Inspector General Semiannual Report to Congress

April 1, 2011 – September 30, 2011

U.S. Department of Energy
Office of Inspector General

DOE/IG-0061

Department of Energy
Washington, DC 20585

October 27, 2011

The Honorable Dr. Steven Chu
Secretary of Energy
Washington, DC 20585

Dear Secretary Chu:

I am pleased to submit the Office of Inspector General's (OIG) *Semiannual Report to Congress*. This report summarizes significant OIG activities and accomplishments during the six month period ending September 30, 2011. This report reflects our continuing commitment to focus OIG efforts on the issues and concerns most critical to you, the Administration, the Congress, and the taxpayer.

We look forward to working with you on matters of mutual interest.

Sincerely,

Gregory H. Friedman
Inspector General

Enclosure

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Message from the Inspector General

The Department of Energy's Office of Inspector General is pleased to submit its Semiannual Report to Congress for the period ending September 30, 2011. This report highlights key accomplishments of the Office of Inspector General particularly pertaining to our efforts to work with management to ensure the efficiency and effectiveness of Department of Energy operations.

Similar to reporting periods of the recent past, a significant portion of our oversight efforts centered on the Department's implementation and execution of the American Recovery and Reinvestment Act of 2009 (Recovery Act). In this regard, we established proactive efforts to evaluate internal control structures of Recovery Act programs; worked to ensure that such programs were periodically reviewed to determine if they were meeting established objectives; developed strategies for preventing and detecting possible unlawful acts associated with Recovery Act funds; and, we implemented special programs called for in the Recovery Act to protect whistleblowers who feel they have been retaliated against for disclosures of alleged fraud, waste, or abuse. During this reporting period, we specifically completed a number of reviews relating to the Department's efforts under the Weatherization Assistance Program. Intended to improve the energy efficiency of low income residences, the Program received $5 billion under the Recovery Act. Taken as a whole, Office of Inspector General reviews identified concerns pertaining to eligibility requirements, proper documentation, quality issues, and insufficient oversight and management. Results of these reviews are summarized in the opening pages of this report.

Although a major focus of our work during this reporting period has centered on the Recovery Act, the Office of Inspector General continues its efforts in other vital Department sectors, including environmental remediation, stockpile stewardship, worker and community safety, cyber security, and various aspects of contract and program management.

Much work has been done, but more remains and we look forward to working with program officials and Department management in our mutual effort to ensure that the interests of U.S. taxpayers are a priority as the Department of Energy undertakes its critically important mission.

Greg Friedman

Gregory H. Friedman
Inspector General

Key Accomplishments

For the Period of April 1, 2011 – September 30, 2011

Total Reports Issued:	39
Recovery Act and Recovery Act-Related Reports	24
Other Audit Reports	9
Other Inspection Reports	6
Funds Put to Better Use	$ 2.0 million
Questioned Costs	$ 1.5 million
Dollars Recovered (Fines, Settlements, and Recoveries)	$ 72.2 million
Criminal Convictions	28
Suspensions and Debarments	42
Potential Recoveries from 14 Open False Claims Act Investigations	$ 254.3 million
Civil and Administrative Actions	91
Hotline Complaints and Inquiries	
Received	3,712
Resolved Immediately/Redirected/No Further Action	3,387
Processed for Further Review and Adjudication	342
Recovery Act Whistleblower Complaints and Inquiries Received	4

Implementation of the American Recovery and Reinvestment Act of 2009

Reports

The Department of Energy's (DOE) Weatherization Assistance Program (Weatherization Program) Funded under the Recovery Act for the State of Wisconsin

The Department's Weatherization Program received $5 billion under the Recovery Act to improve the energy efficiency of residences owned or occupied by low income persons. Of this amount, the Department awarded a 3-year Weatherization Program grant for $141.5 million to the State of Wisconsin. Wisconsin's Department of Administration, Division of Energy Services, administered its Weatherization Program through 20 local agencies. These agencies are responsible for evaluating the energy efficiency of homes, performing weatherization work, and conducting inspections.

Our review identified opportunities to improve Wisconsin's Weatherization Program in the areas of retaining documentation of applicant eligibility for weatherization services and maintaining separate accounting for Recovery Act spending. The Department and Wisconsin concurred with the findings and recommendations contained in our audit report. We considered management's actions with regard to our recommendations to be responsive. **(OAS-RA-11-07)**

The Department's Weatherization Program Funded under the Recovery Act for the State of Indiana

The Department awarded the State of Indiana a 3-year Weatherization Program grant of $131.8 million, representing a ten-fold increase over the $12.3 million in funds available to Indiana for weatherization in Fiscal Year (FY) 2009.

The Indiana Housing and Community Development Authority (IHCDA) administered the Weatherization Program grant through 31 local entities, including local agencies, nonprofit organizations, and units of local government. The largest Weatherization grant, almost $42 million or roughly a third of Indiana's Recovery Act funding, was provided to Indiana Builders Association (IBA), a nonprofit organization.

