and the total dollar value of questioned and/or unsupported costs.

	TOTAL NUMBER	QUESTIONED COSTS	UNSUPPORTED COSTS	TOTAL COSTS
Reports issued before the reporting period that included questioned and/or unsupported costs for which decisions on dollars had not been made as of September 30, 2015: ¹	32	\$1,138,119,881	\$17,178,760	\$1,155,298,641
Reports issued during the reporting period that include questioned or unsupported costs (regardless of whether a decision on dollars has been made):	7	\$281,318,149	\$312,000	\$281,630,149
Reports that include questioned and/or unsupported costs for which a decision on dollars was made during the reporting period: ²	8	\$74,770,500	\$17,006,200	\$91,776,700
(i) Value of disallowed costs:		\$190,755	\$17,006,200	\$17,196,955
(ii) Value of costs not disallowed:		\$74,579,745	\$0	\$74,579,745
Reports that include questioned and/or unsupported costs for which decisions on dollars have not been made at the end of the reporting period:	31	\$1,344,667,530	\$484,560	\$1,345,152,090

Questioned costs: A cost that is (1) unnecessary; (2) unreasonable; (3) or an alleged violation of law, regulation, contract, etc.

Unsupported costs: A cost that is not supported by adequate documentation.

Management decision: Management's evaluation of the finding and recommendations included in the audit and inspection report and the issuance of a final decision by management concerning its response.

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

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

INVESTIGATIVE ACTIVITY APRIL 1, 2015 – SEPTEMBER 30, 2015	
CASE ACTIVITY	
Cases Open as of April 1, 2015 ¹	252
<i>Cases opened during period</i>	53
<i>Cases closed during period</i>	70
Cases Open as of September 30, 2015	235
Multi-Agency Task Force Cases Opened During Period	17
Qui Tam ² Investigations Opened During Period	4
Total Open ³ Qui Tam Investigations as of September 30, 2015	18
Administrative discipline and other management actions	20
Recommendations to management for positive change and other actions	31
Suspensions/Debarments	12
Accepted for prosecution ⁴	11
Indictments	13
Criminal convictions	9
Pre-trial diversions	2
Civil actions	8
TOTAL DOLLAR IMPACT⁵ (FINES, SETTLEMENTS, RECOVERIES)	\$30,228,730

¹In the previous reporting period ending March 31, 2015, the number of cases was underreported. This total reflects the correct number.

²For more information on Qui Tams, go to: http://www.justice.gov/usao/eousa/foia_reading_room/usam/title9/crm00932.htm

³In the previous reporting period ending March 31, 2015, the number of cases was underreported. This total reflects the correct number.

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

⁵Some of the money collected was the result of investigations involving multiple agencies.

HOTLINE ACTIVITY APRIL 1, 2015 – SEPTEMBER 30, 2015	
TOTAL HOTLINE CALLS, EMAILS, LETTERS, AND OTHER COMPLAINTS (CONTACTS)	671¹
Hotline contacts resolved immediately/redirected/no further action	477
Hotline contacts predicated for evaluation	194
TOTAL HOTLINE PREDICATIONS PROCESSED THIS REPORTING PERIOD	201²
Hotline predications transferred to OIG Program Office	33
Hotline predications referred to Department management or other entity for information/action	66
Hotline predications closed based upon preliminary OIG activity and review	99
Hotline predications open at the end of the reporting period	3

¹Includes any contact that required Hotline staff review including: re-contacts for additional information, and requests for disposition.

²Includes 7 predications carried over from the last semiannual reporting period.

RECOVERY ACT WHISTLEBLOWER RETALIATION COMPLAINTS
APRIL 1, 2015 – SEPTEMBER 30, 2015

DISPOSITION OF WHISTLEBLOWER RETALIATION COMPLAINTS

Complaints carried over from prior period(s)	1
Complaints received	0
Reports issued	0
COMPLAINTS DISMISSED:	
Complainants elected another forum	0
Complaints withdrawn	0
Complaints determined not related to covered funds at the outset	0
Complaints determined not related to covered funds after initial investigation	0
Complaints dismissed for failing to state a claim cognizable under the Recovery Act	1
Complaints that received extensions pursuant to Sec. 1553(b)(2)(B)	0
Complaints carried into next period	0

PEER REVIEWS CONDUCTED BY OIG
APRIL 1, 2015 – SEPTEMBER 30, 2015

TYPE OF REVIEW	DATE OF PEER REVIEW	OIG REVIEWED	OUTSTANDING RECOMMENDATIONS
Audits	None this reporting period		
Inspections	None this reporting period		
Investigations	None this reporting period		

PEER REVIEWS CONDUCTED OF OIG
APRIL 1, 2015 – SEPTEMBER 30, 2015

TYPE OF REVIEW	DATE OF PEER REVIEW	REVIEWING OIG	FREQUENCY REQUIREMENT	OUTSTANDING RECOMMENDATIONS
Audits	October 2012	U.S. Treasury Inspector General for Tax Administration	At least once every 3 years	None - Pass
Inspections	None this reporting period			
Investigations	None this reporting period			

SUMMARIES

Investigative Outcomes

[Special Report: The Department of Energy's Loan Guarantee to Solyndra, Inc.](#)

The Inspector General issued a Special Report to the Secretary of Energy outlining the results of a 4-year investigation into concerns that Solyndra, Inc., (Solyndra) may have provided the Department with false and misleading information during the application process for a \$535 million loan guarantee. The investigation determined that Solyndra provided the Department with statements, assertions, and certifications that were inaccurate and misleading, misrepresented known facts, and in some instances, omitted information that was highly relevant to key decisions in the loan guarantee process. The investigation also found that the Department's due diligence efforts were less than fully effective. The report serves to address compelling public interest in this matter given the loss to U.S. taxpayers in excess of \$500 million, a loss of confidence in the loan guarantee program, and the significant controversy that surrounded the Solyndra matter. It also serves to heighten awareness of key shortcomings in the Solyndra loan guarantee process and share lessons learned as the Department continues to exercise its authority to grant an additional \$40 billion in loan guarantees.

Resolution in Contract Fraud Investigation

The Department of Justice reached resolution with a Department of Energy subcontractor in parallel criminal and civil proceedings. The U.S. Attorney's Office for the District of New Mexico accepted a criminal non-prosecution agreement from a Department subcontractor to resolve allegations of corporate and individual violations of conspiracy, theft, and wire fraud. The agreement required the Department subcontractor to pay \$4.6 million in restitution to the Department; terminate three employees, including a vice president; develop a comprehensive corporate compliance program for oversight of other Federal contracts; and agree to undergo 3 years' independent compliance monitoring. Separately, the Department of Justice Civil Division entered into a civil settlement with the Department subcontractor. The Department subcontractor paid \$5.9 million to settle allegations of *False Claims Act* violations. In total, the Department subcontractor paid \$10.5 million in criminal restitution and civil fines. The investigation determined that between 2003 and 2013, the Department subcontractor inflated the amounts it charged Sandia National Laboratories for computers and related equipment by failing to give credits for rebates and discounts it received. This was a joint investigation with other Federal agencies.

Settlement Reached with Department Management and Operating Contractor

The Department of Justice entered into a settlement agreement with a Department of Energy management and operating (M&O) contractor to resolve alleged *False Claims Act* violations. The M&O contractor agreed to pay \$4.79 million to resolve the allegations. The investigation determined that between 2008 and 2012, the contractor utilized Federal funds to pay for activities related to lobbying Congress and Federal officials in order to obtain a noncompetitive renewal of its M&O contract with the National Nuclear Security Administration to operate departmental national laboratories. The Department will receive \$1.9 million as part of the

settlement. The investigation was initiated by our Office of Inspections, which uncovered suspicious activity while conducting a special inquiry.

Settlement Reached with Department Contractor

The Department of Justice entered into a settlement agreement with a Department of Energy contractor to resolve alleged *False Claims Act* violations. The Department contractor agreed to pay \$3.8 million to resolve allegations the contractor improperly charged the Department for short-term and long-term relocation costs in connection with construction work at the Salt Waste Processing Facility. The Department contractor previously issued a \$1.08 million payment credit to the Department as the result of an internal review initiated by the contractor after being asked to produce per diem–related data to the U.S. Attorney's Office during the course of the investigation. The investigation determined that between 2002 and 2011, the contractor invoiced the Department and received payment for ineligible or inflated relocation costs. The total recoveries in the investigation exceed \$4.8 million, of which approximately \$3 million will be returned to the Department.

Civil Settlement Reached in Small Business Innovation Research Grant Fraud Investigation

The U.S. Attorney's Office for the Western District of Washington entered into a settlement agreement with a Department grantee. The grantee agreed to pay \$420,000 to resolve allegations that it did not legitimately qualify for multiple Small Business Innovation Research (SBIR) grants because it did not meet the required small business criteria. The investigation determined that from 2005 through 2013, the grantee made false certifications and representations regarding eligibility to receive more than \$12 million in SBIR and Small Business Technology Transfer grants from different Federal agencies. This is a joint investigation with numerous Federal agencies.

