



# TABLE OF CONTENTS

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	<b>Page</b>
Message from the Acting Inspector General	<u>ii</u>
Performance Results for FY 2016	<u>iii</u>
Overview	<u>1</u>
Our Organization	<u>2</u>
External Factors Challenging Our Organization	<u>3</u>
Measuring Our Performance	<u>4</u>
Appendix A	<u>8</u>
Office of Audits and Inspections Work Plan for FY 2017	<u>8</u>
Appendix B	<u>12</u>
Office of Investigations Work Plan Priorities for FY 2017	<u>12</u>

## MESSAGE FROM THE ACTING INSPECTOR GENERAL

I am pleased to present the Department of Energy Office of Inspector General's combined FY 2016 Annual Performance Report and FYs 2017 and 2018 Annual Performance Plan. The report highlights our performance on our audit, inspection, and investigative activities over the past year and establishes projected goals for future years.



During FY 2016, our investigative activities have resulted in \$17 million in fines, settlements and recoveries. Additionally, our audit and inspection reviews identified \$774 million in questioned and unsupported costs. As a result, our organization's return on investment in FY 2016 was \$17.81 for every dollar appropriated.

We believe the Department's programs and operations are strengthened through the work we do to ensure a more effective and efficient organization. Specifically, during FY 2016 we issued a special report on [The Department of Energy's Continued Support of the Texas Clean Energy Project Under the Clean Coal Power Initiative](#), which questioned the viability of the project and financial risk to the Department. Despite the Department's \$116 million investment, our review disclosed limited assurance of success in the project. Another example of the work we do to improve the operations of the Department is reflected in our investigative efforts which led to a \$2.25 million settlement agreement resolving violations of the False Claims Act by a Small Business Innovation Research (SBIR) grant recipient. During our investigation, we determined the grant recipient received 15 SBIR awards from multiple agencies and allowed employees to charge labor hours to the awards, even when the hours did not correspond with actual time and effort by the employees.

None of these results would be possible without the dedication and professionalism of the staff in the Office of Inspector General. We remain committed to working with the leadership at the Department of Energy to reduce fraud, waste, abuse, and mismanagement.

A handwritten signature in black ink, appearing to read 'Rickey R. Hass', is positioned above the printed name.

Rickey R. Hass  
Acting Inspector General

## FY 2016 PERFORMANCE RESULTS

### *Our Mission:*

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

### *Our Vision*

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

The Office of Inspector General (OIG) continues to make positive contributions to the Department's mission-related priorities. Some highlights of our work in FY 2016 include:

Total Reports Issued:	74
Audit Reports	66
Inspection Reports	8
Questioned and Unsupported Cost	\$774 million
Fines, Settlements, and Recoveries	\$17 million
Criminal Convictions	22
Suspensions and Debarments	49
Civil and Administrative Actions	45
Hotline Complaints and Inquiries	1,907



## OVERVIEW

This report presents the goals, objectives, and measures for the OIG's FY 2016 actual performance. Included in this report are the Performance Plans for FYs 2017 and 2018 that contain the goals and measures to track our future performance.

### OUR PERFORMANCE GOALS

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



## OUR ORGANIZATION

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

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

**INSPECTIONS** focus on allegations received from the OIG Hotline, special inquiries raised by Congress or senior Department officials, and performance issues. Efforts are concentrated on management reform within the Department by evaluating and providing recommendations to improve program performance. The Inspection function is designed to promptly address concerns and allegations received during the course of the year. Inspection priorities are based on the significance of the issue and the potential impact on Department programs and operations.

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

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

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

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

## EXTERNAL FACTORS CHALLENGING OUR ORGANIZATION

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





## MEASURING OUR PERFORMANCE

We attribute the results of our work to assisting the Department's success in fulfilling its Strategic Plan. It is imperative that the OIG ensure its resources and activities cover the issues and concerns most critical to the mission of the Department. The OIG's *FY 2015 – FY 2019 Strategic Plan* identifies the goals and measures that we use to track our performance. Our performance goals help us assist the Department in identifying and taking corrective action to improve areas most vulnerable to waste, fraud, and mismanagement.

