

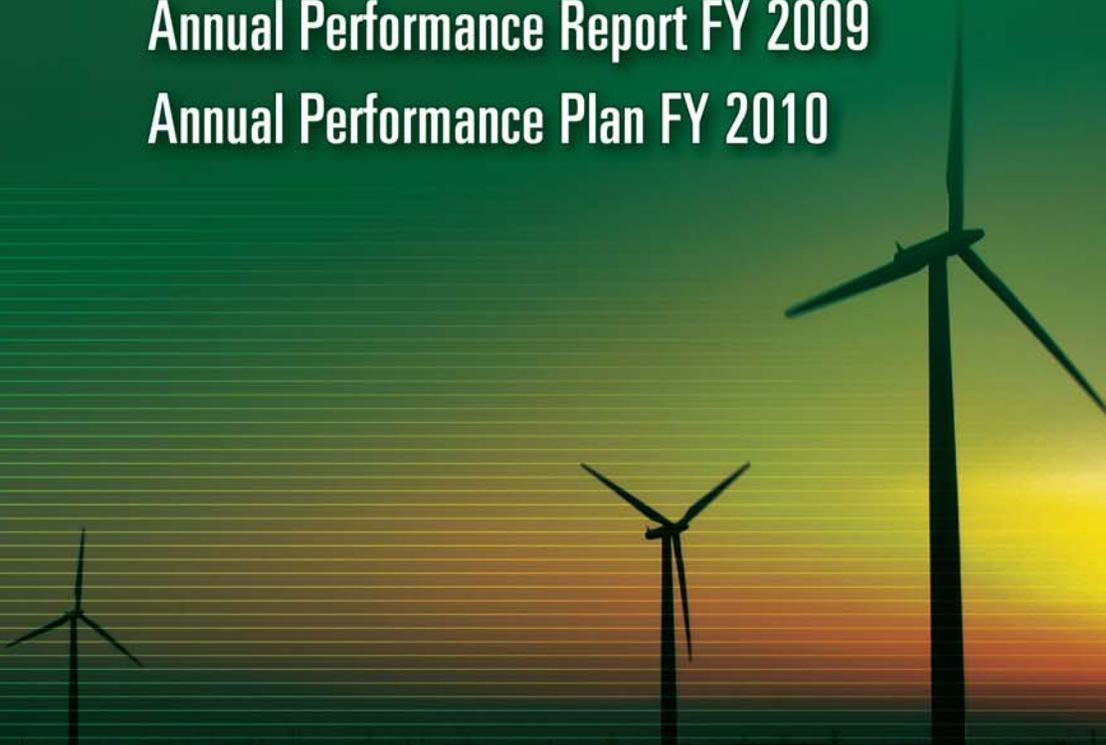


U.S. DEPARTMENT OF  
**ENERGY**

# U.S. Department of Energy Office of Inspector General



Annual Performance Report FY 2009  
Annual Performance Plan FY 2010





# Office of Inspector General

**Gregory H. Friedman**

Inspector General

*This report is also available on the Department of Energy/Office of Inspector General website at <http://www.ig.energy.gov>*

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# **ANNUAL PERFORMANCE REPORT FY 2009**

# **ANNUAL PERFORMANCE PLAN FY 2010**



**U.S. DEPARTMENT OF ENERGY  
OFFICE OF INSPECTOR GENERAL**

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# Message from the Inspector General

I am pleased to present the Office of Inspector General's combined *Fiscal Year 2009 Annual Performance Report and Fiscal Year 2010 Annual Performance Plan*.

On February 17, 2009, the *American Recovery and Investment Act of 2009* (Recovery Act) was enacted. Under the Recovery Act, the Department of Energy received just under \$40 billion for various energy, environmental and science programs and initiatives. The Recovery Act also created the Recovery Accountability and Transparency Board, in recognition of the need for effective oversight to protect taxpayer's interest. Under the statute, the Department of Energy's Inspector General is a member of the Board

In support of the objectives outlined in the Recovery Act, this office has developed and is executing a multi-phase strategy designed to provide the most effective oversight possible of Recovery Act activities, with available resources. Our goal is to work with Department management to maximize the Recovery Act's efforts to achieve accountability and transparency.

Moving forward, we plan to continue our focus on helping management achieve the programmatic objectives of the Recovery Act, as they apply to the Department of Energy. We also plan to address other Departmental Management Challenges identified by this office, including: Contract Administration, Cyber Security, Energy Supply, Environmental Cleanup, Human Capital Management, Safeguards and Security, and Stockpile Stewardship.

My staff and I are committed to the many challenges facing the Department and look forward to working with our dedicated Department of Energy colleagues in the interest of the American people.

Gregory H. Friedman  
Inspector General

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# Overview, Vision, and Mission

As mandated by the *Inspector General Act of 1978*, as amended, the Office of Inspector General (OIG) promotes the effective operation of the Department of Energy (Department), including the National Nuclear Security Administration (NNSA) and the Federal Energy Regulatory Commission (FERC). This is accomplished through audits, inspections, and investigations designed to improve economy and efficiency and to detect and prevent fraud, waste, abuse, mismanagement, and violations of law. As part of a collective effort, the OIG's goal is to ensure that the Department is:

- Fulfilling its program goals effectively;
- Using its resources efficiently in this pursuit;
- Operating within the scope of its legislative mandates;
- Meeting the President's Management Agenda; and,
- Addressing Departmental priorities established by the Secretary.

This report highlights the OIG's FY 2009 actual performance and FY 2010 planned activities. The goals, objectives, and strategies included in this document will be used to plan, measure and report on OIG results. This document includes the results of FY 2009 audits, inspections, investigations, and special requested actions; constant efforts to improve the OIG in alignment with the President's Management Agenda; the relationship between the Department and the OIG; and, the plan to fund and accomplish FY 2010 goals. Appendices include the FY 2010 audit and inspection plans; OIG responsibilities, authorities and other mandates; and, validation and verification of OIG performance activities.

## Vision

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

## Mission

To promote the effective, efficient, and economical operation of the Department through audits, inspections, investigations, and other reviews to detect and prevent waste, fraud, abuse, and violations of law.

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## FY 2009 OIG Performance Results

The OIG continues to make positive contributions to the Department's mission-related priorities. Some highlights of our work in FY 2009 include:

Funds Put to Better Use	\$466 million
Fines, Settlements, and Recoveries	\$85.5 million
Criminal Convictions	28
Suspensions and Debarments	35
Civil or Administrative Actions	101
Potential Recoveries from 16 Open False Claims Act Investigations	\$295.6 million
Hotline Complaints and Inquiries Received	1,391
Hotline Complaints and Inquiries Processed	407
Total Reports Issued	78
Recovery Act Reports	4
Audit Reports	58
Inspection Reports	16

The OIG measures its performance against long-term and annual goals set forth in OIG planning documents. During this reporting period, the OIG successfully achieved its FY 2009 performance goals. In most instances, the OIG exceeded its goals. The following are the specific results:



## Goal 1

### Promote the President’s Management Agenda and the Mission Priorities of the Secretary and Congress

<b>Objective 1:</b>	
Conduct reviews seeking positive change in the Department relating to the implementation of the initiatives in the President’s Management Agenda, the Secretary’s Priorities, and the OIG-identified Management Challenges.	
<b>Performance Measures:</b>	<b>Accomplishments</b>
<i>1a. By the end of FY 2011, complete reviews that address each Presidential, Secretarial, and OIG initiative, priority, and/or challenge as identified in FY 2009.</i>	<b>Met Goal</b>
<i>1b. At least 50% of inspection reports will address safety or security-related topics.</i>	<b>Exceeded Goal</b>

	<b>Audits</b>	<b>Inspections</b>	<b>Investigations</b>
<b>1a.</b>	A total of 61 audits were conducted that addressed the President’s Management Agenda, the Secretary’s Mission Priorities, and OIG-identified Management Challenges.	A total of 16 reviews were completed that addressed the President’s Management Agenda initiatives, the Secretary’s Mission Priorities, and OIG-identified Management Challenges.	<i>(Not applicable)</i>
<b>1b.</b>	<i>(Not applicable)</i>	A total of 62.5% (10 of 16 reports as of September 30, 2009) were conducted to address safety-related topics.	<i>(Not applicable)</i>

### Performance Highlights:

Audits related to OIG-identified Management Challenges were as follows:

- An audit was conducted to determine whether the Department met quality assurance standards when procuring structures, systems, and components (SSCs) for nuclear-related activities at Savannah River. We found that SSCs procured and installed in three major nuclear facilities at Savannah River failed to meet quality assurance standards because of inadequate controls to prevent and detect quality problems.



These findings have potential implications on the site's management of Recovery Act stimulus funds used for similar purposes. Accordingly, we made several recommendations designed to strengthen the quality assurance process at Savannah River. <http://www.ig.energy.gov/documents/IG-0814.pdf>

- We conducted an audit to determine if the Department had established internal and operational controls over its Loan Guarantee Program. Our review disclosed that while a number of key programmatic safeguards had been developed and implemented, the Department had not yet (1) completed a control structure necessary to award loan guarantees and monitor associated projects; (2) finalized policies and procedures for evaluating loan applications, approving loan guarantees, monitoring project and loan guarantee performance, qualifying potential lenders and monitoring participating lenders; (3) formalized procedures for disbursing loan proceeds to successful applicants; and, (4) fully staffed the Loan Guarantee Program Office. Management concurred with our recommendations and implemented corrective actions to improve the Program. <http://www.ig.energy.gov/documents/IG-0812.pdf>

In addition, to provide oversight of Recovery Act programs, we issued a special report to the Department's leadership that suggested approaches the Department should employ to reduce the risks associated with managing the unprecedented levels of Recovery Act funding.