Sentencing in Small Business Innovation Research Fraud Investigation

Two scientists were sentenced in the U.S. District Court for the Middle District of Florida following earlier convictions for conspiracy to commit wire fraud, wire fraud, aggravated identity theft, and falsification of records. One scientist was sentenced to 15 years' incarceration, and the other was sentenced to 13 years. In addition, the scientists were ordered to pay \$10.6 million in restitution. As previously reported, the investigation determined the scientists obtained \$10.5 million in grants, \$200,000 of which was from the Department, through the Small Business Innovation Research program by submitting proposals with stolen identities in order to create false endorsements of and for their proposed contracts. This is a joint investigation with numerous Federal agencies.

Sentencings in Hanford Timecard Investigation

Two former contractor supervisors and nine former contractor employees were sentenced in the U.S. District Court for the Eastern District of Washington following earlier guilty pleas for conspiracy to defraud the Government. One former contractor supervisor was sentenced to 30 days' incarceration followed by 3 months' home detention; all other individuals were sentenced to 2 years' probation. Each individual was fined between \$7,500 and \$165,744, for a total of \$766,911 in fines. The investigation determined that between October 1999 and

October 2008, the former contractor supervisors and employees routinely submitted falsified timecards and received pay for hours not worked. As previously reported, the investigation resulted in an \$18.2 million global settlement with a former Hanford Site prime contractor and \$115,500 in global settlements with four former Hanford Site managers and supervisors.

Guilty Pleas in Kickback Investigation

Three individuals pleaded guilty in the District of Maryland: one to money laundering, another to conspiracy to violate the *Foreign Corrupt Practices Act of 1977*, and one to conspiracy to commit money laundering. The investigation determined one of the individuals, a Russian national, conspired with the other individuals in arranging more than \$2 million in corrupt payments to influence the awarding of contracts with the Russian State-owned nuclear energy corporation to transport nuclear materials to and from the Russian Federation in connection with a Department program. This is a joint investigation with the Federal Bureau of Investigation.

Sentencing of Former Contractor Employee in Theft of Government Property Investigation

A former Lawrence Livermore National Laboratory (LLNL) contractor employee was sentenced in the Superior Court of California for the County of Alameda to 5 years' probation, ordered to pay restitution to the Department, and permanently banned from LLNL. As previously reported, the former contractor employee pleaded guilty to one felony count of grand theft. The investigation determined the former contractor employee stole approximately \$58,000 worth of optical devices, toner cartridges, and computer accessories from LLNL and subsequently sold them on eBay. We previously recovered some of the stolen LLNL property from the former contractor employee's residence.

Guilty Plea and Sentencing in Recovery Act Weatherization Fraud Investigation

A weatherization recipient pleaded guilty in the San Juan County District Court to two counts of fraud and one count of perjury, was sentenced to 4 years' supervised probation and 30 hours of community service, and was ordered to pay \$12,000 restitution and complete a treatment and education program. The investigation found the individual made false statements on applications and received approximately 4 years of benefits from both the Department's Weatherization Assistance Program and a New Mexico Human Services Benefit program. This was a joint investigation with the State of New Mexico's Human Services Office of Inspector General.

Sentencing in Y-12 Trespassing Investigation

Three individuals were sentenced in the Eastern District of Tennessee to time served for the violation of depredation against property of the United States, ordered to pay restitution in the amount of \$52,953.20, and ordered to serve 2 years' unsupervised/supervised probation. As previously reported, the individuals illegally entered the Y-12 National Security Complex, cut through fences, and caused damage to the Highly Enriched Uranium Materials Facility. In May 2015, the Sixth Circuit Court of Appeals partially overturned the Eastern District of Tennessee

verdict in this case, and remanded the case back to the Eastern District of Tennessee for sentencing on the remaining charge.

Nuclear Weapons Protestor Sentenced for Damaging Federal Property

A nuclear weapons protestor was sentenced in the Western District of Missouri to 1 day of incarceration for damaging Federal property. The investigation determined the protestor physically damaged a sign at the entrance of the National Nuclear Security Administration Kansas City Plant, causing more than \$5,000 in property damage.

Guilty Pleas in Small Business Innovation Research Fraud Investigation

Two University of Houston professors pleaded guilty in the Southern District of Texas. As previously reported, the two University of Houston professors were indicted for submitting false documentation to obtain approximately \$1.3 million in Small Business Innovation Research (SBIR) grants from the Department and several other agencies. From 2008 through 2013, the grantees used false and fraudulent letters of support, along with false claims regarding their corporate facilities, equipment, and materials to be used to conduct research in their applications for SBIR grant funds. The estimated loss to the Department was \$100,000. This is a joint investigation with several Federal agencies.

Guilty Plea in Recovery Act Grant Fraud Investigation

The owner of a company receiving a Department grant pleaded guilty in the U.S. District Court for the Central District of Illinois to defrauding the Government. The company was awarded a \$1.7 million grant from the Department under the Green Industry Business Development Program funded through the Recovery Act. As previously reported, the investigation determined that between March 2010 and February 2012, the owner submitted false and fraudulent documentation to improperly obtain approximately \$380,000 in grant funds. The documentation consisted of fraudulent invoices created by the owner, actual invoices from vendors that were not paid, and fraudulently prepared checks reflecting payments that were never made. The investigation further determined that the owner used at least \$200,000 of the improperly obtained funds on personal and unapproved expenses, to include gambling. This is a joint investigation with the Federal Bureau of Investigation.

Plea Agreement and Debarment in Theft of Government Property Investigation

A former Department security contractor assigned to the Department's East Tennessee Technology Park pleaded guilty in the Eastern District of Tennessee to theft of public funds. As previously reported, the former security contractor was indicted by a grand jury for theft of five checks totaling \$214,023 and conversion of the funds for personal use. The checks were originally intended to fund a defined benefits program administered by a Department contractor. In response to an Investigative Report to Management, the former Department security contractor was debarred from Government contracting for 3 years. This is a joint investigation with the Federal Bureau of Investigation.

Guilty Plea in Contract Fraud Investigation

A former subcontractor of the National Energy Technology Laboratory (NETL) pleaded guilty in the U.S. District Court for the Northern District of West Virginia to one felony count of conspiracy to defraud the Government. The investigation determined that from August 2006 until December 2009, the former subcontractor conspired with other unnamed coconspirators to invoice and receive payments totaling approximately \$84,884 for identical expenditures in overlapping contracts with NETL.

Guilty Plea in Purchase Card Investigation

A former Sandia National Laboratories employee pleaded guilty in the U.S. District Court for the District of New Mexico to one count of theft of Government property. The investigation determined that between September 2010 and August 2011, the former employee utilized their Sandia-issued purchase card to make a total of \$35,603 in personal purchases.

Pretrial Diversion Agreement in Bomb Threat Investigation

An individual who accepted responsibility for a bomb threat to the National Nuclear Security Administration (NNSA) Albuquerque Complex was placed into a pretrial diversion program for 6 months. The individual was charged with making a bomb threat and juvenile delinquency. As previously reported, the individual telephoned the NNSA Office of Secure Transportation and claimed a bomb was in the building. The threat caused the entire Albuquerque Complex to be evacuated for the day. This was a joint investigation with the Federal Bureau of Investigation's Joint Terrorism Task Force.

Department Grant Recipient Indicted

The former Chief Executive Officer (CEO) of a nonprofit organization receiving Department funds and the CEO's son were indicted by a Federal Grand Jury in the District of Minnesota for conspiracy to commit theft concerning programs receiving Federal funds and mail fraud. In addition, the former CEO was indicted on additional counts of mail fraud, wire fraud, and theft concerning programs receiving Federal funds. The investigation determined the former CEO used Federal funds for personal expenses including unofficial travel, entertainment, and personal vehicle expenses, and the CEO's son was paid for work he did not perform. The estimated loss to the Government is \$390,000. This is a joint investigation with several Federal agencies.

Indictment in Trade Secrets Investigation

An individual was indicted in the Middle District of North Carolina for theft of trade secrets, theft of Government funds, and false statements to investigators. The individual allegedly stole trade secret, proprietary technology, and manufacturing information, as well as actual devices, valued in excess of \$100 million from the individual's former employer. The investigation determined the Department has approximately \$21.9 million in contracts with the individual's former employer and that many of these contracts involve devices and technology information similar to those that were stolen. This is a joint investigation with the Federal Bureau of Investigation.

Criminal Complaint and Arrest in Department Contractor Employee Investigation

A Department contractor employee was charged in a Criminal Complaint filed in U.S. District Court for the Northern District of Illinois for possessing with intent to distribute a Schedule III controlled substance. The contractor employee was subsequently arrested pursuant to an arrest warrant. The investigation determined that for approximately the last 5 years, the Department contractor employee illegally imported steroids from China. The contractor employee then brought the illegal steroids onto Argonne National Laboratory (ANL) and used an ANL computer to track steroid shipments from China. The Department contractor employee has been placed on unpaid administrative leave and banned from accessing ANL. This is a joint investigation with Homeland Security Investigations.

Indictment and Arrest in Travel and Time and Attendance Fraud Investigation

A former Office of Secure Transportation (OST) employee was indicted in the U.S. District Court for the Eastern District of Tennessee for wire fraud, false claims, and false statements. The former OST employee was subsequently arrested pursuant to a Federal arrest warrant. The investigation determined the former OST employee submitted numerous fraudulent travel vouchers totaling approximately \$22,000 and fraudulent time and attendance documents totaling approximately \$67,000, for work not performed. This is a joint investigation with the Nuclear Regulatory Commission Office of Inspector General.