Historical data in this *Annual Performance Report and Plan* is limited to FY 2015 due to the establishment of new performance goals and measures in our *FY 2015 – FY 2019 Strategic Plan*. The following reflects the OIG's actual performance in FYs 2015 and 2016 and our targeted performance for FYs 2017 and 2018.



# GOAL 1

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

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

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

## GOAL 2

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

*Goal Leader: Deputy Inspector General for Investigations*

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

# GOAL 3

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

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

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

## APPENDIX A

### Office of Audits and Inspections Work Plan for FY 2017

#### **CENTRAL REGION**

- Followup on Southwestern Power Administration's Critical Asset Protection (Audit)
- Followup on the Federal Energy Regulatory Commission's Dam Safety Program (Audit)
- Consolidation of the Department of Energy's Office of the Chief Human Capital Officer (Audit)
- Followup on the Department of Energy's Protective Force Training and Capabilities (Audit)
- Implementation of the Department of Energy's Project Management Initiatives (Audit)
- Procurements within the Office of Environmental Management (Audit)
- Department of Energy's Use of Recruitment and Retention Incentives (Audit)
- Strategic Partnership Projects (Audit)
- Office of Electricity Delivery and Energy Reliability's selected grant programs (Audit)
- Followup on the Department of Energy's Weatherization Assistance Program (Audit)
- Selected Loan Programs Office Projects (Audit)
- Bonneville Power Administration's Safety and Health (Audit)
- Department of Energy's Interagency Agreements (Audit)
- Southeastern Power Administration's Customer Fund (Audit)
- Followup on the Department of Energy's Oversight of Management and Operating and Other Facility Management Contractor Employees for Services Performed in the Washington, D.C. Area (Audit)
- The DIII-D User Facility (Audit)
- Department of Energy's Building Technologies Program (Audit)
- Department of Energy's Management of the Contract Closeout Process (Audit)
- Department of Energy's Fleet Management Program (Audit)
- Leased Space (Audit)
- Office of Indian Energy Policy and Programs (Audit)

#### **WESTERN REGION**

- Nuclear Quality Assurance at the Idaho Sodium Bearing Waste Treatment Facility (Audit)
- Hanford Site Tank Farm Surveillance Program (Audit)
- Quality Assurance – Commercial Grade Dedication (Audit)
- Quality Assurance at the Waste Treatment and Immobilization Plant (Audit)
- National Nuclear Security Administration's Management of Concurrent Directed Stockpile Work (Audit)
- Sandia National Laboratories' Issues Management (Audit)
- W80-4 Life Extension Plan (Audit)
- National Nuclear Security Administration's High Explosives Capability (Audit)
- Los Alamos National Laboratory Accelerated Vault Work-off Project (Audit)

- Packaging and Transportation Operations at the Pantex Plant (Audit)
- Follow-up on the Los Alamos National Laboratory Waste Treatment Facility (Audit)
- Los Alamos National Laboratory Radiological Laboratory Utility Office Building Project (Audit)
- Follow-up on Fire Protection at Los Alamos National Laboratory (Audit)
- Follow-up on Well Decommissioning at the Hanford Site (Audit)
- Management of the National Nuclear Security Administration's Infrastructure and Safety Subprogram (Audit)
- National Nuclear Security Administration's Nonproliferation and Arms Program (Audit)
- Follow-up on Management of the National Criticality Experiments Research Center (Audit)
- Integrated Safety Management at the Nevada National Security Site (Audit)
- Environmental Management Cost Transfers (Audit)
- National Nuclear Security Administration General Plant Projects (Audit)
- National Nuclear Security Administration Nuclear Weapons Materials and Parts Storage (Audit)
- Spare Parts at Washington River Protection Solutions (Audit)
- Subcontract Administration at the Waste Isolation Pilot Plant (Audit)
- Management of Warehouse Space at the Hanford Site (Audit)
- Department of Energy's Radioisotope Power Systems (Audit)
- National Nuclear Security Administration's Advanced Technology Development and Mitigation Program (Audit)
- Management of the Hanford 222-S Analytical Laboratory (Audit)
- Dosimetry Services at the Hanford Site (Audit)
- Follow-up on National Nuclear Security Administration Neutron Generator Activities (Audit)
- Follow-up on Records Management at Management and Operating Contractors (Audit)
- Safety Equipment at the Hanford Site (Inspection)
- Department of Energy's Management of Chemicals (Inspection)
- Controlled Substances at Selected National Nuclear Security Administration Sites (Inspection)
- Consulting Agreements at Los Alamos National Laboratory (Inspection)
- Sandia National Laboratories Organizational Conflicts of Interest (Inspection)
- Industrial Hygiene at the Hanford Site (Inspection)
- Integrated Safety Management at Office of Science Sites (Inspection)
- Firearms and Ammunition at National Nuclear Security Administration Sites (Inspection)