- An audit was conducted to determine whether the Department managed Information Technology (IT) resources in an energy-efficient and environmentally responsible manner. Our audit found that the Department had not always taken advantage of opportunities to reduce energy consumption associated with its IT resources. Also, the Department had not ensured that IT resources were managed in a way that minimized impact on the environment. Without improvements, the Department will not be able to take advantage of opportunities to reduce energy consumption and realize cost savings. <http://www.ig.energy.gov/documents/OAS-RA-09-03.pdf>
- Another audit was conducted to determine whether the Department ensured that Recovery Act funds can be appropriately tracked and are transparent to the public, and whether the benefits of the expenditures can be properly measured and reported clearly, accurately, and in a timely manner. Several challenges were identified relating to Recovery Act performance management, accounting and reporting accuracy, and timeliness that should be addressed and resolved. While much has been done to mitigate these challenges, additional work is necessary if the Department is to successfully manage Recovery Act-related risks. We made a number of recommendations that could help enhance the Department's ongoing efforts. <http://www.ig.energy.gov/documents/OAS-RA-09-04.pdf>



Inspections and reviews related to the President's Management Agenda initiatives, the Secretary's Mission Priorities, and the OIG-identified Management Challenges were as follows:

- A review was conducted at Oak Ridge National Laboratory and associated facilities to determine whether Accountable Classified Removable Electronic Media (ACREM) was managed, protected, and controlled consistent with applicable requirements. Our review disclosed that eight pieces of Secret/Restricted Data media had not been identified as ACREM and placed into a system of accountability. Also, other required ACREM protections and controls were not properly implemented. Management concurred with our recommendations designed to enhance the security of ACREM, security areas, and computers. <http://www.ig.energy.gov/documents/INS-O-09-02.pdf>
- An inspection was conducted at the Lawrence Livermore National Laboratory (Livermore) to evaluate the adequacy of Livermore's internal controls over Government property with specific emphasis on personal property assigned to terminated individuals and stolen laptop computers. Our inspection revealed that internal controls over property at Livermore could be improved. We found that the location and/or custodian of approximately 18 percent of the property items in our sample was inaccurately reflected in the contractor's property management database. Also, some employees were not adequately protecting laptops while offsite and were not held accountable for the subsequent theft of the computers. Management agreed with our recommendations to improve property accountability at Livermore. <http://www.ig.energy.gov/documents/INS-O-09-03.pdf>
- We conducted an inspection to determine if fire suppression and related services at Los Alamos National Laboratory (LANL) are assured through contractual arrangements with Los Alamos County. Our inspection determined that fire fighters had not been properly trained nor did they have the knowledge to confidently and effectively respond to an emergency in the unique operational environments they may encounter at Los Alamos. We also found that facility management had not addressed long standing recommendations made in the 1995 and 2004 Los Alamos Baseline Needs Assessments. To fully correct the conditions identified during this review, we made several recommendations to the NNSA Administrator to take immediate action to address these problems. Management agreed with our recommendations. <http://www.ig.energy.gov/documents/IG-0821.pdf>
- An inspection of the Office of Intelligence and Counterintelligence's (IN) Foreign Intelligence Surveillance Act (FISA) support activities was initiated. We reviewed four cases IN identified as having been referred by the Federal Bureau of Investigation (FBI) for analysis of raw data collected under FISA court orders, as well as applicable IN policies and procedures. While our inspection did not disclose any evidence that IN processed casework in a manner that was inconsistent with FISA, we did find, however, that one of the four FISA cases referred by the FBI for analysis was not



completed in a timely manner and IN management was not aware of this situation. We also found that IN did not have written procedures for processing FISA cases and lacked an IN-wide process for tracking and following up on FISA cases. We suggested that management develop procedures and implement protocols to improve the processing, tracking, and follow up of FISA cases.

<http://www.ig.energy.gov/documents/INS-L-09-05.pdf>

- An inspection was conducted at the Hanford Site to determine if the purchase of overtime meals and gifts using Government funds was in compliance with applicable Federal regulations and policies. We found that Site contractors used Government funds to purchase overtime meals for employees and gift items that were given away to the public, which appeared to conflict with Federal regulations and policies. Based upon our findings, the Department's Richland Operations Office and Office of River Protection advised us that future collective bargaining labor agreements would not allow for Government funds to be used for overtime meals. Further, the Richland Operations Office indicated that providing gifts to the public would be discontinued.

<http://www.ig.energy.gov/documents/INS-L-09-02.pdf>

## Goal 2

### Improve economy and efficiency and reduce waste, fraud, and abuse within the Department

<b>Objective 2:</b>	
Concentrate OIG efforts on issues that have the greatest impact and usefulness to the Department.	
Performance Measures:	Accomplishments
<i>2a. Ensure that every performance review includes an analysis of program accomplishments and the use of metrics to measure results.</i>	<b>Met Goal</b>
<i>2b. Ensure that 57% of all performance audits include recommendations leading to demonstrable cost savings, program efficiencies, and/or funds put to better use.</i>	<b>Exceeded Goal</b>
<i>2c. Complete five follow-up reviews annually to determine the status and efficacy of corrective actions.</i>	<b>Exceeded Goal</b>
<i>2d. Ensure that each year 80% of all planned performance audits address high-risk areas as identified in the OIG annual risk-based programmatic assessments.</i>	<b>Exceeded Goal</b>
<i>2e. Strive for the Department to accept at least 79% of OIG report recommendations.</i>	<b>Exceeded Goal</b>



	Audits	Inspections	Investigations
2a.	All of the 37 performance audits completed included an analysis of program accomplishments and the use of metrics to measure results.	All performance reviews completed during the reporting period included an analysis of program accomplishments and the use of metrics to measure results or documented that an analysis was not appropriate or required.	<i>(Not applicable)</i>
2b.	78% of all performance audits issued included demonstrable cost savings, program efficiencies and/or funds that can be put to better use in excess of \$466 million.	<i>(Not applicable)</i>	<i>(Not applicable)</i>
2c.	8 of the 37 performance audits completed were follow-up reviews to determine the status and efficacy of corrective actions.	<i>(Not applicable)</i>	<i>(Not applicable)</i>
2d.	90% of our planned performance audits addressed high-risk and sensitive areas identified in the OIG annual risk-based programmatic assessments.	<i>(Not applicable)</i>	<i>(Not applicable)</i>
2e.	There were 85 audit recommendations included in the 37 performance audits conducted. The Department concurred with 83% of our recommendations.	100% of all recommendations (a total of 44) were accepted as of September 30, 2009.	<i>(Not applicable)</i>

**Performance Highlights:**

For the performance audits issued, 78 percent identified demonstrable cost savings, program efficiencies and/or funds that can be put to better use in excess of \$466 million.



For example:

- Based on our audit of *“Potential Uses for Depleted Uranium Oxide,”* there is a possibility that the Department could save approximately \$413 million in disposal costs by fully evaluating potential alternatives of depleted uranium oxide.  
<http://www.ig.energy.gov/documents/IG-0810.pdf>
- Based on our audit of *“Management of Energy Savings Performance Contract Delivery Orders at the Department of Energy,”* the Department risks spending up to \$17.3 million more than it will realize in energy savings.  
<http://www.ig.energy.gov/documents/IG-0822.pdf>
- Based on our audit of *“The Department of Energy’s Opportunity for Energy Savings Through the Use of Setbacks in its Facilities,”* there is the potential for savings of about \$11.5 million in annual utility costs by using setbacks in the Department’s buildings.  
<http://www.ig.energy.gov/documents/IG-0817.pdf>

Fundamental to the annual audit planning process is conducting risk assessments and the development of audit profiles. The OIG considers all major contractor sites to be high risk. Other considerations include OIG institutional knowledge; past program performance; funding levels; and, Presidential, Secretarial, and congressional concerns. By June 30, 2009, we completed risk-based programmatic assessments for each Department, NNSA and program activity. These risk assessments resulted in the identification of significant auditable entities at various Department locations. Another part of our audit planning process includes input from Department management, other interested parties, and the OIG staff.