Indictment in Fuel Card Fraud Investigation

A former Department subcontract employee was indicted in the First Judicial District Court of New Mexico for the fraudulent use of a credit card. As previously reported, the Los Alamos National Laboratory terminated the subcontract employee for misusing several General Services Administration fuel cards on multiple occasions. The investigation determined the former subcontract employee used the fuel cards to purchase gasoline for personal use. This is a joint investigation with the General Services Administration Office of Inspector General.

Arrest of Former Contractor Employee in Child Pornography Investigation

A former Lawrence Livermore National Laboratory (LLNL) contractor employee was arrested for possession of child pornography. The investigation was initiated by a referral from LLNL Investigators regarding a contractor employee reportedly conducting online searches for sexually explicit content. Along with the Modesto Police Department, we executed a State search and seizure warrant on the contractor employee's residence. Our forensic media analysis of the contractor employee's Department computer and a computer seized from the residence resulted in the identification of images of child pornography. The contractor employee was subsequently terminated from his position at LLNL.

Target Letter Issued in False Statement Investigation

The U.S. Attorney's Office for the District of Idaho issued a Target Letter to an individual who created a fraudulent not-for-profit entity and made false representations on applications for computers and computer-related equipment through the General Services Administration's Computers for Learning Program, which transfers excess Government computers and related

peripheral equipment directly to qualified schools and educational nonprofit organizations. Among the fraudulently obtained equipment were computers and related equipment from the Idaho National Laboratory. Approximately \$57,000 worth of fraudulently obtained Government computers were recovered during a consensual search of the individual's residence. This is a joint investigation with several Federal agencies.

Recovery of Stolen Property in Phishing Investigation

We recovered stolen printer toner ribbons from a private shipping business with a value of approximately \$33,000. The investigation determined the printer toner ribbons were ordered through the use of fictitious purchase orders placed on behalf of the Idaho National Laboratory. The printer toner ribbons were recovered before being shipped to their scheduled destination overseas.

Administrative Action Taken in Recovery Act Weatherization Fraud Investigation

The Commonwealth of Pennsylvania's Department of Community and Economic Development (DCED) issued a letter to a Community Action Agency (CAA) subrecipient of Department Weatherization Assistance Program (WAP) funds demanding the return of \$3,333,108.75. Our investigation and DCED audit found the CAA's accounting practices violated WAP regulations concerning administrative, direct, and indirect cost charging. This is a joint investigation with the Department of Health and Human Services Office of Inspector General.

Response to Investigative Report to Management

In response to an Investigative Report to Management, two former Los Alamos National Laboratory contractor employees were debarred from doing business with the Government for 50 years each. Further, the National Nuclear Security Administration terminated the security clearances of both former contractor employees. Both previously pleaded guilty in U.S. District Court for the District of New Mexico to conspiracy to communicate Restricted Data and making false statements.

Response to Investigative Report to Management Issued in Device Fraud Investigation

In response to an Investigative Report to Management, a former Department subcontractor employee was debarred for 18 years. The investigation determined the former Department subcontractor employee provided another individual with the serial numbers of Department-owned computers from multiple national laboratories. This individual used the computer serial numbers and associated manufacturer warranties to fraudulently obtain \$1.6 million worth of computer parts that were later used or sold for personal gain. This is a joint investigation with the U.S. Secret Service.

Former Department Contractor Employee Debarred Following Kickback Investigation

In response to an Investigative Report to Management, a former Department contractor employee was debarred from Government contracting for 6 years. As previously reported, the former contractor employee was sentenced in U.S. District Court for the District of Minnesota to 3 years' probation and ordered to forfeit \$30,000 after pleading guilty to bulk cash smuggling. The investigation determined the former contractor employee solicited and

received kickbacks from a subcontractor in Taiwan while working on a project for the National Nuclear Security Administration, and then transported \$70,000 into the United States without declaring it to Customs authorities. This is a joint investigation with the Federal Bureau of Investigation.

Debarment in Conflict of Interest Investigation

In response to an Investigative Report to Management, the former Director for Energy Services at a Michigan Weatherization Assistance Program subgrantee was debarred for 3 years. As previously reported, the investigation determined the former Director violated internal conflict of interest and nepotism policies by directly and indirectly influencing inspection assignments and payments to benefit the business of the former Director's spouse. The former Director separated from the agency in lieu of termination.

Debarment in Theft of Government Property Investigation

In response to an Investigative Report to Management, a former Los Alamos National Laboratory contractor employee was debarred from Government contracting for 3 years. The investigation determined the former contractor employee stole Department-owned property and sold it to an OIG confidential informant. As previously reported, the former contractor employee pleaded guilty in the First Judicial District of New Mexico to four counts of receiving stolen property, was sentenced to 18 months' supervised probation, and was ordered to pay restitution. This is a joint investigation with the U.S. Fish and Wildlife Service.

Recovery of Department Grant Funds

An Office of Energy Efficiency and Renewable Energy, Power, and Vehicles Technologies Division grant recipient returned \$190,950.50 to the Department for disallowed equipment costs. The grant recipient and the Department had entered into a Recovery Act cost sharing grant for which the grantee submitted reimbursement requests totaling approximately \$13 million. The investigation determined the grantee overbilled the Department for battery recycling equipment that the recipient primarily used in its commercial business efforts. As a result of the investigation, the Department uncovered the disallowed costs.

Investigative Report to Management Results in Recovered Funds – West Valley Demonstration Project

In response to an Investigative Report to Management, the West Valley Demonstration Project recovered \$69,911.28 in Department funds from a former contractor. The investigation determined the contractor failed to follow the contract transition plan with regard to records management, resulting in questionable charges being billed to the Department.

Investigative Report to Management Results in Recovered Funds – Sandia National Laboratory

In response to an Investigative Report to Management, Sandia National Laboratories recovered \$25,570 from a former subcontract company. The investigation found a former employee of the subcontract company repeatedly mischarged for time and attendance.

Response to Investigative Report to Management in False Statements Investigation

In response to an Investigative Report to Management, the National Nuclear Security Administration notified the appropriate security clearance personnel regarding a former contractor employee. The investigation determined the former contractor employee provided false statements to our special agents regarding the former contractor employee's involvement with the unauthorized release of sensitive information. The former contractor employee resigned after being placed on administrative leave and another contractor employee was terminated for providing sensitive information to the former contractor employee.

Suspensions in False Statements Investigation

A Department grantee and its president were suspended from doing business with the Federal Government for 3 years. The investigation determined the grantee falsified work hours and failed to pay its consultants. This is a joint investigation with several Federal agencies.

Administrative Action in Misuse of Position Investigation

An Investigative Report to Management was issued to the Energy Information Administration (EIA) recommending EIA determine whether administrative action should be taken against the Director of an EIA office and whether additional training related to contractor relations was warranted. The investigation determined the Director engaged in a close personal relationship with a female contractor employee and utilized Department email to facilitate that relationship. The Director resigned prior to adjudication.

Response to Investigative Report to Management Issued in Misuse of Position Investigation

In response to an Investigative Report to Management, a Department employee was issued a formal letter of reprimand. The investigation determined the Department employee received nominal gifts from an individual applying for Department grants.

Audit Reports

[The Department of Energy's Participation in Energy Incentive Programs](#)

Designed to offset energy costs, energy incentive programs are typically offered by state agencies and utility providers. Federal entities are eligible for a variety of incentives, including incentives for energy-efficient, new construction and energy conservation measures in existing facilities. According to the National Energy Conservation Policy Act (Act), as amended in 2005, Federal agencies are directed to take maximum advantage of financial incentives and other forms of financing to reduce direct energy costs to the Government.

Each Department site is responsible for implementing the requirements of the Act and managing its participation in energy incentive programs. Although available incentive programs vary from site to site, numerous incentive opportunities exist.

Our review of seven Department sites found that they had generally participated in available energy incentive programs. For example, since 2010, the Thomas Jefferson National Accelerator Facility and the Fermi National Accelerator Laboratory had received about \$820,000 and \$1.8 million, respectively, in energy incentives for participation in curtailment programs offered by their utility providers. Additionally, since 2010, Argonne National Laboratory had received more than \$350,000 in incentive funding for conservation projects completed at the site.

Two of the seven sites, however, had not taken full advantage of available incentives because personnel were not consistently focused on or aware of available energy incentive programs. By ensuring that sites are participating in available incentive programs, the Department can maximize energy cost savings. (OAS-M-15-03)

[The Department of Energy's Improper Payment Reporting in the Fiscal Year 2014 Agency Financial Report](#)

We contracted with an independent certified public accounting firm, KPMG, LLP, (KPMG) to express an opinion on whether the Department met the Office of Management and Budget's criteria for compliance with the Improper Payments Elimination and Recovery Improvement Act (IPERIA). KPMG expressed the opinion that the Department complied with all requirements of IPERIA. KPMG also identified one opportunity for improvement that could further enhance the agency's assessment of improper payments. (OAS-FS-15-10)

[Assessment of Audit Coverage of Cost Allowability for UT-Battelle, LLC, During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC05-00OR22725](#)

Since 2000, UT-Battelle, LLC, (UT-Battelle) has managed and operated the Oak Ridge National Laboratory under contract with the Department. During FY 2013, UT-Battelle expended and claimed \$1,414,239,679.