Our review did not reveal material problems with Indiana's management of its Weatherization Program. We did, however, identify opportunities for Indiana and IBA to improve the efficiency and effectiveness of their Weatherization Programs. Specifically, we found that IBA had not always maintained documentation to support weatherization material costs reimbursed by Indiana, even though it was specifically required to

do so. Also IBA had not taken action to ensure that dwellings had been disqualified from receiving Recovery Act-funded services because they had received weatherization services in the past. Payments were made without necessary supporting information because IHCDA had not enforced policies and regulations that require adequate documentation to support contractor billings. Also, the information needed to enforce the Recovery Act requirement was limited because IHCDA's database included only homes weatherized after 2000, and weatherization auditors employed by IBA did not take action to verify the source of any previous weatherization work performed on homes they assessed. The Department concurred with the findings and recommendations and committed to take corrective action. **(OAS-RA-11-13)**

The Department's Weatherization Program Funded under the Recovery Act for the State of Missouri

The State of Missouri was awarded a 3-year Recovery Act Weatherization Program grant of $128 million, a significant increase over the $9 million authorized in 2009. While Missouri made significant progress in implementing its Recovery Act-funded Weatherization Program, our audit revealed problems in the areas of weatherization workmanship, final inspections, follow-up on inspection results, training and purchases of excess vehicles. Weatherization work quality problems resulted from a combination of program weaknesses including inadequate final inspections conducted by local agencies, ineffective follow-up on systemic issues identified in re-inspections, and incomplete training of local agency and contractor personnel. Missouri had taken steps to safeguard Recovery Act funds by improving its oversight of the local agencies.

However, absent an increased focus on correcting systemic issues, quality issues are likely to continue. The Department concurred with our recommendations and provided an action plan for implementing them. Missouri shared our concern with respect to workmanship issues and noted that to address these issues, it had (1) increased monitoring of its local agencies; (2) provided additional training; and, (3) identified recurring issues and shared best practices to address them. The local agencies' comments generally affirmed our findings and were responsive to our recommendations. **(OAS-RA-11-12)**

The Department's Weatherization Program Funded under the Recovery Act for the State of Tennessee

The Department awarded a 3-year Recovery Act Weatherization Program grant of $99 million to the State of Tennessee, a significant increase over the $8.9 million received in 2009. Tennessee's Department of Human Services administers its Weatherization Program grant through 18 local agencies. Officials reported that Tennessee had, by September 2010, achieved its Recovery Act goal of weatherizing more than 10,500 homes.

We found that Tennessee, while achieving its production goals, had not always ensured that its Weatherization Program was managed efficiently and effectively. For instance, although prohibited by Tennessee and Federal directives, we found that local agency contractors installed weatherization items that

may not have been cost-effective. Consequently, we questioned about $100,000 claimed for those items. We also observed recurring problems with the quality of weatherization work across Tennessee. These problems occurred due to a combination of program weaknesses, including personnel who were unfamiliar with the analytical tools used to demonstrate cost-effectiveness of weatherization measures, inadequate local agency final inspections, and the lack of adequate controls over work change orders in Tennessee. Department officials concurred with our recommendations and provided an action plan for implementing them. Tennessee officials stated that they will ensure that sub-recipients install only items that are allowable and cost-effective. The local agencies' comments generally affirmed our findings and were responsive to our recommendations. **(OAS-RA-11-17)**

The Department's Weatherization Program Funded under the Recovery Act for the Commonwealth of Virginia

In 2009, the Commonwealth of Virginia's (Virginia) Department of Housing and Community Development's (DHCD) Weatherization Program was awarded a 3-year grant of approximately $94 million from the Recovery Act to weatherize 9,193 homes. Subsequent to issuing an interim report, we completed work at three of Virginia's local agencies to evaluate their success in carrying out the Recovery Act-funded Weatherization Program. Specifically, we performed reviews at Crater District Area Agency on Aging (Crater), Community Housing Partners Corporation (CHPC), and Rappahannock Area Agency.

Our testing of local agencies' weatherization activities performed during the period from February 2009 to March 2010 revealed that CHPC and Crater had not always developed or maintained support for costs billed to and reimbursed by the Virginia Weatherization Program. As such, we questioned about $1.2 million in costs incurred by these agencies. Also, Crater provided weatherization services to a number of ineligible applicants or dwellings. Further, neither CHPC nor Crater always performed required inspections of completed units, and Crater had not always ensured workers were paid Recovery Act-mandated Davis-Bacon Act wage rates. These weaknesses were not initially detected or corrected because Virginia's DHCD had not implemented the financial and reporting controls needed to ensure Weatherization Program funds were spent effectively and efficiently. In response to the May 2010 preliminary report, both the Department and Virginia indicated that corrective actions were in process.