We also performed audits in response to congressional requests. For example, our *“Special Report on Allegations of Conflict of Interest Regarding Licensing of PROTECT by Argonne National Laboratory,”* was performed in response to a request from an Illinois Congressman. We concluded that the competition and licensing process for PROTECT had not completely satisfied Department objectives related to ensuring that technology partnering programs provide fair opportunities to interested parties. We made several recommendations designed to help improve the safeguards associated with technology transfer license competitions. <http://www.ig.energy.gov/documents/IG-0819.pdf>

Further, the Department concurred with all 44 recommendations contained in the 16 reports issued by the Office of Inspections and Special Inquiries. The following are examples of positive outcomes resulting from inspection recommendations:

- The Lawrence Livermore Site Office issued a memorandum to Lawrence Livermore National Security, LLC, restricting the protective force’s actions offsite to the Department’s mission, and that the use of the California Law Enforcement Telecommunication System is not authorized for traffic enforcement. The Office of Health, Safety and Security also issued a memorandum to Department and NNSA



security officials reiterating existing offsite assistance policy to local law enforcement authorities by Department contractor personnel and accessing law enforcement databases during administrative traffic stops exceeds the scope of protective force authorized duties. [http://www.ig.energy.gov/documents/DOE-IG-0820\(1\).pdf](http://www.ig.energy.gov/documents/DOE-IG-0820(1).pdf)

- Oak Ridge National Laboratory (ORNL) officials disabled the document servers for over 160 copiers with hard drives in use at ORNL to prevent the possible release of sensitive information stored on the hard drives. ORNL officials also modified copier lease agreements to include a requirement to either remove copier hard drives or to properly clear, purge, or destroy the hard drives before excessing. Further, ORNL officials discontinued returning copiers to its suppliers after we made initial inquiries in December 2007, and later identified 218 hard drives to be removed from leased copiers. <http://www.ig.energy.gov/documents/INS-L-09-06.pdf>
- ORNL officials promptly placed the eight pieces of Accountable Classified Removable Electronic Media (ACREM) into accountability; issued two Incident of Security Concern reports; and, provided ACREM training to custodians. In addition, the Oak Ridge Office issued guidance to the United States Enrichment Corporation to disable ports on its classified computers. <http://www.ig.energy.gov/documents/INS-O-09-02.pdf>

<b>Objective 3:</b>	
Provide timely information to the Department so that prompt action can be taken to improve program performance.	
<b>Performance Measures:</b>	<b>Accomplishments</b>
<i>3a. Issue 80% of audit reports no later than 60 days following receipt of management comments.</i>	<b>Exceeded Goal</b>
<i>3b. Ensure that the average time to issue Investigative Reports to Management (IRMs) is 55 days or less following final resolution of criminal and civil investigations.</i>	<b>Exceeded Goal</b>
<i>3c. Complete the field work for 80% of inspections within 90 work days.</i>	<b>Exceeded Goal</b>



	Audits	Inspections	Investigations
<b>3a.</b>	83% were issued within 60 days following receipt of management comments, to provide timely information to Department management.	<i>(Not applicable)</i>	<i>(Not applicable)</i>
<b>3b.</b>	<i>(Not applicable)</i>	<i>(Not applicable)</i>	IRMs were issued in 23 days, on average, following final resolution of criminal and/or civil action.
<b>3c.</b>	<i>(Not applicable)</i>	83% of the inspection field work was completed within 90 work days.	<i>(Not applicable)</i>

**Objective 4:**

Strengthen financial management and cyber security through completion of mandatory reviews in accordance with OMB and other applicable requirements.

Performance Measures:	Accomplishments
<i>4a. Complete annually, by the established due date, the Department's Consolidated Financial Statement audits to determine whether the financial statements are free from material misstatement.</i>	<b>Exceeded Goal</b>
<i>4b. By September 30, 2009, review the Department's classified and unclassified information security system programs in accordance with the Federal Information Security Management Act of 2002.</i>	<b>Exceeded Goal</b>
<i>4c. Initiate 10 "Statement of Costs Incurred and Claimed" audits annually to assess internal controls over costs claimed by the Department's major contractors.</i>	<b>Exceeded Goal</b>



	Audits	Inspections	Investigations
4a.	The Department's FY 2009 Consolidated Financial Statements were issued on November 12, 2009, and resulted in an unqualified opinion.	<i>(Not applicable)</i>	<i>(Not applicable)</i>
4b.	We completed reviews of the Department's unclassified information security systems in accordance with the Federal Information Security Management Act of 2002. The reviews were completed in October 2009, well ahead of the OMB's revised reporting date of November 18, 2009.	<i>(Not applicable)</i>	<i>(Not applicable)</i>
4c.	We initiated 18 Statement of Costs Incurred and Claimed audits to determine whether the Department's integrated contractors were reimbursed for allowable costs consistent with their contracts.	<i>(Not applicable)</i>	<i>(Not applicable)</i>

**Performance Highlights:**

The Department's Consolidated Financial Statements found that the Department took a number of actions to improve controls over financial reporting during FY 2009. However, the audit found significant deficiencies in the Department's internal controls over accounting for property, plant and equipment and unclassified network and information systems security. While the Department has made progress in addressing previously identified cyber security weaknesses, network vulnerabilities and weaknesses in access and other security controls over unclassified computer information systems continued to exist. Neither of these significant deficiencies was considered to be a material weakness.

As a result of our review of the unclassified information security systems, we found that the Department had taken steps to improve its cyber security program by strengthening configuration management of networks and systems; performing independent assessments; improving certification and accreditation of systems; updating policies and procedures; and,



instituting a centralized incident response organization designed to eliminate duplicative efforts. While the Department is taking steps to improve its cyber security program, additional action is required to reduce the risk of compromise to information systems and data. We have identified areas for improvement, including security planning and testing, systems inventory, access controls, and configuration management.

<b>Objective 5:</b>	
Concentrate investigative efforts on allegations of criminal and civil violations of law that adversely impact major Department programs and operations, with emphasis on maximizing the recovery of public resources and deterring future wrongdoing.	
<b>Performance Measures:</b>	<b>Accomplishments</b>
<i>5a. Achieve an annual acceptance rate of 72% for cases presented for prosecutorial consideration.</i>	<b>Exceeded Goal</b>
<i>5b. Ensure 75% of all cases opened focus on key areas of Department vulnerability, specifically procurement and grant fraud, environmental violations, Qui Tams, or computer crimes.</i>	<b>Exceeded Goal</b>

	<b>Audits</b>	<b>Inspections</b>	<b>Investigations</b>
<b>5a.</b>	<i>(Not applicable)</i>	<i>(Not applicable)</i>	The OIG achieved a prosecutorial acceptance rate of 89%.
<b>5b.</b>	<i>(Not applicable)</i>	<i>(Not applicable)</i>	Of the cases opened in FY 2009, 77% focused on key areas of vulnerability in the Department.  The OIG obtained: <ul style="list-style-type: none"> <li>• 17 criminal indictments;</li> <li>• 28 convictions;</li> <li>• 2 pretrial diversions;</li> <li>• 10 civil judgments.</li> </ul>



**Performance Highlights:**

An OIG investigation determined that a former Department security subcontractor at the Strategic Petroleum Reserve switched to a self insurance health insurance program and billed the Department for health insurance premiums that exceeded allowable self insurance health insurance premiums. The subcontractor agreed to pay the \$1 million to resolve the allegations of fraud. The contractor also disallowed payment to the subcontractor which resulted in a \$3.9 million monetary recovery to the Department.

A joint investigation determined that a Romanian national hacked into unclassified computers and servers at different Department facilities, including Sandia National Laboratories, Lawrence Berkeley National Laboratory, Thomas Jefferson National Accelerator Facility, and Oak Ridge National Laboratory. The individual was sentenced by the First Instance Court, Arad, Romania, to 40 months probation and further ordered to pay restitution and fees of approximately \$225,821, of which \$19,032 was returned to the Department.

A joint investigation determined that a subcontractor official, along with other co-conspirators, used the U.S. Postal Service to submit invoices and obtain payments from a Federal Energy Regulatory Commission grantee for work not performed. Two grantee employees were sentenced to 12 to 24 months in prison and 2 years supervised probation, and were ordered to make restitution in excess of \$5 million. Two associated subcontractor personnel were also sentenced to 2 years probation, 200 hours of community service, and fined \$10,000 and \$50,000. Another subcontractor employee was debarred, along with his wife and two associated companies, after previous Mail Fraud conviction and sentence.

<b>Objective 6:</b>	
Coordinate with other law enforcement agencies to establish effective networks in order to identify areas that are most vulnerable to waste, fraud, and abuse.	
<b>Performance Measure:</b>	<b>Accomplishment:</b>
<i>6a. Ensure 25% of all cases opened were joint agency/task force investigations with external law enforcement agencies, such as the Federal Bureau of Investigation and other OIGs.</i>	<b>Exceeded Goal</b>

	<b>Audits</b>	<b>Inspections</b>	<b>Investigations</b>
<b>6a.</b>	<i>(Not applicable)</i>	<i>(Not applicable)</i>	The OIG opened 126 cases during FY 2009; 29% of which were joint agency task force investigations.



**Performance Highlights:**

A joint OIG investigation determined that a Federal grantee violated Federal rules and procedures regarding cost transfers, cost allocations, and time and effort reporting over a 7-year period from January 2000 to December 2006. The grantee, a university, had improperly transferred unallowable costs to Federal grants on or about the expiration date in order to spend down remaining grant funds. The investigation also determined that the university improperly charged Federal grants for summer salaries for researchers for unrelated work. The university agreed to pay the Government \$7.6 million to resolve these issues.

A joint investigation determined that several body armor companies knowingly participated in the manufacturing and sale of defective body armor containing Zylon. The body armor companies manufactured and sold the defective body armor to the Department as well as to other Federal, State, local and tribal law enforcement agencies. Three companies agreed to pay the Government in excess of \$46 million to resolve allegations that it violated the False Claims Act.

A joint investigation determined that a Laboratory employee misused his position to obtain various electronic items, including laptop computers, which were subsequently sold for personal gain. The employee pled guilty to two counts of Theft of Government Property and two counts of False Claims and was sentenced to one year incarceration and two years supervised probation. The person was also ordered to pay \$113,490 in restitution.

<b>Objective 7:</b>	
Heighten awareness of potential fraud among internal and external customers.	
<b>Performance Measure:</b>	<b>Accomplishment</b>
<i>7a. Provide 28 fraud awareness briefings annually to Department and contractor employees and managers.</i>	<b>Exceeded Goal</b>

	<b>Audits</b>	<b>Inspections</b>	<b>Investigations</b>
<b>7a.</b>	<i>(Not applicable)</i>	<i>(Not applicable)</i>	The OIG investigative personnel conducted 84 fraud awareness briefings in FY 2009.