UT-Battelle is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. A Cooperative Audit Strategy places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by contractors. Consistent with the Cooperative Audit Strategy, UT-Battelle is required by its contract to maintain an Internal Audit activity with the responsibility for conducting audits, including audits of the allowability of incurred costs.

Based on our assessment, nothing came to our attention to indicate that the allowable cost related audit work performed by UT-Battelle's Internal Audit could not be relied upon. We did not identify any material internal control weaknesses with cost allowability audits, which generally met Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing.

Consistent with our previous reports, we identified weaknesses with subcontract auditing that need to be addressed to ensure that only allowable costs are claimed by and reimbursed to the contractor. Specifically, we found that UT-Battelle did not always conduct or arrange for periodic postaward or interim audits of subcontracts as noted in our assessments and audits. Consequently, incurred costs totaling \$75,387,578 in FY 2013 are considered unresolved pending audit. UT-Battelle updated its Internal Audit Implementation Design, effective November 2013, to incorporate a risk-based approach to address periodic postaward or interim audits of subcontracts. Further, UT-Battelle reported it resolved the unaudited subcontract costs identified in our prior reports covering FYs 2010 and 2011. (OAS-V-15-02)

[Security at the Nevada National Security Site](#)

The Nevada National Security Site (NNSS) supports national defense as well as research and development programs for the National Nuclear Security Administration (NNSA). Security-related activities at NNSS are primarily conducted by two contractors: National Security Technologies, LLC, (NSTec) and Centerra Group, LLC.

During the course of our audit, nothing came to our attention to indicate that security at NNSS was not generally managed effectively. However, we identified an important security infrastructure project that experienced significant schedule delays and cost increases. The project, Argus, is the NNSA's recommended enterprise security system, which integrates access control, intrusion detection, and video assessment of alarms to protect and control high-consequence assets. NSTec planned to replace the aging NNSS Process Equipment and Control System with Argus.

We determined that the Argus project experienced schedule delays and cost increases as a result of inadequate project management and funding issues. NNSA project management officials told us that action has been taken to address the project management issues and that funding for the Argus project has been requested in the FY 2016 budget request. (OAS-L-15-06)

The Department of Energy's Management of Spare Parts at Selected Sites

The Department's 17 national laboratories provide world-class scientific, technological, and engineering capabilities to support Department missions. As such, it is critical that the Department's equipment and facilities be available and operational when needed. Consequently, effective management of spare parts inventories is crucial to the Department's missions.

Our audit disclosed that spare parts inventories at the three sites we reviewed were not always effectively managed. Spare parts often were not centrally managed or tracked, and many organizations did not maintain accurate inventory records. These issues occurred because the Department had not ensured that sites were managing spare parts inventories for nuclear facilities in accordance with Department requirements. Also, unlike guidance for nuclear facility spare parts, contractors were not provided with consistent guidance for the management of spare parts inventories for nonnuclear facilities.

During the course of our review, we also found inconsistent and potentially inappropriate accounting for spare parts. Two of the three organizations reviewed expensed spare parts when they were purchased, while the third carried the value of the spare parts as an asset. Given the disparate treatment we observed, we suggested that the Department evaluate whether sites are properly accounting for spare parts. (DOE/IG-0936)

Legacy Management Activities at Selected Closure Sites

In 2003, the Department established the Office of Legacy Management (Legacy Management) to better manage its long-term responsibilities following the completion of environmental remediation activities. For FY 2015, the Department budgeted about \$172 million for Legacy Management activities. Two of the Department's eight Comprehensive Environmental Response, Compensation, and Liability Act sites receive more significant assistance from Legacy Management: the former Feed Materials Production Center, now known as the Fernald Preserve (Fernald), near Cincinnati, Ohio, and the Mound Site (Mound), in Miamisburg, Ohio.

Nothing came to our attention during our audit to indicate that Legacy Management had not adequately managed surveillance and maintenance activities at Fernald and Mound. However, we identified certain maintenance and public outreach-type activities where, in our judgment, there may be opportunities to achieve efficiencies while still fulfilling the Department's commitments at these sites. Legacy Management provides funding for the maintenance and monitoring activities for a series of artificially created ecosystems at Fernald, spending approximately \$1.1 million in FY 2014. In addition, Legacy Management funds the operation of a visitor center and related public affairs program at Fernald, and a museum and public affairs program at Mound, spending about \$1.2 million in FY 2014 on these activities. While we recognize the Department's responsibility for postclosure maintenance and making information available to surrounding communities, there may be opportunities to evaluate the level of support necessary to meet these commitments. (OAS-L-15-07)

The Status of Cleanup at the Department of Energy's Paducah Site

The Paducah Gaseous Diffusion Plant began operating in 1952, supplying enriched uranium for commercial reactors and military defense reactors activities that resulted in radioactive and hazardous chemical material contamination of the Site. In 1988, radioactive and volatile organic contamination was found in the drinking water wells of residences near the Paducah Site. As a result, the Department began an environmental remediation program to identify and remove these hazards from the groundwater, as well as to provide an alternate water supply to affected residences.

While we determined that the Department had achieved some of its cleanup goals at the Paducah Site, we noted that progress had been delayed on cleaning up some of the facility's key environmental hazards. Notably, work on two of the Site's most significant hazards remains to be completed: a remedy for the final phase of the C-400 groundwater cleanup project and remediation plans for the Burial Grounds Operable Unit.

The impact that technical challenges have had on the successful completion of some of the cleanup projects at the Paducah Site was clear. Furthermore, in recent years, budgetary constraints have adversely affected the Department's ability to achieve some of its cleanup goals. However, the lack of progress on these two projects was also due, in part, to the inability of the Department to reach a timely agreement with the regulators on cleanup decisions at the Paducah Site. (DOE/IG-0937)

Cybersecurity Controls Over a Major National Nuclear Security Administration Information System

The National Nuclear Security Administration (NNSA) was established by Congress in 2000 as a semiautonomous agency within the Department. It is responsible for some of the Department's most sensitive programs, including the management and security of the Nation's nuclear weapons inventory. NNSA's missions require a secure production and laboratory infrastructure meeting immediate and long-term needs.

Our audit revealed that the system's cybersecurity controls had not been adequately developed, documented, or implemented. Specifically, we identified weaknesses related to the implementation of access controls and the development and implementation of effective database change management, configuration management, and continuous monitoring processes.

The weaknesses identified occurred, at least in part, because site officials did not ensure that Federal security requirements were fully implemented to protect the system. Contrary to applicable requirements promulgated by the National Institute of Standards and Technology, the system was put into operation by the site's contractor, as allowed by the site's approved Risk Management Framework, even though various security risks had not been adequately mitigated. In addition, site officials had not established a formal service level agreement with the system's vendor to define ongoing support requirements for the system. As a result, we

concluded that the system was at an increased risk of loss of availability and compromise of data integrity. (DOE/IG-0938)

Allegations Related to the Energy Information Administration's Reporting Process

The Energy Information Administration (EIA), created as part of the Department of Energy Organization Act of 1977, is the Department's statistical and analytical component. EIA is responsible for collecting, analyzing, and disseminating independent and impartial energy information to promote sound policy making, efficient markets, and public understanding of energy and its interaction with the economy and the environment. We received a complaint alleging that the weekly and monthly data and statistics reported by EIA had been inappropriately altered for the past 10 to 15 years.

The allegation that EIA had inappropriately skewed the Weekly Petroleum Status Report (WPSR) data was not substantiated. While we confirmed that EIA adjusted data reported by companies, such adjustments were required, according to EIA officials, to account for inventories of crude oil on Federal leases that were not reported and to correct suspected errors in data submitted by producers.

During the course of our review, however, we identified two areas of concern related to EIA's WPSR reporting process that increased the risk of publishing inaccurate reports. Specifically, we found that EIA's written policies and procedures governing the development of the WPSR were neither complete, updated, nor had they been disseminated to EIA analysts, and EIA was relying on and publishing at least two estimated figures related to lease stocks data that could not be supported. (DOE/IG-0940)

Southwestern Federal Power System's Fiscal Year 2014 Financial Statement Audit

We contracted with the independent public accounting firm of KPMG, LLP, (KPMG) to express an opinion on Southwestern Federal Power System's financial statements and report on applicable internal controls and compliance with laws and regulations. KPMG concluded that the combined financial statements present fairly in accordance with U.S. generally accepted accounting principles. KPMG's review of internal controls identified two significant deficiencies. Specifically, auditors noted deficiencies in internal controls where project balances were not transferred from construction work in progress to completed plant in service, and where goods and services received prior to September 30, 2014, were not properly accrued. (OAS-FS-15-11)

The Department of Energy's Implementation of the Pilot Program for Agreements for Commercializing Technology

To maximize the impact of Federal research and development investments in its laboratories, the Department is tasked with promoting innovations to advance U.S. economic competitiveness. In February 2012, the Department announced that eight laboratories would participate in a 3-year initiative, the Agreements for Commercializing Technology (ACT) pilot, to enable the private sector to utilize the laboratories' research capabilities by removing barriers that hindered access to the laboratories and the commercialization of technology. From the

inception of the ACT pilot to May 2014, 4 of the 8 participating laboratories had a total of 73 ACT proposals approved by the Department with a total value of over \$60 million.