We concluded that the Department and DHCD had made significant progress in improving management controls over Virginia's Weatherization Program. The Department stated that it would closely monitor Virginia's Weatherization Program to ensure that the Program is operating effectively and efficiently. **(OAS-RA-11-14)**

The Department's Weatherization Program Funded under the Recovery Act for the State of West Virginia

The Department awarded a 3-year Recovery Act Weatherization Program grant of almost $38 million to the State of West Virginia. The West Virginia Governor's Office of Economic Opportunity administers the Recovery Act grant through 12 local community action agencies. These agencies are responsible for determining applicant eligibility, assessing and weatherizing homes, and conducting home inspections. We determined that West Virginia had not always managed its Weatherization Program efficiently and effectively, nor had it always ensured compliance with applicable laws and regulations. We found problems in the areas of weatherization workmanship, financial management, prioritization of applicants for weatherization services, and compliance with laws and regulations.

The Department and West Virginia concurred with the recommendations and have committed to the implementation of an extensive corrective action plan. Additionally, two of the three local agencies that we reviewed during the audit generally concurred with the recommendations. The third local agency included in the audit indicated that it would work with West Virginia to develop solutions to the areas identified. Management's actions, both planned and completed, are responsive to our recommendations.
(OAS-RA-11-09)

People's Equal Action and Community Effort, Inc. – Weatherization Program Funded under the Recovery Act

The Department awarded the largest Recovery Act Weatherization Program grant of $394.6 million to New York. New York awarded two Recovery Act contracts to People's Equal Action and Community Effort, Inc. (PEACE) - $9.6 million to weatherize 1,357 homes and a separate contract of $4 million for multi-family projects.

The examination found that PEACE had not developed and maintained a list of previously weatherized multi-family projects or information from New York to determine the eligibility of proposed projects for Recovery Act Weatherization Program services. In addition, PEACE had not properly identified and separately accounted for over $3,000 in interest earned on the Weatherization Program cash advance it received from the Department and, therefore, had not returned the interest earned to the U.S. Department of Treasury as required. Further, because of deficiencies identified, PEACE had not performed post-inspections on all units that received additional weatherization services. PEACE also had not maintained a list of all weatherization items installed, thereby precluding the occupant from certifying the work that was completed. The Department and New York generally concurred with the recommendations to PEACE for improving its administration of its Weatherization Program. PEACE also generally concurred with the recommendations and provided responses planned and ongoing actions to address issues identified.
(OAS-RA-11-20)

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Action for a Better Community, Inc. – Weatherization Program Funded under the Recovery Act

Action for a Better Community, Inc. (ABC), is a not-for-profit organization that has implemented a multitude of Federal and State programs using public sector funds. New York allocated ABC about $7.4 million, from its Department-awarded $394.6 million Recovery Act Weatherization Program grant, to weatherize a total of 1,037 homes.

The examination found that ABC had not performed adequate weatherization services on five of the nine single-family homes selected for review nor ensured compliance with New York policies and procedures related to purchasing. In addition, ABC had not deposited or maintained advance funding received from the Department in an interest-bearing account, as required by Federal regulation, and had not maintained adequate segregation of duties in the process for determining owner/occupant eligibility for receiving weatherization services. Further, ABC had not maintained documentation ensuring that homes selected had not been previously weatherized with Department funds, and supporting the authorization and approval of reimbursements. The Department and New York generally concurred with the recommendations to ABC for improving its administration of its Weatherization Program. ABC also generally concurred with the recommendations and provided responsive planned and ongoing actions to address issues identified. **(OAS-RA-11-21)**

Community Action Partnership of the Greater Dayton Area – Weatherization Program Funded under the Recovery Act

The Department awarded a 3-year Recovery Act Weatherization Program grant of $267 million to the State of Ohio. Ohio allocated about $18 million to the Community Action Partnership of the Greater Dayton Area (Dayton). Dayton's grant was to be expended from April 1, 2009, through March 31, 2012, with the goal to weatherize approximately 2,144 homes.

The examination found that Dayton procured weatherization materials, equipment, and services without evidence of a cost or price analysis or competitive bidding; and had a significant percentage of homes requiring re-work prior to completion. Thus, $70,800 in costs was questioned associated with the procurements. In addition, Dayton did not ensure that administrative employees' timecards reflected actual work activity and contained employee or supervisor approval signatures. Consequently, $23,400 of costs was questioned. Further, Dayton did not track and document the number of homeowners that received follow-up contact after weatherization services were provided; and failed to summarize the results of its follow-up program as required by Ohio. The Department and Ohio concurred with the recommendations to Dayton for improving its administration of its Weatherization Program. Dayton expressed agreement with the recommendations and provided planned and ongoing actions to address issues identified. **(OAS-RA-11-18)**

Cuyahoga County of Ohio Department of Development – Weatherization Program Funded under the Recovery Act

Ohio allocated $9.4 million, from its Department-awarded $267 million Recovery Act Weatherization Program Grant, to Cuyahoga County of the Ohio Department of Development (County), located in Cleveland. The County's grant was to be expended over a 3-year period from April 1, 2009, through March 31, 2012, with the goal to weatherize approximately 1,121 homes.