**Performance Highlights:**

Our fraud awareness briefings were presented to over 8,000 Federal employees, contractor officials, and fund recipients. These briefings are designed to discuss the process for



reporting fraud, waste and abuse to the OIG and to highlight priorities and initiatives of the Office of Investigations. These briefings aid significantly in preventing fraud, waste, and abuse by heightening awareness of fraud indicators and familiarizing officials with our operations and oversight of Recovery Act funds. In FY 2010, the OIG will continue to concentrate its efforts on educating the community to potential fraud indicators as a means of determining fraud, waste and abuse.

### Goal 3

#### Support the Taxpayer

<b>Objective 8:</b>	
Provide the Department and the public with an effective and efficient mechanism to report waste, fraud, and abuse.	
<b>Performance Measures:</b>	<b>Accomplishments</b>
<i>8a. Operate the OIG Hotline in a manner that ensures 90% of Hotline complaints warranting further action begin processing within 7 days of receipt.</i>	<b>Exceeded Goal</b>
<i>8b. Forward 90% of the complaints identified for referral to Department or other agency management within 14 days of initiation of the case.</i>	<b>Exceeded Goal</b>

	<b>Audits</b>	<b>Inspections</b>	<b>Investigations</b>
<b>8a.</b>	<i>(Not applicable)</i>	99% (398 of 402 complaints as of September 30, 2009) complaints began processing within 7 days.	<i>(Not applicable)</i>
<b>8b.</b>	<i>(Not applicable)</i>	98% (164 of 168 complaints as of September 30, 2009) complaints were referred to the Department within 14 days.	<i>(Not applicable)</i>



**Objective 9:**

Make the public aware of OIG reports.

Performance Measure:	Accomplishment
<i>9a. Ensure that all OIG public reports that were identified for inclusion on the Internet are posted within three working days of submission to the Secretary, unless otherwise specified by the Inspector General.</i>	<b>Met Goal</b>

	Audits	Inspections	Investigations	Resource Management
<b>9a.</b>	<i>(Not applicable)</i>	<i>(Not applicable)</i>	<i>(Not applicable)</i>	All public reports were posted within three work days and an early alert system provided approved subscribers advance notification of the release of the reports.

**Objective 10:**

Provide a structure for ensuring a skilled and efficient workforce.

Performance Measures:	Accomplishments
<i>10a. Ensure that all auditors meet the training requirements as specified by generally accepted Government Auditing Standards.</i>	<b>Met Goal</b>
<i>10b. Ensure that all investigators meet the training requirements as specified by Federal law enforcement and other related investigative standards.</i>	<b>Met Goal</b>
<i>10c. Ensure that all inspectors meet the training requirements as specified by the President's Council on Integrity and Efficiency "Quality Standards for Inspections."</i>	<b>Met Goal</b>



	Audits	Inspections	Investigations
10a-c.	100% of the auditor staff met the statutory requirement for continuing education.	100% of the inspections staff met the PCIE training standards.	100% of the Investigators met their training requirements including those prescribed by statute.

### *Performance Highlights*

The OIG-established training requirements ensure that auditors, inspectors, and investigators receive required or otherwise appropriate training for their specialty. These requirements are stated in each employee’s individual development plan. Each organization designated a training coordinator position to: (1) monitor the allocation and use of training funds; (2) ensure required training is scheduled and completed; (3) integrate developmental and training requirements into the planning process; and, (4) ensure employees have individual development plans.



# Relationship with the Department of Energy

The work of the OIG continues to focus on the vital areas stated in the Department's strategic plan. The Department's strategic themes of energy security, nuclear security, scientific discovery and innovation, environmental responsibility, and management excellence are key areas for OIG reviews and investigations. The OIG aligns its reviews along the same themes, with emphasis on key challenges facing the Department. The OIG identification of key challenges brings an even sharper delineation of issues for Departmental focus. The following are the OIG-identified Management Challenges for FY 2010:

- Contract Administration
- Cyber Security
- Energy Supply
- Environmental Cleanup
- Safeguards and Security
- Stockpile Stewardship
- Recovery Act Implementation
- Human Capital Management

In addition to responding to requests for special reviews or investigations from the Secretary and Congress, the OIG continuously performs reviews at the Department through various planned audits and inspections.

## OIG Strategic Goal

The OIG's strategic goal is to perform a robust review program that provides timely, relevant performance information and recommendations to improve the Department's programs in relation to:

1. The President's Management Agenda;
2. The Secretary's priorities; and,
3. OIG-identified Management Challenges.

To ensure the integrity of the Federal and contractor workforce, the OIG completes statutory mandates, recovers monies, and provides opportunities for savings.

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# FY 2010 Funding Priorities

## OIG Funding by Strategic Goal

The OIG focuses its resources toward the most significant mission-related priorities and challenges facing the Department. The OIG's overarching strategic goal supports the Department's mission priorities and the President's Management Agenda.

Strategic Goal	FY 2009 Appropriated	FY 2010 Requested	FY 2010 Appropriated
<i>The OIG's Strategic Goal is to operate a robust review program and provide timely performance information and recommendations to facilitate the Department's efforts to: (1) implement the President's Management Agenda; (2) resolve management challenges; (3) execute the Secretary's priorities; and, (4) ensure the integrity of the Federal and contractor workforce, while ensuring that the OIG completes statutory mandates, recovers monies, and provides opportunities for savings.</i>	\$51.9 million	\$51.4 million	\$51.9 million

The OIG started FY 2010 under a one month continuing resolution with funding held to FY 2009 levels. The OIG will receive the full FY 2010 appropriation, which is \$ 0.5 million above the FY 2010 budget request. The additional funding will help to ensure that the OIG continues to successfully meet its statutory requirements; and, conduct independent audits, inspections, investigations, and other reviews of the Department's programs in a timely and efficient manner.

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# FY 2010 Performance Plan

Our work is important to the Department's success in fulfilling its Strategic Plan to address the energy, environmental, and nuclear security challenges and mission-related goals. The OIG must ensure that its resources and activities cover the issues and concerns most critical to the Department. This Performance Plan identifies the FY 2010 goals, objectives, and measures that will help the OIG to better plan its priorities and continue to assist the Department in identifying and taking corrective action to improve areas most vulnerable to waste, fraud, and mismanagement. This Performance Plan also describes the specific projects and activities the OIG plans to undertake during FY 2010 to continue identifying opportunities for cost savings and operational efficiencies, and to continue to return hard dollars to the Department and the U.S. Treasury.

## FY 2010 Performance Measures

For FY 2010, the OIG will measure its accomplishments against the following performance measures:

### Goal 1

#### Promote the President's Management Agenda and the Mission Priorities of the Secretary and Congress

##### Objective 1:

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

##### Performance Measures:

*1a. By the end of FY 2010, complete reviews that address each Presidential, Secretarial, and OIG initiative, priority, and/or challenge as identified in FY 2010.*

*1b. At least 30% of inspection reports will address safety or security-related topics.*



## Goal 2

### Improve economy and efficiency and reduce waste, fraud, and abuse within the Department

#### Objective 2:

Concentrate OIG efforts on issues that have the greatest impact and usefulness to the Department.

#### Performance Measures:

- 2a. Ensure that every performance review includes an analysis of program accomplishments and the use of metrics to measure results.*
- 2b. Ensure that 57% of all performance audits include recommendations leading to demonstrable cost savings, program efficiencies, and/or funds put to better use.*
- 2c. Complete five follow-up reviews annually to determine the status and efficacy of corrective actions.*
- 2d. By June 30, 2010, complete an annual risk-based programmatic assessment that considers OIG institutional knowledge; past program performance; funding levels; Presidential, Secretarial, and congressional concerns; Recovery Act initiatives; and, input from Department program managers.*
- 2e. Ensure 80% of all planned performance audits address high-risk areas as identified in the OIG annual risk-based programmatic assessments.*
- 2f. Strive for the Department to accept at least 79% of OIG report recommendations.*
- 2g. Ensure that 10% of all planned inspections address Recovery Act-funded activities.*



**Objective 3:**

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

**Performance Measures:**

*3a. Issue 80% of audit reports no later than 60 days following receipt of management comments.*

*3b. Ensure that the average time to issue Investigative Reports to Management is 50 days or less following final resolution of criminal, civil, and administrative investigations.*

*3c. Issue 70% of inspection reports (on average) within 60 days of receiving management comments.*

**Objective 4:**

Strengthen financial management and cyber security through completion of mandatory reviews in accordance with OMB and other applicable requirements.

**Performance Measures:**

*4a. Complete annually, by the established due date, the Department's Consolidated Financial Statement audits to determine whether the financial statements are free from material misstatement.*

*4b. By September 30, 2010, review the Department's classified and unclassified information security system programs in accordance with the Federal Information Security Management Act of 2002.*

*4c. Initiate 10 "Statement of Costs Incurred and Claimed" audits annually to assess internal controls over costs claimed by the Department's major contractors.*



**Objective 5:**

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

**Performance Measures:**

*5a. Achieve an annual acceptance rate of 72% for cases presented for prosecutorial consideration, with an enhanced focus on Recovery Act cases.*

*5b. Ensure 75% of all cases opened focus on key areas of Department vulnerability, specifically procurement and grant fraud, environmental violations, Qui Tams, or computer crimes.*

**Objective 6:**

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

**Performance Measure:**

*6a. Ensure 25% of all cases opened were joint agency/task force investigations with external law enforcement agencies, such as the Federal Bureau of Investigation and other OIGs including other agencies with Recovery Act funding.*

**Objective 7:**

Heighten awareness of potential fraud among internal and external customers.