## **EASTERN REGION**

- Efforts to Reduce Mercury Contamination at the Oak Ridge Reservation (Audit)
- Cost Estimating in the Office of Environmental Management (Audit)
- Roles and Responsibilities at the Oak Ridge Office (Audit)
- Followup on Nuclear Material Availability (Audit)
- Consultant Agreements at Selected Office of Science Laboratories (Audit)
- Savannah River Site's High Level Waste System Support for the Salt Waste Processing Facility (Audit)
- Bartering of Uranium in Exchange for Decontamination and Decommissioning Activities at Portsmouth (Audit)
- Work Package Closures at the Mixed Oxide Fuel Fabrication Facility (Audit)
- Surplus Plutonium at the Savannah River Site (Audit)
- Office of Environmental Management's Project Management Support to Small Sites (Audit)
- Subcontract Management at the Strategic Petroleum Reserve (Audit)
- National Nuclear Security Administration's Secondary Assessment Technologies Subprogram (Audit)
- Oak Ridge National Laboratory's Procurement Activities (Audit)
- Office of Environmental Management's Enterprise Risk Management (Audit)
- Issues Management at Selected Office of Environmental Management Sites (Audit)
- Payments for Contract Terminations (Audit)
- Supply Chain Management Center Commodity Contracts (Audit)
- Safe Use of Lasers at Selected Sites (Inspection)
- Safety Drill Accessibility for Disabled Employees at Selected Facilities (Inspection)
- U.S. Intelligence Activities – Improper Retention and Dissemination of Information on U.S. Persons (Inspection)
- Followup on the Canine Program (Inspection)
- Health Physics Management at Portsmouth (Inspection)
- Low Altitude Airspace Security over Selected Sites (Inspection)
- Insider Threat Program's Analysis and Referral Center (Inspection)
- Followup on Management of Explosives at Selected Sites (Inspection)
- Electrical Safety at Selected Sites (Inspection)
- Calibration and Maintenance of Production Equipment at Kansas City Plant (Inspection)
- Security Seal Program (Inspection)
- Purchase Card Risk Assessment (Inspection)
- Travel Card Risk Assessment (Inspection)
- Conference Monitoring (Inspection)



## **TECHNOLOGY AUDIT GROUP**

- Management of the Office of Energy Efficiency and Renewable Energy's Information Technology Systems Integration (Audit)
- Consolidation of Information Technology Activities at the Y-12 National Security Complex and Pantex Plant (Audit)
- Management of the Cybersecurity Program at a Selected Department of Energy Location (Audit)
- Department of Energy's Efforts to Manage Mission Essential Information Technology Functions (Audit)
- Follow-up on the Federal Energy Regulatory Commission's Monitoring of the Nation's Power Grid Cybersecurity Efforts (Audit)
- Security Over the Department of Energy's Infrastructure Management Systems (Audit)
- Management of the Office of Science's Information Technology Support Services (Audit)
- Department of Energy's Implementation of the Federal Information Technology Acquisition Reform Act (Audit)
- The Department of Energy's Implementation of the Digital Accountability and Transparency Act of 2014 (Audit)
- The Department's Implementation of the Cybersecurity Act of 2015 – Cybersecurity Information Sharing (Audit)
- The Department of Energy's Unclassified Cybersecurity Program – 2017 (Audit)
- The Federal Energy Regulatory Commission's Unclassified Cybersecurity Program – 2017 (Audit)
- Information Technology Management Letter for Fiscal Year 2016 (Audit)