The examination found that the County may have approved applicants for weatherization services based on outdated income information and did not reimburse interest earned on cash advances in a timely manner. In addition, the County had a significant percentage of homes requiring re-work prior to completion. Further, the County did not verify the number of work hours reported to Ohio by one contractor or verify that it had paid wages in accordance with Davis-Bacon Act requirements. The Department and Ohio concurred with the recommendations to the County for improving its administration of its Weatherization Program. The County expressed agreement with the recommendations and provided planned and ongoing actions to address issues identified. **(OAS-RA-11-19)**

California State Energy Program Funded under the Recovery Act

The Department's Office of Energy Efficiency and Renewable Energy (EERE) provides grants to states, territories and the District of Columbia through the State Energy Program (SEP). The California Energy Commission (Commission) received a SEP Recovery Act grant of $226.1 million. The Commission planned to use $193 million of these funds, to provide energy efficiency retrofits for 29,000 residential and 5,500 commercial buildings and to create 2,100 jobs.

We found that the Commission experienced delays in executing its plan to spend SEP Recovery Act funds. In fact, as of June 2, 2011, 2 years after SEP funds became available in June 2009, California had spent only $68 million of its $226.1 million award. Further, although the Commission had made progress in resolving weaknesses revealed by several SEP specific audits, it had not completed all necessary actions to monitor sub-recipients of SEP funds. Finally, we determined that EERE had not effectively monitored the Commission's actions to correct previously discovered program weaknesses. Numerous factors contributed to delays the Commission experienced in its implementation of its energy efficiency building retrofit projects. Initially, the Commission planned to award building retrofit loans and contracts by February 1, 2010, however, delays occurred as the Commission worked to comply with Recovery Act specific requirements. Regulator concerns and lawsuits also delayed the Commission's plans to offer incentives to retrofit residential and commercial buildings. EERE management concurred with the findings and recommendations and stated that they will continue to closely oversee the work carried out under the California SEP by continuing to conduct regular onsite visits in addition to communicating frequently. **(OAS-RA-11-10)**

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New Jersey State Energy Program Funded under the Recovery Act

The State of New Jersey's Board of Public Utilities (BPU) was assigned responsibility for New Jersey's SEP. BPU received $73.6 million of SEP Recovery Act funds. We found that New Jersey had developed and implemented a monitoring and tracking system designed to ensure that Recovery Act funding was accounted for and properly tracked. New Jersey had also hired additional staff to assist in handling the significant workload increase associated with the huge influx of Recovery Act funding. However, we found that New Jersey had not made significant progress in expending Recovery Act SEP funds. Delays associated with complying with various regulatory requirements and procedural issues have adversely affected New Jersey's ability to meet the Recovery Act goal of targeting projects that can be started expeditiously.

Because of the delay in starting projects, we suggested that the Department and New Jersey closely monitor SEP spending in order to meet Recovery Act goals and ensure that all funds are expended by Department deadlines. **(OAS-RA-L-11-07)**

Department's Management of Cloud Computing Services

Cloud computing enables convenient, on-demand access to shared computing resources that can be rapidly provided to users. As part of the Office of Management and Budget's *25 Point Implementation Plan to Reform Federal Information Technology Management,* each agency was required to identify at least three cloud computing uses within its organization, of which one must be implemented by December 2011.

Our review did not reveal material issues with the Department's limited use of cloud computing services. However, we identified areas that the Department should consider before it moves forward with adopting such technology on a large scale. For instance, we noted several opportunities for improvement in the Department's cloud computing initiative. In addition, we determined that certain areas related to the management of the Magellan Project could be enhanced. Our report contains a number of suggested actions to improve the management of the use of cloud computing services and resources. **(OAS-RA-L-11-06)**

Planned Actions Related to the National Energy Technology Laboratory's (NETL) Simulation-Based Engineering User Center

The Department's NETL initiated plans to utilize $20 million of the Recovery Act funds to develop the Simulation-Based Engineering User Center (User Center) – part of the Carbon Capture Simulation Initiative program. In March 2011, NETL was given final approval for the project from the Department's Chief Information Officer.

Our review identified that the plan to acquire and install a Performance Optimized Data Center (POD) at a cost of $3 million may not be the least costly available option. We noted that over 3,000 square feet, or about 70 percent, of NETL's existing data center was unutilized. However, despite this fact, project documentation submitted to the Chief Information Officer indicated NETL's intent to acquire additional

capacity to support the User Center initiative. The project plans noted that the POD was necessary since this unutilized space was earmarked for other initiatives; however, officials told us that they were unaware of any such initiatives or were unable to provide details to support any intended future use. In addition, the project plan included costs within the existing data center option that should not have been included and did not include a detailed analysis of the costs associated with expanding the data center's power and cooling capacity. Further, a lack of coordination existed among NETL personnel responsible for data center operations, facilities, and the proposed User Center.