**Performance Measure:**

*7a. Provide 35 fraud awareness briefings annually to Department and contractor employees and managers, with special emphasis on Recovery Act-related fraud.*



## Goal 3

### Support the Taxpayer

#### Objective 8:

Provide the Department and the public with an effective and efficient mechanism to report waste, fraud, and abuse.

#### Performance Measures:

*8a. Operate the OIG Hotline in a manner that ensures 90% of Hotline complaints warranting further action begin processing within 7 days of receipt.*

*8b. Forward 90% of the complaints identified for referral to Department or other agency management within 14 days of initiation of the case.*

*8c. Complete Whistleblower complaints within 180 days.*

#### Objective 9:

Make the public aware of OIG reports.

#### Performance Measure:

*9a. Ensure that all OIG public reports that are identified for inclusion on the Internet are posted within three working days of submission to the Secretary, unless otherwise specified by the Inspector General.*

#### Objective 10:

Provide a structure for ensuring a skilled and efficient workforce.

#### Performance Measures:

*10a. Ensure that all auditors meet the training requirements as specified by generally accepted Government Auditing Standards.*

*10b. Ensure that all investigators meet the training requirements as specified by Federal law enforcement and other related investigative standards.*

*10c. Ensure that all inspectors meet the training requirements as specified by the President's Council on Integrity and Efficiency "Quality Standards for Inspections."*

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# Our Organization

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

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

OIG field offices are located at key Department sites around the Nation:





## Office of Audit Services

The Office of Audit Services (OAS) provides internal and contracted audit activities for Department programs and operations, including the NNSA. The Office strives to provide reliable, credible financial and performance information to senior management, the Congress, and the taxpayers. The Office is organizationally aligned with the Department's programmatic lines in national security and science; energy; and, environment, technology, corporate and financial operations. The Office will concentrate its efforts on economy, efficiency and program reviews, while maintaining sound oversight of the financial statement audit. This organizational structure helps to ensure that audit work provides comprehensive coverage over Department organizations, programs, and operations while meeting the Department's evolving needs.

With the passage of the Recovery Act, the oversight responsibilities of OAS dramatically increased. The Department received approximately \$40 billion in Recovery Act funding for various energy, environmental, and science programs and initiatives. To protect the interests of the American taxpayers and ensure accountability and transparency, OAS will devote a significant amount of audit resources to fulfill its Recovery Act oversight responsibilities.

The Office uses a risk-based process for identifying areas for audit coverage. Specific areas with known or emerging risks and the greatest vulnerabilities are identified. This process leads to conducting program performance reviews that address the President's Management Agenda; the Department's Strategic Themes and Goals; OIG-identified management challenges; as well as Congressional interests. A significant portion of audit resources is directed toward meeting OIG statutory audit responsibilities in the financial and information technology areas.

The OAS has scheduled 85 performance audits to start in FY 2010. Many non-discretionary tasking from external sources impact the OAS workload and may require postponement or cancellation of planned audits to accommodate these demands. Following is a summary of the audits' objectives that are scheduled to begin in FY 2010, grouped by the Department's Business Lines. The planned audit workload is summarized later in this plan.

## National Security and Science

To protect our national security by applying advanced science and nuclear technology to the Nation's defense, and to contribute to the protection of the U.S. national and economic security by providing world-class scientific research capacity and advancing scientific knowledge, the following audits will determine whether the:



- LANL is effectively managing the TA-21 Deactivation and Demolition projects (A10AL001)
- NNSA's contractors have minimized workers' compensation costs by implementing effective disability management and return to work programs (A10LL005)
- Office of Science achieved the goals and objectives of the NOvA Detector Project (A10RA004)
- SNL has fully implemented an Integrated Safety Management system (A10AL004)
- Recovery Act projects at LBNL are meeting program goals and objectives (A10RA008)
- NNSA is completing the W76 refurbishment within scope, schedule and cost parameters (A10AL002)
- Nevada Test Site is effectively managing its environmental cleanup activities (A10RA009)
- Office of Science achieved the goals and objectives of the NSLS-II Project (A10RA006)
- Secure Transportation Asset has the capability to meet mission requirements (A10YT010)
- Department conducted timely and complete Nuclear Explosive Safety Studies and evaluations of nuclear explosive operations (A10LV009)
- NNSA is adequately managing and accounting for high explosives and classified nuclear weapons parts (A10AL003)
- Recovery Act projects at SLAC are meeting program goals and objectives (A10RA007)
- Office of Science achieved the goals and objectives of the Energy Frontier Research Centers (A10RA003)
- NSTec Internal Audit Department conducted audits that met both quality and professional auditing standards (A10LV007)
- Highly Enriched Uranium Materials Facility's capacity will meet future storage requirements (A10YT011)
- NNSA has the capability to meet increased dismantlement requirements (A10LV008)
- LLNL and LANL are meeting NNSA requirements in mitigating beryllium exposure to its workers and surrounding community (A10LL006)
- Y-12 is effectively managing its environmental cleanup activities (A10RA010)
- Department achieved the goals and objectives of the Advanced Research Projects Agency – Energy Program (A10RA002)



- Office of Science achieved the goals and objectives of the Decommissioning and Demolition activities at its facilities (A10RA005)
- Contract and grant recipients are using State Energy Program funds for their intended purpose and the use of funds is transparent to the public (A10RA001 and A10RA011).

## Energy

To contribute to the protection of the nation's economic security by promoting a diverse supply and delivery of reliable, clean, and affordable energy, the following audits will determine whether the:

- EERE is effectively administering its Solar Technology Pathway Partnerships Program (A10DN001)
- Innovative Technologies Loan Guarantee Program has established and implemented effective underwriting and loan servicing controls to minimize the Federal Government's risk of loss (A10RA017)
- Department has developed an internal control system and risk mitigation strategy that will address the elements of transparency, accountability and reportability for the Advanced Research Projects Agency for Energy (A10RA026)
- Uranium Management program is being managed in a manner that protects the Department's and taxpayers' interests (A10OR006)
- Department is effectively managing its grants and cooperative agreements awarded under the Vehicle Technologies Program (A10RA016)
- EERE's Building Technologies Program has effectively managed projects funded under the Recovery Act (A10RA030)
- Department is administering an effective large scale energy storage technology development program (A10OR005)
- WAPA has internal controls in place to implement its new borrowing authority (A10RA013)
- EERE's Geothermal Technologies Program has effectively managed projects funded under the Recovery Act (A10RA029)
- Energy Efficiency and Conservation Block Grants Program controls are sufficient to ensure that grants are administered in an efficient and effective manner (A10RA027)
- Advanced Technology Vehicle Manufacturing Loan Program has established and implemented effective underwriting and loan servicing controls to minimize the Federal Government's risk of loss (A10HQ004)



- EERE has internal controls in place to award and administer funding for Integrated Biorefineries (A10RA012)
- BPA is meeting national goals for effectively integrating wind into its transmission system (A10DN002)
- Industrial Technologies Program's proven technologies are being utilized by industry (A10HQ003)
- Department established internal controls over its Fossil Energy Research and Development cooperative agreements to meet the goals of the Recovery Act (A10RA024)
- Internal controls were in place and operating as intended over the Clean Cities Alternative Fuels Pilot Program (A10RA018)
- Department has implemented internal controls over the States and territories receiving funding through the Appliance Rebate Program (A10RA019)
- Internal controls were in place and operating as intended over the Smart Grid Investment Grant and the Smart Grid Demonstration Programs (A10RA020)
- Department ensured that Clean Coal Power Initiative cooperative agreements were managed in accordance with the Recovery Act (A10RA021)
- EERE has effectively managed research, development and demonstration projects funded under the Recovery Act (A10RA028)
- Department established internal controls over its Industrial Carbon Capture cooperative agreements to meet the goals of the Recovery Act (A10RA023)
- EERE Vehicle Technologies Program has an effective approach for managing the Advanced Battery and Hybrid Components Program (A10RA025)
- Contract and grant recipients are using Weatherization Assistance Program funds for their intended purpose (A10RA014, A10RA015 and A10RA022).

## Environment, Technology, Corporate and Financial Management

To protect the environment by providing a responsible resolution to the environmental legacy of the Cold War and by providing for the permanent disposal of the Nation's high-level radioactive waste, the following audits will determine whether the:

- Department met its goals and objectives for environmental remediation projects at ORNL (A10RA033)
- Global Threat Reduction Initiative activities at non-NNSA sites are meeting mission objectives in an economical manner (A10ID005)



- Office of River Protection is fully addressing the issues identified by the External Flowsheet Review Team (A10RL007)
- Department achieved its goals and objectives for preparing the Gaseous Diffusion Plant Facilities for demolition (A10RA034)
- Office of Environmental Management is effectively using Recovery Act funding to achieve the goals and objectives of the River Corridor Closure project (A10RA039)
- Department is effectively managing the Mixed Oxide Fuel Fabrication Facility project (A10ET002)
- Office of River Protection is effectively using Recovery Act funding to achieve the goals and objectives for tank farm infrastructure upgrades (A10RA043)
- Department's Fuel Cycle Research and Development program is achieving its goals (A10ID003)
- Office of Environmental Management's Richland Operations Office is effectively using Recovery Act funding to achieve the goals and objectives of the Plutonium Finishing Plant Remediation project (A10RA040)
- Richland Operations Office's Groundwater Remediation Project is effectively using Recovery Act funding to achieve the goals and objectives of groundwater remediation at the Hanford Site (A10RA044)
- Department achieved the goals and objectives of Waste and Material Disposition activities at the Savannah River Site (A10RA046)
- Department has effectively implemented an Integrated Safety Management system (A10RL006)
- Department is achieving its Recovery Act goals for projects at the Carlsbad Field Office. (A10RA037)
- Department effectively used performance measures and fees to appropriately reward contractor performance at the Idaho National Laboratory (A10ID004)
- Richland Operations Office is effectively using Recovery Act funding to achieve the goals and objectives of the Solid Waste Program (A10RA041)
- Department is achieving its Recovery Act goals for projects at the Idaho Operations Office (A10RA038)
- Office of Environmental Management's Richland Operations Office is effectively using Recovery Act funding to achieve the goals and objectives of the remediation of the Hanford Site Central Plateau (A10RA042)
- Department has designated disposition pathways for surplus nuclear materials (A10SR009)



- Department has adequately considered potential future uses for the Pretreatment Engineering Platform (A10RL008)
- Department achieved the goals and objectives of Decontamination and Decommissioning activities at the Savannah River Site (A10RA045)
- States are using State Energy Program funds for their intended purpose and Recovery Act goals are being met (A10RA035, A10RA036 and A10RA047).