## **GOVERNMENT MANAGEMENT REFORM ACT (GMRA)**

- Department of Energy's Fiscal Year 2017 Consolidated Financial Statements (Audit)
- Department of Energy's Improper Payment Reporting in the Fiscal Year 2016 Agency Financial Report (Audit)
- Fiscal Year 2017 Financial Statements of the Federal Energy Regulatory Commission (Audit)
- Fiscal Year 2017 Financial Statements of the Nuclear Waste Fund (Audit)
- Fiscal Year 2017 Combined Financial Statements of the Southwestern Federal Power System (Audit)
- Fiscal Year 2017 Combined Financial Statements of the Western Area Power Administration (Audit)
- Management Letter on the Department of Energy's Consolidated Financial Statements for Fiscal Year 2016 (Audit)

## **STATEMENT OF COSTS INCURRED AND CLAIMED (SCIC)**

- Sandia Corporation - Sandia National Laboratories 2013 – 2016
- Trustees of Princeton University - Princeton Plasma Physics Laboratory 2013- 2016
- Fluor Federal Petroleum Operations - Strategic Petroleum Reserve April 2014 - FY2016
- URS | CH2M Oak Ridge, LLC - East Tennessee Technology Park 2014-2016

## APPENDIX B

### Office of Investigations Work Plan Priorities for FY 2017

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

A majority of the Department's budget is expended on contracts and grants; therefore, the opportunity for fraud to occur or exist within various Department programs is significant. In FY 2017, Investigations will continue to: (1) prioritize contract and grant fraud investigations, placing emphasis on cases with a potential high dollar recovery to the Department; (2) coordinate and pursue leads referred by the OIG Office of Audits and Inspections; and (3) proactively identify and pursue contract and grant fraud investigations.

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

The Department's program for cleaning up the environmental contamination caused by nuclear weapons research, production and testing is estimated to cost over \$250 billion over the next several decades. The OIG has identified environmental cleanup as a Department Management Challenge that is likely to persist well into the future. In FY 2017, Investigations will: (1) pursue investigations involving potential ES&H violations; (2) continue liaison efforts with ES&H contacts in the Department, NNSA, and other Government agencies; and (3) provide ES&H awareness briefings throughout the Department complex.

#### **Issues Impacting the Integrity of Government Officials**

Government officials have a responsibility to maintain the public's trust and confidence in the integrity of the Federal Government programs and operations. In FY 2017, based on information received through the OIG Hotline and other sources, the OIG Office of Investigations will continue to work with the Department of Justice to address allegations of criminal misconduct and ethical lapses on the part of government officials. The Office of Investigations will also continue to investigate related activities that may have resulted in fraud, waste, abuse and mismanagement.

#### **Technology Crimes**

The Office of Investigations' Technology Crimes Section (TCS) is staffed by investigators with the specialized skills necessary to proactively and reactively investigate the expanding number of complex technology crimes that are allegedly occurring within many of the Department's programs. TCS further strengthens the Office of Investigations' support to the Department, including NNSA, in detecting, preventing and investigating illegal network intrusions. During FY 2017, TCS will: (1) continue to proactively support OIG fraud investigations through consultations and forensic media analysis; (2) investigate incidents

of technology crimes and non-compliance with applicable regulations involving protection of the information infrastructure throughout the Department; (3) extend the Office of Investigations' role in technology incident response and investigations in the Department; and (4) provide technology crimes awareness briefings throughout the Department complex.