We recommended that the Acting Assistant Secretary for Fossil Energy require the Director, NETL, to fully analyze future data center needs and the costs and benefits of utilizing existing space in the Morgantown data center. In addition, management should ensure costs and assumptions are consistent across all alternatives prior to continuing plans for acquisition of the POD. Further, management should coordinate efforts among all affected NETL parties, including the Office of Research and Development, the Information Technology Division, and the Site Operations Division, when analyzing User Center alternatives. Management concurred with the report's recommendations. **(OAS-RA-11-08)**

Use of Recovery Act Funds on Solid Waste Project Activities at the Department's Hanford Site

The Department's Richland Operations Office (Richland) awarded a contract to CH2M HILL Plateau Remediation Company (CHPRC) to remediate Hanford Site's (Hanford) Central Plateau. The Department allocated $315 million in Recovery Act funds to support Hanford's Solid Waste Project under the CHPRC contract. Performance metrics were established to measure actual work accomplished and to determine if Recovery Act goals for the Solid Waste Project were met.

We determined that although the Department had met its goal to retrieve remote-handled transuranic (TRU) waste, and is on track to meet its goals for TRU waste repackaging and contact-handled TRU waste disposal, it is behind schedule for contact-handled TRU waste retrieval and mixed low level waste shipping. In particular, CHPRC:

- Is behind schedule to meet the goal of retrieving 2,500 cubic meters of contact-handled TRU waste by September 30, 2011.
- May not be able to meet the goal of shipping 1,800 cubic meters of mixed low-level waste by September 30, 2011.

According to management officials, Richland has implemented procedures to bring the contact-handled waste retrieval back on schedule, including adjusting procedures for handling TRU waste and evaluating various options, such as using an off-site treatment facility to repackage the waste into standard waste boxes. We believe that the Department's planned actions, if successfully implemented, should help mitigate the issues we identified. **(OAS-RA-L-11-08)**

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Recovery Act Funds at the Waste Isolation Pilot Plant

The Carlsbad Field Office (Carlsbad) was allocated $172.4 million under the Recovery Act to accelerate the Department's TRU waste disposal goals. Carlsbad set goals to create or retain 400 jobs, enhance the Waste Isolation Pilot Plant's (WIPP) infrastructure to accommodate increased waste shipments, add resources to increase shipments from 24 to 35 per week, and increase the amount of waste certified for disposal by 10,000 cubic meters.

Carlsbad increased the shipments to the WIPP by 26 percent using Recovery Act funds, but its goal to accelerate shipments to WIPP from 24 to 35 per week was only achieved twice between May 2009 and December 2010. Also, Carlsbad's Recovery Act goal to certify 10,000 cubic meters of TRU waste for disposal at WIPP was reduced to 8,570 cubic meters in March 2010 and then to 6,255 cubic meters later in 2010.

Although waste shipment and certification goals were not being met, Carlsbad reported through its Earned Value Management System (EVMS) scores that both transportation and certification metrics were on track. This occurred because Carlsbad was using the EVMS to track resources available for use, rather than the performance achieved using those resources. We noted, however, that reporting favorable EVMS scores based solely on resource availability presented an inaccurate picture of both performance and resource utilization.

Management agreed that it had not consistently met its waste shipment and certification goals. However, Carlsbad implemented a new acceleration plan with corrective actions designed to improve performance. In addition, Carlsbad's reporting of shipping and certification rates to senior management provided alternative information to the EVMS scores. In consideration of the improvements and practices already implemented in performance management, we suggested Carlsbad ensure future EVMS performance metrics provide feedback on actual programmatic performance. **(OAS-RA-L-11-09)**

Department's Controls over Recovery Act Spending at the Idaho National Laboratory (Idaho)

The Department's Office of Environmental Management (EM) oversees two major contracts for cleaning up the legacy contamination at the Idaho National Laboratory. The 7-year, $2.9 billion contract with CH2M♦WG Idaho, LLC (CWI), was established in 2005, for a wide range of Idaho clean-up functions and is scheduled to end September 30, 2012. Under this contract, CWI was entitled to incentive fees if it completed work for less than target costs. The second contract, valued at $843 million, was with Bechtel BWXT Idaho, LLC (Bechtel); to operate the Advanced Mixed Waste Treatment Project and is scheduled to end in FY 2011. Under the Recovery Act, the Department provided CWI with $422.75 million and Bechtel with $22.5 million to accelerate the Idaho cleanup effort.