We found that the ACT pilot, as envisioned, provided private industry with increased access to the Department's laboratories and a new mechanism to facilitate the transfer of laboratory knowledge and capabilities. However, our review identified opportunities to improve the effectiveness of the Department's management of the ACT pilot. While we detected no specific harm to the Department, we did note that many of the ACT agreements were for unique laboratory services that had low potential for the development and commercialization of technology. We also identified issues with the review and reporting process in areas such as identifying foreign ownership or control and the use of Federal funds. (OAS-M-15-04)

Subcritical Experiment Activities at the Nevada National Security Site

The National Nuclear Security Administration's (NNSA) Stockpile Stewardship Program seeks to maintain confidence in the safety, security, and reliability of U.S. nuclear weapons without nuclear testing. As part of the program, NNSA conducts subcritical experiments to obtain scientific data on the behavior of nuclear weapon materials. These experiments are conducted at the Nevada National Security Site's U1a Complex.

In the past decade, Los Alamos National Laboratory (Los Alamos) has been the design authority responsible for overseeing subcritical experiments, while National Security Technologies, LLC, (NSTec) has been responsible for fielding and executing the experiments. Twenty-eight subcritical experiments have been performed between 1997 and 2014.

Nothing came to our attention to indicate that the Department of Energy had not effectively managed the subcritical experiment activities at the U1a Complex. To the contrary, we noted that both Los Alamos and NSTec used project management tools to plan and track the cost, scope, and schedule of the two most recent subcritical experiments. Although both organizations used project management tools for planning and conducting the subcritical experiments, we found there were some inconsistencies in budgeting methods for the treatment of contingency/management reserves between Los Alamos and NSTec. (OAS-L-15-08)

The National Nuclear Security Administration's Management of Support Service Contracts

The National Nuclear Security Administration (NNSA) is responsible for enhancing national security through the military application of nuclear energy. To help fulfill its responsibilities, NNSA makes use of Support Service Contracts (SSCs). In March 2013, NNSA's Office of Defense Programs (Defense Programs) initiated a self-assessment on the use of non-Federal personnel. The Defense Programs self-assessment identified potential issues with the management of its SSCs related to the performance of personal services and inherently governmental functions, as well as potential issues with funding sources. Management generally concurred with the self-assessment's recommendations, including nine recommendations related to SSCs. According to NNSA procurement officials, the recommendations are being addressed and implemented on an NNSA-wide basis.

On September 11, 2014, the Chairman of the House Subcommittee on Strategic Forces expressed concern to the Inspector General that NNSA may be utilizing SSCs in ways that are contrary to policy, regulation, and statute. The Chairman's letter cited the agency self-assessment and requested an investigation of the matter. Therefore, we conducted a special review to determine whether NNSA was effectively managing its SSCs.

We discovered activities that could lead observers to question NNSA's management of SSCs. Specifically, we confirmed issues similar to those identified in NNSA's self-assessment. We found SSCs that exhibited characteristics of a personal services contract, contracted services that approached being inherently governmental functions, and NNSA's use of program funds for some SSCs was questionable. (OAS-M-15-05)

Funds Control Management of Savannah River Nuclear Solutions Recovery Act Projects

The Recovery Act provided the Department's \$5.1 billion for Defense Environmental Cleanup. These funds afforded the Department's Office of Environmental Management the opportunity to accelerate completion of site cleanup activities and reduce cleanup program life-cycle costs. In January 2013, we received an allegation that SRNS had inappropriately used Recovery Act funds.

We substantiated the allegations and found that the Department's Savannah River Operations Office (Operations Office) did not always manage Recovery Act projects performed by SRNS in accordance with funds control requirements. Specifically, we confirmed that the Department did not follow funds control restrictions when SRNS, in response to incorrect guidance from the Operations Office, reduced documented fee charges for the Transuranic and Solid Waste project and reallocated that amount to the other three projects. We also confirmed that SRNS, as alleged, charged about \$155,000 in questionable costs to Recovery Act projects, including entertainment, promotional items, and commemorative coins. We made recommendations to address the issues related to funds allocation. (OAS-M-15-06)

Follow-up on Nuclear Safety: Safety Basis and Quality Assurance at the Los Alamos National Laboratory

A primary mission of the Department's Los Alamos National Laboratory (LANL) is to ensure the safety, security, and reliability of the Nation's nuclear stockpile. As such, LANL employees and subcontractors work closely with special nuclear materials, explosives, and hazardous chemicals. To protect its employees, the public, and the environment, LANL is required to identify site hazards and controls, and to update formal documentation as its work processes change (activities collectively known as "safety basis"). Our report [*Nuclear Safety: Safety Basis and Quality Assurance at the Los Alamos National Laboratory \(DOE/IG-0837\)*](#) identified problems in fully implementing a number of critical nuclear safety management measures. National Nuclear Security Administration management generally agreed with the report and stated that work was underway to address the concerns raised in the report. In addition, a May 2012 external corporate review identified the need to ensure core skills and competencies for the safety basis analysts and improve the alignment between LANL and the Los Alamos Field Office during safety basis development.

LANL had acted to improve nuclear safety, including seismic-related risks, at its Plutonium Facility (PF-4); established a Safety Basis Quality Review Board; and implemented an institutional Quality Assurance Program to assign responsibilities and authorities, define policies and requirements, and provide for the performance and assessment of laboratory work processes. However, LANL continued to have problems in fully implementing a number of critical nuclear safety management requirements. This contributed to multiple safety basis iterations and lengthy update, review, and approval processes. Specifically, LANL had not always developed safety basis documents that met NNSA's expectations to ensure that nuclear hazards had been fully identified and that mitigation controls had been implemented; resolved issues identified in the annual updates to the safety bases for two nuclear facilities; and resolved significant and long-standing nuclear safety deficiencies.

We found that LANL had not effectively implemented its Safety Basis Improvement Plan, which was designed to enable LANL to build upon lessons learned and assessment findings. In addition, nuclear safety deficiencies were not always resolved because corrective actions were not effectively designed to prevent recurrence. Further improvements in nuclear safety are essential if the Department is to be in a position to ensure workers and the public that safety risks associated with nuclear facility operations have been effectively mitigated. (DOE/IG-0941)

Selected Recipients of Maryland Weatherization Assistance Program Funds

The Department's Weatherization Assistance Program (Program) provides weatherization grants to states, territories, Indian tribes, and the District of Columbia to improve the energy efficiency of low-income family homes. Since 2009, the State of Maryland has received approximately \$74 million in weatherization funding, including \$64 million provided from the \$5 billion in the Recovery Act weatherization funding received by the Department. In Maryland, the Department of Housing and Community Development (DHCD) administers the Program through 19 local weatherization agency subgrantees (local agencies) comprised of 11 nonprofit agencies and 8 local governments. Local agencies provide weatherization services by county, using Program funds as well as funding from other sources.

In December 2013, we received a complaint containing allegations of unethical and improper accounting practices by two local agencies in DHCD's Program: C&O Conservation, Inc. (C&O) and Maryland Energy Conservation, Inc. (MEC). The complaint also included one of MEC's contractors, House Warmers, LLC. In response, we initiated an audit to determine whether these subrecipients had effectively and efficiently managed Program funds.

Several serious aspects of the allegation were substantiated. We determined that C&O and MEC engaged in improper and, in our view, unethical accounting practices; C&O and MEC engaged in related-party transactions, which were highly troubling and resulted in potentially unallowable costs; and C&O used Program funds for the personal benefit of inside directors, which included potentially unallowable and misclassified personal credit card expenses. Although personal responsibility was at its core, the audit disclosed an operating environment that allowed significant deficiencies in subgrantee accounting systems. (DOE/IG-0942)

Subcontract Administration at Selected Department of Energy Management and Operating Contractors

The Department's management and operating (M&O) contractors have the responsibility to develop, implement, and maintain formal policies, practices, and procedures to be used in the award of subcontracts consistent with established Department and Federal acquisition regulations. Due to the large percentage of subcontract costs incurred by M&O contractors, and based on prior audit findings, we initiated this audit to determine whether selected M&O contractors administered their subcontracts in accordance with Departmental regulations. We selected for review the National Nuclear Security Administration's Kansas City Plant (Kansas City). In FY 2013, Kansas City had a total of 18,026 subcontracts worth almost \$241 million. We also visited the Office of Science's Thomas Jefferson National Accelerator Facility (Jefferson Lab), a facility that had a total of 1,743 subcontracts in FY 2013 with a value of almost \$152 million. This audit is the first in a planned series of audits focusing on M&O contractor subcontract administration.