To assure the American public that the Department is fiscally responsible in carrying out its mission; promotes effective contract management; ensures the Department has metrics in place and uses them to manage its programs and activities effectively; and, promotes the safety and health of the Department's workforce, the following audits will determine whether the:

- Department's facility contractors ensured that funds provided by the Recovery Act were appropriately tracked and transparent to the public and the benefits of the funds were reported clearly, accurately, and in a timely manner (A10RA049)
- PAGE system is being developed and implemented in accordance with Departmental and Federal requirements (A10RA048)
- Technology research funded by the Recovery Act is being effectively managed and transferred into the private sector (A10RA031)
- Department had effectively implemented information technology asset management systems designed to satisfy Federal and Department requirements, goals and mission needs (A10TG010)
- Entities connected to the Nation's power grid have adequately implemented cyber security standards mandated by the Federal Energy Regulatory Commission (A10TG013)
- Department considers prior performance when making new non-facilities contract, grant and financial assistance awards (A10CP001)
- Emergency Communications Network is meeting performance expectations to provide the capability to manage emergency situations involving NNSA assets and interests (A10TG014)
- Department had implemented an effective system development and management process that satisfied Federal and Department requirements, goals and mission needs (A10TG011)
- Department is adequately managing the risk of insider access to unclassified and classified information systems and the information that they contain (A10TG012)
- Department is effectively managing infrastructure modernization and deferred maintenance projects, including those funded by the Recovery Act, to promote safety and maximize efficiency (A10RA032)



- Department has corrected previously identified issues and effectively managed its electronic records (A10TG015)
- Security controls over Recovery Act systems were adequately designed and operating effectively (A10RA050)
- Department adequately managed the development and implementation of the Smart Grid to ensure operational effectiveness and cyber security controls were in place (A10RA051).

To contribute to the effectiveness of the Department's financial management, the following audits will be performed:

- A10FN001 – Department of Energy’s Consolidated Financial Statement FY 2010
- A10FN002 – FERC's Financial Statement FY 2010
- A10FN003 – Decommissioning and Decontamination Fund FY 2010 GMRA
- A10FN004 – FMFIA FY 2010
- A10FN005 – IT Management Letter FY 2010
- A10FN006 – Financial Management Letter FY 2010
- A10FN007 – Isotope Production and Applications Financial Statement FY 2010
- A10FN008 – Southwestern Power Administration Financial Statement FY 2010



## Office of Inspections and Special Inquiries

The Office of Inspections and Special Inquiries (the Office) conducts performance and allegation-based inspections, as well as special inquiries in response to concerns raised by Congress, senior Department managers, and others. The Office also manages the OIG Hotline, Management Referral Systems and Recovery Act Whistle Blower Program.

Although the Office plans a significant portion of its annual inspection work, it retains flexibility in order to be able to promptly address concerns and allegations received during the course of the year. When planning its performance inspection work, the Office identifies and prioritizes topics responsive to the President's Management Agenda, the Secretary's Mission Priorities, and the Department's Management Challenges as identified by the OIG. Inspections are initiated with consideration given to their significance and potential impact on Department programs and operations.

In light of the considerable oversight requirements specified by the Recovery Act and the heightened concerns over homeland security, the Office is focusing its resources to address projects concerning Recovery Act, corporate management, and critical safety and security issues affecting Department programs and operations. Following is a summary of the inspections' objectives that are scheduled to begin in FY 2010, grouped by the Department's Business Lines.

### Safety

To protect the safety of Federal and contractor employees, as well as members of the public, the following inspections will determine whether:

- Federally regulated chemical agents at selected sites are being purchased, handled, stored, and destroyed appropriately to ensure that such chemicals are not being used for inappropriately or illegally.
- Controlled substances at selected Department sites are being managed appropriately to prevent their misuse or misappropriation.
- The Department is properly inventorying and controlling its military type explosives to ensure they are stable while in use or in storage.
- A selected site is appropriately managing the Radiation Protection Program at the site.
- Low-level radioactive waste, class C explosives, cyanide and classified materials at a selected site are being properly monitored, accounted for and disposed of.



## Security

To strengthen the national security of the United States of America and the security of Department site operations, the following inspections will determine if:

- The Nuclear National Security Administration's Megaports Initiative is being effectively managed.
- Workers hired through temporary labor agencies receive any screening by the Department; or is Department relying on the providing agency's assurance that all temporary workers have been screened and have legal employment status.

## Energy/Environmental

To promote the efficiency of energy technologies, the following inspections will determine whether:

- The terms and conditions of a Cooperative Agreement with the Office of Fossil Energy are being met to evaluate the durability of a Hydrogen-fueled Internal Combustion Engine, and if intended recommendations were developed and implemented to reduce durability risk factors.
- Management of selected solicitations for Clean Coal Power Initiative projects has been effective in developing Clean Coal technologies.

## Corporate Management

To promote excellence through sound management and contracting practices, the following inspections will determine whether:

- A contractor at a selected site adhered to the Organization Conflict of Interest provisions of their contract with the Nuclear National Security Administration.
- Appropriate internal controls in the purchasing process are in place at a Department site to ensure that Accounts Payable verifies receipt of purchased items.
- Government Furnished Property is disposed of within a timely manner to ensure that the property is properly managed and accounted for at selected Department sites.
- Critical fire stations are understaffed and, if the fire station at a selected Department site is inappropriately using on-duty Department-owned and maintained equipment in conjunction with fire station personnel for routine patient transports to facilities outside of the County.



- Former site employees who received severance pay were subsequently rehired to perform the same or similar job functions, but were not required to repay appropriate severance money when rehired.
- A selected site is awarding consulting contracts for work that can be performed by site personnel.
- The Office of Nuclear Energy's Radioisotope Power Systems Program at a selected site has appropriate milestones and measurable deliverables needed to establish an alternative analytical chemistry capability.

## Recovery Act

To aid in the prevention and detection of waste, fraud, and abuse, and assist in providing transparency for distributing and using Recovery Act-related funds, the following inspections will determine:

- The effectiveness of the Department's project management oversight concerning performance expectations at a selected site.
- Whether internal controls are in place to ensure that Decommissioning and Demolition work is completed safely.
- Whether the Department is providing sufficient opportunities for Small Businesses to compete for contracts awarded and funded under the Recovery Act.
- Grants for geothermal development are being managed in a manner that ensures Recovery Act requirements are being met, to include receipt of money for property placed in service or under construction during 2009 and 2010.
- Whether medical certifications for contractors (funded by the Recovery Act) at a selected site is adequate to ensure the safety of the individual and the public.

## Implementation Reviews

To assure Department management is taking corrective actions to improve programs, processes, and operations, we will conduct reviews to determine whether the Department has effectively implemented recommendations contained in the following prior reports on the:

- Review of Security at the Strategic Petroleum Reserve.
- Inspection on Recording of Telephone Conversations at a Selected Department Site.
- Inspection on Out-Processing of Employees at a Selected Department Site.
- Inspection on Oversight of Shock Sensitive Chemicals at a Selected Department Site.



## Office of Investigations

The Office of Investigations (OI) conducts investigations into alleged violations of law that impact Department programs, operations, facilities, and personnel. Priority is given to investigations of suspected violations of criminal and civil statutes, as well as serious administrative misconduct. Criminal Investigators within OI work closely with Department of Justice (DOJ) prosecutors and other Federal, State, and local law enforcement organizations utilizing a full range of law enforcement authorities, such as carrying firearms, applying for and executing search warrants, and making arrests. The work of OI, however, extends beyond the conduct of investigations – namely, the office identifies opportunities for improving the economy and efficiency of Departmental programs and operations by issuing reports that recommend positive change. OI's accomplishments are measured by recommendations accepted by management, investigations accepted for prosecutive action, cooperative efforts with other law enforcement agencies, and proactive initiatives. Through accomplishments in those areas, the office plays a major role assisting the OIG in promoting the efficient, effective, and economical operation of the Department, including NNSA.

### National Program Area Initiative

The work performed by OI is primarily reactive in nature and has the potential of reaching into any Departmental major program area, including NNSA. The establishment of the National Program Area Initiative has afforded OI the opportunity to identify program areas in the Department most vulnerable to fraud, waste, and abuse and to proactively dedicate a significant portion of investigative resources, to include special agent training, liaison development, and specialized studies, to those program areas. OI's National Program Area Initiative concentrates on four areas, which are also tied into the Department's strategic themes as identified in the 2009 Strategic Plan. The four areas are: (1) contract and grant fraud; (2) environment, safety, and health (ES&H) violations; (3) *Qui Tams*; and, (4) technology crimes. One of OI's goals is to have 75 percent of its open investigations address at least one of the four areas. In FY 2010, work on the National Program Area Initiative will continue to move forward as plans are implemented and expanded.