We found that CWI and Bechtel were generally on schedule to meet established cost and schedule estimates for Recovery Act-funded work. Additionally, for the projects reviewed, we did not identify any material

issues with CWI and Bechtel compliance with selected Recovery Act requirements, including the segregation of funds. However, for the CWI Recovery Act-funded work, we identified certain weaknesses in the manner in which the Idaho Operations Office managed the CWI contract and measured performance for incentive fee determination purposes. Accordingly, we suggested that the Department ensure that contracts are being actively managed by directing the Contracting Officer at sites to formally remove work scope from contracts when work is pushed beyond the terms of the contract; renegotiate performance incentives fees using current cost and pricing data, where appropriate; and, ensure that contracts are managed in tandem with baseline changes. **(OAS-RA-L-11-10)**

The Advanced Research Projects Agency – Energy

The Advanced Research Projects Agency – Energy (ARPA-E), an agency within the Department, was authorized in 2007 as part of the America COMPETES Act (COMPETES Act). The goals of ARPA-E are to enhance domestic economic security through the development of energy technologies and to ensure that the United States maintains a technological lead in developing and deploying advanced energy technologies. To accomplish these goals, ARPA-E focuses exclusively on high-risk, high-payoff concepts. The Recovery Act provided an additional $400 million to ARPA-E.

ARPA-E generally had systems in place to make research awards and to deploy Recovery Act resources. However, we found that ARPA-E had not established a systematic approach to ensure that it was meeting the technology transfer and outreach requirement of the COMPETES Act and had not drafted or, in some cases, approved draft policies and procedures in a number of key areas, including those in the areas of monitoring and oversight of awardees; termination of non-performing awards; technology transfer and outreach; and, invoice review. Additionally, through transaction testing we performed at three recipient sites, we identified and questioned approximately $280,387 in unsupported, unreasonable, or unallowable costs, or costs considered to be specifically unallowable, that had been incurred by two recipients. According to an ARPA-E official, ARPA-E focused its attention on meeting the Recovery Act requirement of expeditiously awarding funds to projects by September 30, 2010; and, as a consequence did not have sufficient time and resources to devote to establishing all its operational controls in the area of policies and procedures. We also found that ARPA-E was unaware that recipients had incurred the types of costs we questioned because they did not require submission of transaction details as part of their invoice review process.

We recommended that several management best practices be implemented. Management concurred with our recommendations and stated that it had already taken corrective actions or would be taking actions on each of the recommendations. **(OAS-RA-11-11)**

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Los Alamos National Laboratory (Los Alamos) Environmental Management Activities Funded by the Recovery Act

The Recovery Act funded work at Los Alamos is part of an estimated $2.2 billion effort to remediate Los Alamos by December 15, 2015, as required by a Consent Order agreement with the New Mexico Environment Department. The National Nuclear Security Administration's (NNSA) Los Alamos Site Office is responsible for oversight of the legacy cleanup projects funded by the Recovery Act at TA-21, including: the Tritium Systems Test and Assembly project – a $14.8 million project to demolish five facilities and remove slabs and surface contamination; and, the Material Disposal Area B (MDA-B) project – a $93.5 million project to excavate low-level nuclear waste and to restore the site.

Our testing did not reveal any significant issues concerning Los Alamos' compliance with Recovery Act requirements for reporting, job creation, segregation of funds, and flow down of requirements to subcontracts. However, we noted that Los Alamos had not:

- Established a management reserve to fund cost increases and schedule slippages caused by MDA-B project risks that was commensurate with the level of uncertainty that existed about the type and amount of waste to be remediated;
- Fully implemented the established baseline change control process for the TA-21 Recovery Act projects to ensure that project scope, schedule, and cost changes were documented and formally resolved; and,
- Updated the Recovery Act Project Execution Plan as required.

NNSA and Los Alamos management have taken action to improve project management of the Recovery Act-funded TA-21 projects. NNSA informed us that the Los Alamos Site Office Manager and other senior staff have instituted weekly meetings with the MDA-B project staff to increase Federal oversight and assure that Los Alamos and its subcontractors are properly communicating and managing technical risks. Management also told us that the management reserve has been reevaluated and that remaining risks were again quantified and included in the baseline change control process. Finally, management stated that Los Alamos is working closely with the Los Alamos Site Office to update the Project Execution Plan. **(OAS-RA-11-15)**

The Status of Energy Efficiency and Conservation Block Grant Recipients' Obligations

Under the Recovery Act, the Energy Efficiency and Conservation Block Grant (EECBG) Program received $3.2 billion to improve energy efficiency and reduce energy use and fossil fuel emissions. EECBG agreements have a maximum performance period of 36 months and, in support of the Recovery Act's goal of immediate investment in the economy, the Department required grant recipients to obligate all funds within 18 months of the grant award date.