Nothing came to our attention to indicate that Kansas City and Jefferson Lab had not administered the subcontracts substantially in accordance with established policies and procedures and contract terms. While we did not discover material issues with administration of subcontracts we tested at Kansas City, we did observe that a certain class of subcontracts had been noncompetitively awarded. Specifically, we found that Kansas City awarded 8 of the 47 subcontracts we reviewed, or \$10.2 million of \$33.7 million in subcontracts, on a sole-source basis without specific justification.

The majority of the subcontract administration issues at Kansas City occurred due to a policy providing an exception from competition in instances when a Work for Others customer required the use of a specific subcontractor. Kansas City officials stated the use of a customer-directed subcontractor without competition was permissible because Kansas City's Procurement Work Instructions (Work Instructions) allowed such action. Specifically, the Work Instructions stated that an exception to subcontract competition is allowed when a customer directed, in writing, the use of a specific subcontractor. However, the Work Instructions appear to be inconsistent with (1) Department of Energy Acquisition Regulation (DEAR) requirements in the contract, DEAR 970.5217-1, Work for Others Program (Non-DOE Funded Work), which require M&O contractors to select the subcontractor and the work to be subcontracted for Work for Others customers, and (2) Federal Acquisition Regulation 52.244 5, Competition in Subcontracting, and DEAR 970.5244-1, Contractor Purchasing System, which require the use of competition. (OAS-M-15-07)

Allegations Regarding Information Technology Procurement at Bonneville Power Administration

The Department's Bonneville Power Administration (Bonneville), which markets wholesale power produced primarily from Federal hydroelectric projects in the Pacific Northwest, operates and maintains about three-fourths of the high voltage transmission in the area. Bonneville has about 3,000 Federal employees, which represents approximately 20 percent of the Department's total Federal workforce. In support of its various mission activities

and human resources needs, Bonneville makes a number of procurements each year. By statute, Bonneville is exempt from the requirements of the Federal Acquisition Regulation and is permitted to acquire goods and services using its own requirements published as the Bonneville Purchasing Instructions. In an effort to streamline its recruiting and hiring processes, Bonneville acquired the automated Talent Acquisition System (hiring system) in July 2012.

We received a hotline complaint alleging fraud, waste, and abuse related to the acquisition of information technology (IT) systems. The complaint included specific concerns regarding the acquisition of the hiring system, as well as general concerns about the procurement organization's operations. The allegations made in the complaint were, in part, substantiated. Most prominently, regarding the acquisition of the hiring system, we found that Bonneville spent about \$5.2 million for a system that did not meet its needs. We identified significant weaknesses with the system planning, acquisition, and contract administration.

The issues we identified were due, in large part, to the accelerated planning, development, and deployment approach used by Bonneville for this particular project. Other contributing factors included a lack of adequate due diligence and accountability on the part of key personnel responsible for acquisition and monitoring of the hiring system and insufficient involvement of Bonneville's IT Project Management Office. Finally, we noted that Bonneville failed to apply lessons learned from a previous IT system failure, leading to the repeat of past mistakes. We have made several recommendations designed to assist Bonneville in strengthening its procurement, planning, and approval processes. (DOE/IG-0943)

Western Federal Power System's Fiscal Year 2014 Financial Statement Audit

We contracted with the independent public accounting firm of KPMG, LLP, (KPMG) to conduct an audit of the Western Federal Power System's (Western) combined balance sheets, as of September 30, 2014 and 2013, and the related combined statements of changes in capitalization, revenues and expenses, and cash flows for the years then ended. KPMG concluded that the combined financial statements present fairly, in all material respects, the respective financial position of Western as of September 30, 2014 and 2013, and the results of its operations and its cash flow for the years then ended, in conformity with United States generally accepted accounting principles. The auditors' review of Western's internal control structure and compliance with certain laws and regulations disclosed no instances of noncompliance or other matters required to be reported under generally accepted Government auditing standards. (OAS-FS-15-12)

Alleged Misuse of FutureGen 2.0 Project Funds

Under the Recovery Act, the Department awarded a \$1 billion cooperative agreement to the FutureGen Industrial Alliance for the FutureGen 2.0 Project (Project). The Project was intended to create the world's first near-zero emissions, commercial-scale, coal-fueled power plant. As of March 2015, the Department had expended more than \$180 million for the Project.

We received a complaint alleging that a Project subrecipient had misused funds in excess of \$10 million. Specifically, the complainant alleged the subrecipient (1) directed employees to

mischarge labor to the Project without producing work, (2) spent funds during a period when it was known that there could be no beneficial work performed, (3) improperly billed for labor expenses, and (4) inflated overhead expenditures.

We were unable to substantiate the first two allegations. We initiated, but did not complete, work associated with the remaining allegations. During the course of our work, we became aware that the Defense Contract Audit Agency (DCAA) had agreed to conduct an audit of costs incurred for FYs 2010, 2011, and 2012. We were informed by DCAA that the audit would include a review of the subrecipient's internal controls and address whether the subrecipient appropriately billed for labor and overhead expenses, the subjects of the remaining allegations. As such, we suspended our inquiries into these areas to avoid a duplication of effort. (OAS-L-15-10)

Treatment of Salt Waste at the Savannah River Site

The Savannah River Site (Savannah River), a Department site located near Aiken, South Carolina, was constructed during the 1950s to produce materials used in fabricating nuclear weapons in support of our nation's defense programs. The Department's Office of Environmental Management is responsible for the treatment and final disposal of the waste generated by these operations, including approximately 37 million gallons of high level radioactive waste stored in 45 aging underground tanks at the site. To maintain tank storage space at a safe level, evaporation is used to reduce the waste volume into crystallized salts (salt waste) that must then be disposed of. Considered to be the single largest environmental threat in the state, the Department manages its high level radioactive liquid waste inventory through legally enforceable agreements with the Environmental Protection Agency and the state of South Carolina. Substantial fines and penalties can be levied for missed milestones.

In 2002, to help meet its commitments, the Department contracted to build the high capacity Salt Waste Processing Facility (SWPF), the cornerstone of Savannah River's strategy for treating salt waste. The SWPF was to be built by 2008 at a total project cost of \$900 million, with operations to begin in 2009. However, due to its inability to meet established milestones, the Department ultimately negotiated a conditional extension for SWPF to October 2015 and deployed an interim low capacity salt waste processing system, the Actinide Removal Process/Modular Caustic Side Solvent Extraction Unit (ARP/MCU). The Department also explored the potential to acquire supplemental treatment capacity through the deployment of a Small Column Ion Exchange (SCIX) system.

We found that the Department's key salt waste processing facility, SWPF, was not operational and that the project experienced significant cost increases (about \$1.4 billion to date) and schedule delays, pushing the start date out to at least December 2018. As a result, the Department had treated only minimal amounts of salt waste at Savannah River. Further, the Department plans to decrease the amount of waste treated through its interim salt waste processing facility, ARP/MCU, to an average of 40 percent of its maximum capacity from FYs 2014 through 2018. Finally, the Department has suspended plans to deploy its supplemental

salt waste processing capabilities, SCIX, that had the potential to provide significant additional treatment capacity. (OAS-L-15-09)

Follow-Up Audit of Nanoscale Materials Safety at the Department's Laboratories

In February 2008, we reported that the Department and its laboratories had not always employed nanoscale materials precautionary measures in the areas of medical surveillance, workplace exposure monitoring, training, and engineering controls (Nanoscale Materials Safety at the Department's Laboratories, DOE/IG 0788). This occurred because the Department relied upon each separate laboratory to develop and implement protective measures, and it had not provided laboratories with comprehensive guidance on what specific procedures should be followed. In response to the audit, in May 2011, the Department issued Department Order 456.1, The Safe Handling of Unbound Engineered Nanoparticles.

This follow-up audit found that the Department and its laboratories have made progress in ensuring the safe handling of nanomaterials; however, opportunities for improvement remain. In particular, each of the four Department laboratories we visited had established procedures for the safe handling of nanomaterials to satisfy Departmental requirements. However, we noted that actions at three of the four sites were not always consistent with locally established procedures.

The issues we identified primarily occurred because the laboratories did not consistently follow their own procedures regarding the safe handling of nanomaterials at their non-NSRC (Nanoscale Science Research Center) facilities. Most of the exceptions we observed occurred at older facilities or research facilities outside of the NSRC. Furthermore, although the Department had established requirements for the safe handling of nanomaterials, it had not established specific requirements for managing and tracking the inventory of nanomaterials. (OAS-M-15-08)

Security Improvements at the Y-12 National Security Complex

The Y-12 National Security Complex (Y-12) is a manufacturing facility that plays a vital role in the Department's nuclear security and weapons enterprise. In June 2004, our report on Management of the Department's Personnel Security and Access Control Information Systems (DOE/IG-0651) recommended that the Department develop a comprehensive framework for managing and integrating personnel security and access control systems. In response to the report, the National Nuclear Security Administration (NNSA) indicated that it intended to implement the Argus security system to provide integrated access and physical security controls at Y-12. To help meet its security goals, Y-12 focused its planned Security Improvements Project (SIP) on replacing its aged and obsolete security system with Argus. The project was completed in 2013 at a cost of more than \$50 million.

Our review found that the SIP was implemented within the established schedule and budget, and it achieved all baseline requirements. However, we found that the SIP was not scoped or funded to address all Argus implementation issues at Y-12. As a result, while Y-12 spent more than \$50 million to upgrade its physical security system, it had not met NNSA's mandate to

develop and implement a comprehensive method for managing and integrating the site's security and access control systems.