### Contract and Grant Fraud

During FY 2009, OI continued to identify and interact with key Department and NNSA procurement personnel, as well as conduct fraud awareness briefings with special emphasis on procurement 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. Given the continuing potential for significant fraud, to include potential fraud in the Department's Loan Guarantee Program, and the Department's



responsibility to oversee the \$25 billion Advanced Technology Vehicle Loan Program, in FY 2010, OI will continue to: (1) expand fraud awareness briefings throughout the Department, including NNSA; (2) prioritize contract and grant fraud investigations, placing emphasis on cases with a potential high dollar recovery to the Department; (3) work with established contract and grant task forces, and identify opportunities to establish new task forces with DOJ involvement; (4) coordinate and pursue leads referred by the OIG Offices of Audit Services and Inspections; and, (5) identify and pursue contract and grant fraud investigations proactively. An example of success in the grant fraud arena is as follows:

- An investigation determined that Washington Savannah River Company withheld pension contribution information from the Department during negotiations for the management and operating contract at the Department's Savannah River Site. Failure to disclose this information had a net effect of making additional monies available for the firm's award fee pool. The contractor agreed to pay in excess of \$2.4 million to resolve allegations of fraud. The settlement also required the contractor to abandon a claim for fee payment of \$35.6 million from the Department, making the total value of the settlement to the Government in excess of \$38 million.
- An OIG investigation determined that a former Department security subcontractor at the Strategic Petroleum Reserve switched to a self insurance health insurance program and billed the Department for health insurance premiums that exceeded allowable self insurance health insurance premiums. The subcontractor agreed to pay the \$1 million to resolve the allegations of fraud. During a previous reporting period, the contractor disallowed payment to the subcontractor which resulted in a \$3.9 million monetary recovery to the Department.
- A joint OIG investigation determined that a Federal grantee violated Federal rules and procedures regarding cost transfers, cost allocations, and time and effort reporting over a 7-year period from January 2000 to December 2006. The grantee, a university, had improperly transferred unallowable costs to Federal grants on or about the expiration date in order to spend down remaining grant funds. The investigation also determined that the university improperly charged Federal grants for summer salaries for researchers for unrelated work. The university agreed to pay the Government \$7.6 million to resolve these issues.

## 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 \$200 billion over the next several decades. With the end of the Cold War, the mission to clean up the environment has become more essential as a result of more than 50 years of nuclear defense work and energy research. The OIG has identified environmental cleanup as one of three Department FY 2009 management challenges that is likely to persist well into the future. OI's ES&H program area supports the Department's Environmental Responsibility strategic



theme. Ensuring the safety and health of the public and the Department's workers is a top priority. In FY 2010, OI will continue to: (1) work with established ES&H task forces; (2) identify opportunities to establish new task forces; and, (3) develop and maintain ES&H contacts in the Department, NNSA, and other Government agencies.

## Qui Tams

As a rule, Qui Tam-related allegations are complex and staff-hour intensive. As of September 30, 2009, OI had 16 open Qui Tam investigations with claims alleging fraud of \$295.6 million. These investigations often have a major impact on the Department and generally involve significant allegations of fraud involving millions of dollars and multiple Federal agencies. OI continues to work closely with the DOJ's Commercial Litigation Branch in the investigation and analysis of Qui Tam cases. Following is an example of a success involving an OIG Qui Tam investigation:

- A joint investigation determined that several body armor companies knowingly participated in the manufacturing and sale of defective body armor containing Zylon. The body armor companies manufactured and sold the defective body armor to the Department as well as to other Federal, State, local and tribal law enforcement agencies. Three companies agreed to pay the Government in excess of \$46 million to resolve allegations that it violated the False Claims Act.

In FY 2010, OI will continue to: (1) assist DOJ in investigating and providing analysis of Qui Tam cases; (2) adjust resources appropriately to ensure priority Qui Tam cases are being resolved in a timely manner; and, (3) identify specific Qui Tam training for OI personnel.

## Technology Crimes

Information Technology, another of the Department's major issue areas, received a significant amount of OI's resources and attention during FY 2009. OI's 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 occurring within many of the Department's programs. TCS further strengthens OI's support to the Department, including NNSA, in detecting, preventing, and investigating illegal network intrusions. Utilization of such a group is critical because of the risks and vulnerabilities on the rise (i.e. security breaches, computer systems intrusions, virus attacks, and employee misuse). In FY 2009, TCS provided technical expertise on standard fraud cases. Additionally, TCS investigations also led to several criminal convictions against individuals who compromised Government computers or misused them by accessing or storing sexually explicit material to include child pornography. An example of a recent success is as follows:



- A Romanian hacker was convicted by a Romanian court for hacking into unclassified Department of Energy computers, as well as systems at the National Aeronautics and Space Administration and the Department of the Navy. The investigation revealed that the Romanian had compromised at least 22 unclassified computers at 4 Department laboratories, including systems at a weapons laboratory. The subject illegally gained access to the computers by stealing user names and passwords from academic personnel at various universities that also have access to Department computers. The individual was sentenced by the First Instance Court, Arad, Romania, to 40 months probation and further ordered to pay restitution and fees of approximately \$225,821, of which \$19,032 was returned to the Department.

During FY 2010, TCS will: (1) continue to proactively contribute to and support 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) clarify and extend OI's role in technology incident response and investigations in the Department; (4) ensure all TCS special agents continue to receive required technical training; and, (5) refine and provide technology crimes awareness briefings throughout the Department complex.

## Proactive Work

Historically, OI's response to allegations of wrongdoing has been reactive in nature. However, OI succeeded in implementing a process that streamlined and formalized proactive case development with a targeted approach designed to ensure more efficient and effective use of resources.

OI will continue its pursuit of proactive initiatives designed to effect positive change within the Department and enhance OI's ability to meet organizational goals and objectives. Close attention will be paid to OI's infrastructure needs to ensure adequate skills, tools, and processes are in place to respond promptly and appropriately to emerging priority issues identified by the President, Secretary, Congress, and public. Partnerships with other established law enforcement agencies, Department managers, and employees will be expanded, and productive sources of information will be further cultivated.

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# Appendix A

## PLANNED FY 2010 AUDITS

AUDIT NUMBER	TITLE
<b>National Security and Science</b>	
A10AL001	<i>Deactivation and Demolition Projects at LANL</i>
A10AL002	<i>NNSA's W76 Refurbishment Project</i>
A10AL003	<i>Follow-Up of NNSA's High Explosives and Classified Parts</i>
A10AL004	<i>Integrated Safety Management at SNL</i>
A10LL005	<i>Compensation Disability Management and Return to Work Programs</i>
A10LL006	<i>Beryllium Exposure at Los Alamos and Livermore</i>
A10LV007	<i>National Security Technologies Internal Audit Function</i>
A10LV008	<i>NNSA Dismantlement Activities</i>
A10LV009	<i>Follow-Up of NNSA's Nuclear Explosive Safety Study Program</i>
A10YT010	<i>Secure Transportation Asset Capabilities</i>
A10YT011	<i>Highly Enriched Uranium Materials Facility Capacity</i>
<b>Energy</b>	
A10DN001	<i>EERE's Solar Technology Pathway Partnerships</i>
A10DN002	<i>BPA's Efforts to Integrate Wind Energy</i>
A10HQ003	<i>Industrial Technologies Program</i>
A10HQ004	<i>Advanced Technology Vehicle Manufacturing Loan Program</i>
A10OR005	<i>Large Scale Energy Storage Technology Efforts</i>
A10OR006	<i>Excess Uranium Management</i>



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**Environment, Technology and Corporate**

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A10CP001	<i>Non-Facilities Contractor Prior Performance</i>
A10ET002	<i>MOX Fuel Management</i>
A10ID003	<i>Office of Nuclear Energy's Fuel Cycle Research and Development Program</i>
A10ID004	<i>BEA PEMP Follow-Up</i>
A10ID005	<i>Global Threat Reduction Initiative</i>
A10RL006	<i>Integrated Safety Management</i>
A10RL007	<i>Resolution of External Review Team Concerns with the Waste Treatment Plant</i>
A10RL008	<i>Disposition of the Pretreatment Engineering Platform at the Hanford Site</i>
A10SR009	<i>Disposition of Orphaned Surplus Nuclear Materials</i>
A10TG010	<i>Technology Asset Management Systems</i>
A10TG011	<i>Department's System and Software Development Practices</i>
A10TG012	<i>System Access Risk Management</i>
A10TG013	<i>FERC's Monitoring of Power Grid Cyber Security Practices</i>
A10TG014	<i>Emergency Communication Network</i>
A10TG015	<i>Follow-Up on the Department's Records Management Program</i>
A10TG016	<i>Departmental Implementation of FISMA</i>
A10TG017	<i>FERC's Implementation of FISMA</i>

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**Planned Fiscal Year 2010 GMRA Audits**

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A10FN001	<i>Department of Energy's Consolidated Financial Statement Audit FY 2010</i>
A10FN002	<i>FERC's Financial Statement Audit FY 2010</i>
A10FN003	<i>Decommissioning and Decontamination Fund FY 2010 GMRA</i>
A10FN004	<i>FMFIA FY 2010</i>
A10FN005	<i>IT Management Letter FY 2010</i>
A10FN006	<i>Financial Management Letter FY 2010</i>