Our review disclosed that as much as $879 million, or 33 percent of the $2.7 billion allocated for formula-based EECBG grants, had not been obligated by the recipients. Our testing also revealed a number of apparent inaccuracies in data that Department officials used to monitor grantee obligations and spending. Department officials indicated they were aware of these issues and had made numerous outreach efforts with recipients to provide assistance in removing barriers to obligating and spending funds. Additionally, officials are currently evaluating the likelihood that recipients will be able to expend funds before the end of their grant performance periods and identifying options to address those recipients who may fail to do so. However, as time continues to pass, the Department needs to finalize a plan of action to address unobligated funding.

Department management concurred with our recommendations and indicated in its response that it was executing plans to address each of the issues identified. Management committed to complete outreach activities to recipients, institute corrective action plans where needed, finalize and communicate plans for recipients unlikely to spend all funds by the end of the grant performance period, and identify and correct data quality issues. **(OAS-RA-11-16)**

Energy Efficiency and Conservation Block Grant Program Funded under the Recovery Act for Pennsylvania

The Department awarded a $23.6 million formula grant to Pennsylvania's Department of Environmental Protection. Of the $23.6 million awarded, Pennsylvania retained about $1.2 million in funding for administrative costs and awarded $22.4 million to 69 local governments and 33 non-profit entities selected through a merit review process. In total, Pennsylvania plans to complete 102 energy conservation projects.

We found that Pennsylvania had developed and implemented a monitoring system designed to provide reasonable assurance that Block Grant projects would improve energy efficiency, be completed timely, and funding would be accounted for and spent properly. Additionally, we found that Pennsylvania had awarded grants for projects consistent with program objectives in improving energy efficiency and reducing energy use. We suggested that Pennsylvania continue to closely monitor project performance and funds expended in order to meet program goals and Recovery Act requirements, and ensure contract workers are paid no less than minimum wage rates required. **(OAS-RA-L-11-11)**

Implementation of the Recovery Act at the Savannah River Site

The Department's Savannah River Site (Savannah River), in Aiken, South Carolina, was allotted more than $1.6 billion in Recovery Act funds to accelerate the completion of existing EM projects, such as decontamination and decommissioning of inactive nuclear facilities and the remediation of contaminated soil and groundwater.

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We found that the site generally complied with Recovery Act requirements we tested, such as reporting, ensuring the flow down of requirements to subcontracts, and segregation of funds. However, we did identify a concern regarding the accurate distribution of costs associated with staff augmentation contractors working on Recovery Act projects. Specifically, we identified $17,236 of invoiced costs that were not charged to the appropriate project activity codes. We were informed that steps had been taken to correct some misapplied distributions and prevent future errors. Operating contractor management indicated that they planned to implement a new accounts payable system effective October 1, 2011, that would automate the process and better align staff augmentation invoicing with cost distribution to Recovery Act projects. We suggested that the operating contractor and Departmental management review manual adjustments to the current system, as necessary, to ensure the accuracy of staff augmentation cost distributions. **(OAS-RA-L-11-12)**

Upgrade Project at Thomas Jefferson National Accelerator Facility

In September 2008, the Department's Office of Science (Science) approved a construction project to double the electron beam energy of the Continuous Electron Beam Accelerator Facility at the Thomas Jefferson National Accelerator Facility from 6 to 12 billion electron volts. Under a prime contract with the Department, Jefferson Science Associates (JSA) is responsible for managing the project as well as the management and operation of the Jefferson Laboratory. The total project cost for the Upgrade Project is $310 million which includes $65 million in Recovery Act funding. Virginia also provided $9 million to JSA as part of its higher education program to leverage the Department's investment in the Upgrade Project.

The Upgrade Project generally complied with the Recovery Act requirements we tested and was, for the most part, on schedule. However, we identified several opportunities to strengthen project monitoring and control. For instance, we found that JSA used funds from Virginia to pay for Upgrade Project tasks even though the funds had not been formally obligated to its contract; and Jefferson Laboratory did not include all of the costs for the Upgrade Project in the total project cost. We suggested that Department management ensure that Upgrade Project tasks paid with funds received from Virginia and other sources are included in the calculation of total project cost; and JSA fully addresses Science's Office of Projects Assessment concerns in a timely manner. In addition, we suggested that Department management clarify policies and procedures for handling funds received from non-Department sources, such as those received from Virginia. **(OAS-RA-L-11-13)**

Verification of Lawrence Berkeley National Laboratory's Contract Workers' Eligibility to Work in the U.S.

The Department's Lawrence Berkeley National Laboratory (Berkeley) is a research laboratory managed by the Department's Berkeley Site Office. In addition to its FY 2010 budget of approximately $707 million, Berkeley received an additional $104 million in funding from the Recovery Act. Much of this funding is being used in combination with Department funds to complete infrastructure upgrades through the use of contractors and subcontractors, resulting in temporary workers gaining access to the Berkeley site. The

Immigration Reform and Control Act of 1986 (the Act) makes it illegal for employers to knowingly hire and continue to employ individuals who are not eligible to work (unauthorized workers) in the United States (U.S.). To comply with the Act, employers must complete an *Employment Eligibility Verification Form* (Form I-9) for each employee at the time of hiring.