NNSA and Y-12 officials encountered a number of challenges that affected the ability to fully implement needed security upgrades. We found that management weaknesses existed that contributed, at least in part, to the issues identified with the implementation of the security enhancements. In particular, a lack of effective communication and cooperation between operations personnel and project managers contributed to the identified system issues. (DOE/IG-0944)

The Department of Energy's Management of Electronic Mail Records

Under requirements established by the National Archives and Records Administration (NARA), agencies must develop and implement policies to ensure that all information defined as "Federal records," specifically including electronic mail (email), are maintained in agency recordkeeping systems. Failure to appropriately identify and manage email as records impairs the agencies' ability to respond to the requirements of various statutes and obligations, including the Freedom of Information Act, discovery in litigation, law enforcement efforts, and maintenance of historical records of Departmental activities.

Our report titled [*Follow-up Audit on Retention and Management of the Department of Energy's Electronic Records \(DOE/IG-0838\)*](#) identified issues with the Department's electronic records management process. In particular, the review found that the Department had not included Federal requirements in its recordkeeping policies and guidance, considered records management to be a low priority, and had not properly trained its employees to identify and maintain electronic records. In 2012, the Office of Management and Budget issued direction to Federal agencies to manage all email records using an automated software application by the end of 2016.

We determined that the Department was not effectively managing its Federal email records. Our conclusion is based on our review of the processes in place at seven Department programs and three field sites. We found that the Department, including its National Nuclear Security Administration, had not implemented a process to ensure that email records were identified and managed in accordance with Federal requirements. With one notable exception, all of the programs and sites reviewed relied on users to identify and retain email records. The Department also had not effectively implemented the archival and retrieval process related to email records. To be clear, under existing policies recovery of email may be possible for varying periods of time, however, the process would be very difficult and cost prohibitive. Furthermore, the Department had not fully addressed the use of personal email accounts to conduct government business.

These issues occurred, in part, because the Department's approach to records management lacked coordination among programs. Despite recent concerns regarding email records retention, effective records management had not been treated as a priority. To its credit, the Office of Energy Efficiency and Renewable Energy (EERE) had already implemented an

automated records management solution that was used to manage its email records. Because of the extent of policy weaknesses and the lack of understanding by employees regarding their email retention responsibilities, we did not feel it would be productive and therefore did not test whether any particular individual's email had been properly maintained. (DOE/IG-0945)

[Assessment of Audit Coverage of Cost Allowability for Sandia Corporation During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC04-94AL85000](#)

Since October 1993, Sandia Corporation (Sandia), a Lockheed Martin Company, has managed and operated Sandia National Laboratories (SNL) for the Department and National Nuclear Security Administration. SNL is managed under a cost-reimbursement management and operating contract employing performance incentives. The contract runs from October 1, 1993, through April 30, 2016, with an option to extend the period of performance through April 30, 2017. Sandia incurred and claimed costs of \$2.6 billion in FY 2013.

Sandia's contract requires it to account for costs incurred annually on its Statement of Costs Incurred and Claimed. The contract requires Sandia to account for all funds advanced by the Department, to safeguard assets in its care, and to claim only allowable costs. A Cooperative Audit Strategy (Strategy) makes efficient use of available audit resources while ensuring that the Department's contractors claim only allowable costs. The Strategy places reliance on the contractors' internal audit functions to provide audit coverage of the allowability of incurred costs claimed by contractors. Sandia's Internal Audit (Internal Audit) and Contract Audit Departments are part of its Independent Audit, Ethics, and Business Conduct Center. Consistent with the Strategy, Sandia is required by its contract to maintain an internal audit activity with responsibility for conducting audits, including audits of the allowability of incurred costs. The Strategy also requires that audits performed internally must, at a minimum, meet the standards prescribed by the Institute of Internal Auditors. In addition, Sandia is required to conduct or arrange for audits of its subcontractors when costs incurred are a factor in determining the amount payable to a subcontractor.

Based on our assessment, nothing came to our attention to indicate that the allowable cost audit work performed by Internal Audit for FY 2013 could not be relied on. We did not identify any material internal control weaknesses with cost allowability audits, which generally met International Standards for the Professional Practice of Internal Auditing. Further, Sandia Contract Audit had conducted or arranged for audits of subcontractors when costs incurred were a factor in determining the amount payable to the subcontractor. While we did not identify any material internal control weaknesses with either cost allowability or subcontract audit, we are questioning \$212,120 of costs identified and questioned by Internal Audit and Contract Audit that have not been resolved. (OAS-V-15-03)

[Assessment of Audit Coverage of Cost Allowability for Stanford University During Fiscal Years 2012 and 2013 Under Department of Energy Contract No. DE-AC02-76SF00515](#)

During FYs 2012 and 2013, Stanford University (Stanford) incurred and claimed costs totaling \$362,928,586 and \$352,559,959, respectively. Stanford is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and

Claimed, to safeguard assets in its care, and to claim only allowable costs. A Cooperative Audit Strategy places reliance on the contractors' internal audit function to provide audit coverage of the allowability of incurred costs claimed by contractors. Consistent with the Cooperative Audit Strategy, Stanford is required by its contract to maintain an Internal Audit activity with responsibility for conducting audits, including audits of the allowability of incurred costs. In addition, Stanford is required to conduct or arrange for audits or reviews of its subcontractors when costs incurred are a factor in determining the amount payable to a subcontractor. In FY 2012, Stanford's Procurement Department was responsible for preaward and postaward subcontract reviews. Then in FY 2013, Stanford's Internal Audit Department (Internal Audit) assumed the responsibility for conducting preaward and postaward subcontract audits.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by Internal Audit for FYs 2012 and 2013 could not be relied upon. We did not identify any material internal control weaknesses with the cost allowability audits, which generally met the International Standards for the Professional Practice of Internal Auditing Standards prescribed by the Institute of Internal Auditors (IIA Standards). However, we identified issues that need to be addressed to ensure that only allowable costs are claimed and reimbursed to the contractor. Specifically, we found that Internal Audit's workpapers did not always include documentation to support their conclusions; Stanford's subcontract audit and reviews did not ensure that all cost type subcontracts, specifically non-university subcontracts, were subject to an audit as required; and Stanford was found to be noncompliant with Cost Accounting Standards 405. (OAS-V-15-04)

Enforcement Activities Conducted by the Federal Energy Regulatory Commission

The Federal Energy Regulatory Commission (FERC) is an independent agency that regulates the Nation's natural gas industry, hydroelectric projects, oil pipelines, and wholesale rates for electricity. Within FERC, the Office of Enforcement (OE) is tasked with protecting customers by conducting oversight of energy markets, identifying and remedying market problems in a timely manner, ensuring compliance with rules and regulations, and detecting and combating market manipulation.

OE initiates and executes investigations of possible violations of the statutes administered by FERC and the rules, orders, and regulations issued thereunder. Given the importance of FERC's mission and the significance of its expanded enforcement authority, we initiated this special review of OE's enforcement activities and related policies and procedures. OE's enforcement activities include investigations of FERC-regulated entities and handling of hotline calls and self-reports of possible violations.

To accomplish our objective, we reviewed 7 closed investigations, 20 closed hotline cases, and 10 closed cases regarding potential violations, which had been self-reported by regulated entities. We did not review open cases so as to avoid any interference with ongoing enforcement activities. We assessed OE's activities based on enforcement policies, procedures, pertinent public and nonpublic documentation, and interviews with investigative staff. Based

on this examination, nothing came to our attention to indicate that OE had not performed enforcement activities in accordance with its own policies and procedures. (DOE/IG-0947)

[Assessment of Audit Coverage of Cost Allowability for Babcock and Wilcox Technical Services Y-12, LLC, During Fiscal Years 2013 and 2014 Through June 30, 2014, Under Department of Energy Contract No. DE-AC05-00OR22800](#)

Babcock and Wilcox Technical Services Y-12, LLC, (B&W Y-12) managed and operated the Y-12 National Security Complex (Y-12) under contract with the Department from August 31, 2000, through June 30, 2014. Y-12 is part of the Department's National Nuclear Security Administration, which has responsibilities that include ensuring the safety, security, and effectiveness of the Nation's nuclear weapons stockpile. During FYs 2013 and 2014 through June 30, 2014, B&W Y-12 incurred and claimed \$1,030,375,777 and \$771,905,330, respectively.

B&W Y-12 is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and to claim only allowable costs. Allowable costs are incurred costs that are reasonable, allocable, and in accordance with the terms of the contract, applicable cost principles, laws, and regulations.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by B&W Y-12's Internal Audit could not be relied upon. We did not identify any material internal control weaknesses with the cost allowability audits, which generally met the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. During its FYs 2013 and 2014 through June 30, 2014, audits of cost allowability, Internal Audit identified questioned costs totaling \$499 and \$32,825, respectively. All FY 2013 questioned costs had been resolved. For FY 2014 through June 30, 2014, we noted that \$761 had not been resolved, so we are questioning this amount. (OAS-V-15-05)

[Assessment of Audit Coverage of Cost Allowability for Los Alamos National Security, LLC, During Fiscal Year 2013 Under Department of Energy Contract No. DE-AC52-06NA25396](#)

Since June 2006, Los Alamos National Security, LLC, (LANS) has operated the National Nuclear Security Administration's Los Alamos National Laboratory (LANL) for the Department. LANL is managed under a \$17.3 billion cost-plus contract, including both award and incentive fees, which runs from June 1, 2006, through September 30, 2017. During FY 2013, LANS incurred and claimed costs totaling \$2.06 billion.