A10FN007	<i>Isotope Production and Applications Financial Statement FY 2010</i>
A10FN008	<i>Southwestern Power Administration Financial Statement Audit FY 2010</i>

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**Planned Fiscal Year 2010 Statement Of Costs Incurred And Claimed Audits**


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A10AL012	<i>Sandia 2009 SCIC</i>
A10AL013	<i>Los Alamos National Security LLC 2008-2009 SCIC</i>
A10CH014	<i>UChicago Argonne LLC 2009 SCIC</i>
A10ID018	<i>Battelle Energy Alliance 2009 SCIC</i>
A10LL015	<i>Lawrence Livermore National Security 2008-2009 SCIC</i>
A10LL016	<i>University of California at Berkeley 2009 SCIC</i>
A10LV017	<i>BWTX Pantex 2006-2009 SCIC</i>
A10RL019	<i>Battelle PNNL 2008-2009 SCIC</i>
A10SR020	<i>Savannah River Nuclear Services 2008-2009 SCIC</i>
A10SR021	<i>Washington Savannah River Company 2008-2009 SCIC</i>
A10YT018	<i>BWTX Y-12 LLC 2009 SCIC</i>
A10YT019	<i>UT Battelle LLC 2008-2009 SCIC</i>

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**Planned Fiscal Year 2010 American Recovery And Reinvestment Act Audits**


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A10RA001	<i>State Energy Program</i>
A10RA002	<i>Advanced Research Projects Agency – Energy Program</i>
A10RA003	<i>Office of Science’s Energy Frontier Research Centers</i>
A10RA004	<i>Fermi National Accelerator Laboratory’s NOvA Detector Project</i>
A10RA005	<i>Decommissioning and Demolition Activities at Office of Science Facilities</i>
A10RA006	<i>Management of the NSLS-II Project</i>
A10RA007	<i>Recovery Act Projects at SLAC</i>
A10RA008	<i>Recovery Act Projects at LBNL</i>
A10RA009	<i>Environmental Cleanup Activities at the Nevada Test Site</i>
A10RA010	<i>Environmental Cleanup Activities at Y-12</i>
A10RA011	<i>State Energy Program</i>



A10RA012	<i>Internal Controls over Integrated Biorefinery Projects</i>
A10RA013	<i>WAPA's Implementation of Borrowing Authority</i>
A10RA014	<i>Weatherization Assistance Program</i>
A10RA015	<i>Weatherization Assistance Program</i>
A10RA016	<i>Vehicle Technologies Program</i>
A10RA017	<i>Loan Guarantees for Innovative Energy Technologies</i>
A10RA018	<i>Clean Cities Alternative Fuels Pilot Program</i>
A10RA019	<i>Appliance Rebate Program</i>
A10RA020	<i>Smart Grid Investment Grant and Demonstration Programs</i>
A10RA021	<i>Clean Coal Power Initiative Awards</i>
A10RA022	<i>Weatherization Assistance Program</i>
A10RA023	<i>Industrial Carbon Capture and Storage</i>
A10RA024	<i>Management of the FutureGen Cooperative Agreement</i>
A10RA025	<i>Advanced Battery and Hybrid Components and Manufacturing Project</i>
A10RA026	<i>Internal Controls and Risk Mitigation over Recovery Act Funding for Advanced Research Projects Agency for Energy</i>
A10RA027	<i>Energy Efficiency and Conservation Block Grants</i>
A10RA028	<i>EERE Applied Research, Development and Demonstration under the Recovery Act</i>
A10RA029	<i>Geothermal Technologies Program</i>
A10RA030	<i>Building Technologies Program's Implementation of the Recovery Act</i>
A10RA031	<i>Recovery Act Technology Transfer</i>
A10RA032	<i>Recovery Act Infrastructure Modernization</i>
A10RA033	<i>Environmental Remediation Projects at ORNL</i>
A10RA034	<i>Remediation Activities at ETTP</i>
A10RA035	<i>State Energy Program</i>
A10RA036	<i>State Energy Program</i>
A10RA037	<i>Performance of Recovery Act Funds at the Waste Isolation Pilot Plant</i>



A10RA038	<i>Project Controls of Recovery Act Spending at the Idaho Cleanup Project</i>
A10RA039	<i>Use of Recovery Act Funds to Accelerate Clean Up of the River Corridor Closure Contract</i>
A10RA040	<i>Management of the Plutonium Finishing Plant Remediation Project</i>
A10RA041	<i>Use of Recovery Act Funds on Solid Waste Program Activities</i>
A10RA042	<i>Central Plateau Remediation Workforce</i>
A10RA043	<i>Use of Recovery Act Funds for Upgrades to the Tank Farm Infrastructure at the Hanford Site</i>
A10RA044	<i>Use of Recovery Act Funds on Groundwater Program Activities</i>
A10RA045	<i>Decontamination and Decommissioning Activities at SRS</i>
A10RA046	<i>Waste and Material Disposition Activities at SRS</i>
A10RA047	<i>State Energy Program</i>
A10RA048	<i>EERE PAGE System</i>
A10RA049	<i>Accountability and Reporting Under the Recovery Act</i>
A10RA050	<i>Performance and Security of Recovery Act Systems</i>
A10RA051	<i>Management of Cyber Security and Operational Controls Over Smart Grid Technologies</i>



## PLANNED FY 2010 INSPECTIONS

### Safety

*Handling, Storage, and Tracking of Regulated Chemicals at a Department Site*  
*Record Keeping and Storage of Pharmaceuticals at a Department Site*  
*Inspection of the Management of High Explosives at Selected Department Sites*  
*Radiation Protection Program at a Department Site*  
*Low Level Radioactive Waste Disposal at a Department Site*

### Security

*NNSA's Megaports Initiative*  
*Department Use of Temporary Labor and Screening of Temporary Workers*

### Energy/Environmental

*Hydrogen-Fueled Combustion Engine (HICE) Durability*  
*Management of the Clean Coal Power Initiative (CCPI)*

### Corporate Management

*Organizational Conflict of Interest at a Department Site*  
*Controls Over Accounts Payable at a Department Site*  
*Disposal of Government Furnished Property Issued to Contractors at selected Department Sites*  
*Staff Augmentation at a Department Site*  
*Use of Consulting Contracts at a Department Site*  
*Planning Irregularities and their Impact on the Radioisotope Power Systems Program*



## Recovery Act

*Waste Disposal at a Department Site*

*Department Efforts to Utilize Small Business Contracts During Recovery Act Implementation*

*American Reinvestment and Recovery Act Grants for Geothermal Research at a Department Site*

*Safety of Decommissioning and Demolition Projects at Various Department Sites*

*American Reinvestment and Recovery Act Medical Screening at a Department Site*

## Implementation Reviews

*Follow-up Inspection on Review of Security at the Strategic Petroleum Reserve*

*Follow-up Inspection on Recording of Telephone Conversations at a Selected Department Site*

*Follow-up Inspection on Out-Processing of Employees at a Selected Department Site*

*Follow-up Inspection on Oversight of Shock Sensitive Chemicals at a Selected Department Site*



# Appendix B

## OIG RESPONSIBILITIES AND AUTHORITIES

The Inspector General Act of 1978, as amended, requires the OIG to:

- Conduct independent and objective audits and investigations;
- Promote economy, efficiency, and effectiveness;
- Prevent and detect waste, fraud, and abuse;
- Review pending legislation and regulations; and,
- Keep the Secretary and Congress fully and currently informed.

## OTHER MANDATES

- ***Government Performance and Results Act (GPRA) of 1993.*** Continuous review of the Department's implementation.
- ***Executive Order 12863, "President's Foreign Intelligence Advisory Board," 1993.*** Reports to the Intelligence Oversight Board as required quarterly and "as necessary or appropriate." This includes reviews to ensure the Department's intelligence activities are conducted in accordance with existing requirements of Executive Order 12333, "United States Intelligence Activities."
- ***Government Management Reform Act (GMRA) of 1994.*** Annual audit of Department-wide and designated component financial statements. This effort currently requires approximately 24 percent of the OIG's resources, including contractual assistance from an external audit firm.
- ***National Defense Authorization Act of 2000.*** Annual review of Department policies and procedures with respect to the export of sensitive U.S. military technologies and information to countries and entities of concern.
- ***Reports Consolidation Act of 2000.*** Annual audit to identify the most significant management and performance challenges facing the Department.



- ***Federal Information Systems Management Act (FISMA) of 2002.*** Annual review of Department information security systems.
- ***Section 522 of the Consolidated Appropriations Act of 2005.*** Biennial review of the actions of the Department's Chief Privacy Officer.
- ***OMB Circular No. A-123, Management Accountability and Control.*** New and expanded audit requirements are anticipated.
- ***Department of Energy Orders.*** Audits of statements of costs incurred and claimed by the Department's integrated contractors.



# Appendix C

## Validation and Verification

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

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<b>Data Sources:</b>	OIG Semiannual Reports to Congress; Inspector General Act of 1978, as amended; Government Management Reform Act; Government Performance and Results Act; Government Information Security Reform Act; False Claims Act; Executive Order 12863, "President's Foreign Intelligence Advisory Board"; and, Executive Order 12333, "United States Intelligence Activities."
<b>Frequency:</b>	Biennially/Annually/Semiannually/Quarterly.
<b>Data Storage:</b>	OIG Energy Inspector General Project Tracking System.
<b>Verification:</b>	OIG policies and procedures; Yellow Book Standards; President's Council on Integrity and Efficiency Quality Standards for Investigations and Inspections; and, internal and external peer reviews.

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