LANS is required by its contract to account for all funds advanced by the Department annually on its Statement of Costs Incurred and Claimed, to safeguard assets in its care, and claim only allowable costs. A Cooperative Audit Strategy (Strategy) places reliance on the contractors' internal audit function (Internal Audit) to provide audit coverage of the allowability of incurred costs claimed by contractors. Consistent with the Strategy and as required by its contract, LANS maintains an Internal Audit activity with responsibility for conducting audits, including audits of the allowability of incurred costs.

Based on our assessment, nothing came to our attention to indicate that the allowable cost-related audit work performed by LANS Internal Audit for FY 2013 could not be relied upon. We did not identify any material internal control weaknesses with cost allowability audits, which generally met International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors. As part of its allowable cost audits, Internal Audit identified \$205,894 in questioned costs, which have since been resolved. In addition, we found LANS conducted reviews of subcontractors when costs incurred were a factor in determining the amount payable to the subcontractor. However, we are questioning \$526,562 of questioned costs identified by Internal Audit during audits of subcontracts that had not been resolved. In addition, we are reporting \$85,241 in previously reported questioned costs identified by Internal Audit in subcontract audits that were unresolved. (OAS-V-15-06)

Inspection Reports

[Alleged Nuclear Material Control and Accountability Weaknesses at the Department of Energy's Portsmouth Project](#)

The Department's Portsmouth Gaseous Diffusion Plant (Portsmouth) currently maintains uranium rated as Category III and IV according to Department Order 474.2, Nuclear Material Control and Accountability. Department Order 474.2 requires that accurate records of nuclear materials are maintained and physical inventories are conducted to provide assurance that nuclear material is not missing. The contractor site operator must develop, implement, and maintain a Nuclear Material Control and Accountability program on a graded safeguards basis that includes provisions for accurate nuclear material inventory information, along with controls to deter, detect, and respond to the loss or misuse of nuclear material.

We received a complaint that nuclear material accountability and access controls at Portsmouth were not adequate. In response, we initiated a review to determine the facts and circumstances regarding this allegation. In general, nothing came to our attention to indicate that the required nuclear material access controls were not in place. However, we found that improvements at Portsmouth could be made to increase confidence that nuclear material was accounted for and that any compromised tamper indicating devices protecting nuclear material are replaced in a timely manner. Management concurred with the report's recommendations and indicated that corrective actions had been taken to address the issues identified.

(INS-O-15-04)

[Review of Allegations of Improper Disclosure of Confidential, Nonpublic Federal Energy Regulatory Commission Information](#)

The Federal Energy Regulatory Commission (Commission or FERC), an independent regulatory agency officially organized as part of the Department of Energy, is composed of five Commissioners (including a Chairman). The Commission's Office of Enforcement (OE) seeks to encourage compliance with energy-related statutes, rules, and orders. The Chairman and Commissioners are kept apprised of all OE investigative cases and must provide their approval prior to key enforcement actions being implemented. According to Commission regulation, virtually all of the information gathered during the course of an investigation is nonpublic.

On March 9, 2015, Mr. Jon Wellinghoff, who served as Commission Chairman from 2009 to 2013, moderated a panel discussion at a public conference at which he shared a video excerpt of a nonpublic deposition taken during a major OE investigation. At the time of the investigation, Mr. Wellinghoff was FERC's chair. Subsequent to the March 9 event, a Commission employee and an attorney for the energy trading firm which was the subject of the OE investigation expressed concerns to the Commission that the disclosure may have been unauthorized and in violation of Federal law and regulation. Because of the potential for harm associated with the unauthorized disclosure, on March 24, 2015, the matter was referred to our office by the Commission's Designated Agency Ethics Official.

We confirmed the essence of the allegation, finding that Mr. Wellinghoff had, in fact, disclosed nonpublic OE information in a public setting. We concluded that the disclosure of such information could threaten the integrity of FERC's regulatory and enforcement processes. We found that when advised of the matter, Commission staff took steps to restrict further public disclosure of the video excerpt by Mr. Wellinghoff and conference organizers. However, we determined that additional actions are necessary to preclude improper disclosures of confidential, nonpublic information in the future.

The issues outlined in this report relate primarily to the conduct of the former Chairman. However, we also found that there were inconsistencies and weaknesses in the Commission's postemployment guidance and exit process. As a result of this latest incident, Commission attorneys stated they are taking steps intended to enhance postemployment guidance and improve the exit process, which should further inform departing employees, Commissioners included, of how to handle nonpublic information they had access to during their time at the Commission. (DOE/IG-0939)

Allegations Regarding Management of Highly Enriched Uranium

The Department's Y-12 National Security Complex (Y-12) has processed highly enriched uranium (HEU), a special nuclear material (SNM), for more than 60 years. Y-12 is required to maintain inventories of nuclear material in Categories I – IV based on the material's attractiveness level and weight with Category I material as the highest rating. Further, Department Order 474.2A, Nuclear Material Control and Accountability, requires nuclear material programs to detect, assess and deter unauthorized access to any category of nuclear material.

We received allegations that SNM was not appropriately managed at Y-12. Specifically, we were informed that on January 22, 2014, HEU samples were discovered in the pocket of coveralls located on a laundry truck that annunciated an alarm as the truck tried to exit Y-12's Protected Area. Although Y-12 had completed an assessment of this incident, the allegations indicated additional actions may be warranted.

We substantiated the allegations related to safe handling of SNM, internal controls for the tracking and handling of SNM samples, SNM detection procedures, and SNM alarm response processes. However, prior to our review, Y-12 federal and contractor officials conducted internal investigations concerning the incident and generally implemented corrective actions to address most of the issues outlined in the allegations. Y-12's corrective actions addressed the issues related to SNM sample tracking, handling, detection, and alarm response.

However, our review revealed that Y-12 had not completed corrective actions concerning: 1) a safety violation that occurred during the discovery of the HEU samples, and 2) the untimely notification to the Plant Shift Superintendent Office (PSS) about the discovery of the HEU samples. Upon bringing these issues to the attention of Y-12 officials, they agreed to implement corrective actions for both issues. (INS-L-15-03)

The Department of Energy's Freedom of Information Act Process

The Freedom of Information Act (FOIA or the Act) (5 U.S.C. 552) provides an individual the right to obtain Federal agency records unless the records (or parts of the records) are protected from disclosure by any of the nine exemptions contained in the law. The Act, as it is applicable to the Department, is presented in 10 CFR 1004, Freedom of Information Act (FOIA). According to the Department's most recent Annual FOIA Report, in FY 2014, 2,219 FOIA requests were received.

Recently, the Chairman of the Senate Committee on Homeland Security and Governmental Affairs requested that we perform an inquiry to determine the involvement of non-career officials in the FOIA response process for the period of January 1, 2007, to the present. Additionally, the Chairman requested a certification from the Department's Chief FOIA Officer regarding the involvement of non-career officials in the Department's response to FOIA requests. In response to the Congressional request, we initiated this special review. We also performed a limited review of efficiency issues that came to our attention during the course of the inquiry, the results of which are described in this report.

To accomplish our objective, we reviewed 55 FOIA cases and 10 appeal cases, and we conducted interviews with more than 20 Department FOIA officers and related staff. Based on this examination, nothing came to our attention to indicate that non-career personnel (political appointees) interfered with or intervened during the FOIA process. In certain cases, we did find limited White House participation. (DOE/IG-0946)

SEMIANNUAL REPORTING REQUIREMENTS INDEX

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

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The following identifies the information that addresses the requests by the Committees on Homeland Security and Governmental Affairs and the Judiciary.

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ABOUT THE DEPARTMENT AND OIG

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

The OIG's mission is to strengthen the integrity, economy and efficiency of the Department's programs and operations. The OIG has the authority to inquire into all Department programs and activities as well as the related activities of persons or parties associated with Department grants, contracts, or other agreements. As part of its independent status, the OIG provides the Secretary with an impartial set of "eyes and ears" to evaluate management practices. With approximately 290 employees, the organization strives to be a highly effective organization that promotes positive change.

OIG HOTLINE CONTACTS

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

Contact Information:

- Website: <http://energy.gov/ig/office-inspector-general>
- Toll Free Telephone Number: 1-800-541-1625
- Washington DC Metro Telephone Number: 202-586-4073
- Email Address: ighotline@hq.doe.gov
- Physical Address: U.S. Department of Energy
1000 Independence Ave, SW
Washington, DC 20585

FEEDBACK

The contents of this Semiannual Report to Congress comply with the requirements of the Inspector General Act of 1978, as amended. If you have any suggestions for making the report more responsive, please provide the following information by clicking the “submit email” button below:

- Name
- Telephone Number
- Comments/Suggestions/Feedback