We found that not all of Berkeley's subcontractors ensured that individuals they employed to work on the site were initially eligible or maintained authorization to work in the U.S. throughout the term of their employment. Some contractors had employees complete required Form I-9s only after we requested them, and others purged their employees' forms from personnel files or had neglected to update and re-verify supporting documents (such as work authorizations and visas). As a consequence, unauthorized workers may have inappropriately gained access to Federally-funded facilities and could have displaced U.S. citizens or other authorized workers from jobs. Notably, about $29 million of the $65 million dedicated to the contracts we reviewed were provided through the Recovery Act where one of the primary purposes of the Recovery Act was to stimulate the economy and provide employment for citizens and other eligible workers. Further, of the $29 million in Recovery Act funds, $2.7 million was received by subcontractors included in our review. The Department and the Berkeley Site Office concurred with the report's findings and recommendations. **(DOE/IG-0850)**

Whistleblower Retaliation

Section 1553 of the Recovery Act extends whistleblower protection to employees who believe they are, or have been, retaliated against for reporting misuse of Recovery Act funds received by their non-Federal employers. Specifically, an employee of any non-Federal employer, such as a private company or a state or local agency, who reports information that the employee reasonably believes is evidence of waste, fraud or abuse connected to the use of Recovery Act funds, may not be discharged, demoted or otherwise discriminated against because of his or her disclosure. Unless the Inspector General determines that the complaint is frivolous, does not relate to covered funds, or another Federal or State judicial or administrative proceeding has previously been invoked to resolve such complaint, the Inspector General shall investigate the complaint and issue a report of findings.

The activity of the office is summarized in the chart on page 42.

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Other Significant Audits, Inspections, and Reviews

Security Planning for National Security Information Systems at Lawrence Livermore National Laboratory (Livermore)

The NNSA is responsible for the maintenance and security of the Nation's nuclear stockpile, management of nuclear nonproliferation activities, and operation of the naval reactor programs. A significant amount of the information related to these mission activities is classified and stored or processed in national security information systems. Livermore maintains various national security systems, ranging from diskless workstations to large supercomputers, which process sensitive and classified information in support of program objectives.

We found that based on our prior reviews Livermore had taken steps to improve the risk management process for its national security information systems. However, we found that additional actions are needed in the area of security planning and policies to reduce the risk of compromise. Without improvements, the weaknesses identified may limit program and site-level officials' ability to make informed risk-based decisions that support the protection of classified information and the systems on which it resides.

We made several recommendations that, if fully implemented, should help enhance NNSA's and Livermore's management of risk over national security information systems. Management indicated that it generally agreed with the report's findings and commented that corrective actions were already underway to address issues identified in the report. **(OAS-M-11-03)**

Follow-up Audit of NNSA's Nuclear Explosive Safety Study Program

Many of the nuclear explosive operations related to NNSA's mission, including assembly, disassembly, surveillance, refurbishment, and dismantlement of nuclear weapons, are performed at the Pantex Plant (Pantex). The Department requires that a Nuclear Explosive Safety (NES) study be conducted and approved before any nuclear explosive operations are performed due to the unacceptable consequences of an accident. NES studies are formal evaluations of proposed nuclear explosive operations to determine the adequacy of controls to prevent inadvertent or accidental detonations or fissile material dispersals.

In January 2003, we reported that comprehensive NES studies had been delayed for six of the nine nuclear weapon types that were active in the nation's stockpile. Our current review disclosed that all appropriate required NES studies and operational safety reviews (OSRs) were completed and approved by NNSA. However, we noted that most NES studies and OSRs included issues of concern that were designated as post-start findings that were unresolved for periods ranging from 5 months to nearly 12 years.

According to NES experts, actions taken to address post-start findings serve to enhance NES, but are not considered critical enough to suspend operations. To further enhance, we suggested that the Manager, Pantex Site Office direct Pantex to improve its processes regarding post-start findings by: (1) documenting the basis for requests for due date extensions, and (2) reviewing the reasons why the extended due dates were not met. **(OAS-L-11-04)**

Implementation of Beryllium Controls at Livermore

The Department has a long history of using beryllium – a metal essential for nuclear operations and processes. Exposure to beryllium can cause beryllium sensitization or even Chronic Beryllium Disease, an often debilitating, and sometimes fatal, lung condition. Livermore established a Chronic Beryllium Disease Prevention Program. An NNSA review identified weaknesses in Livermore's Prevention Program. Also, the Department's Office of Enforcement investigation identified violations of the regulation in the vital areas of identifying the presence of beryllium in facilities, communicating beryllium hazards to workers, training workers in beryllium control procedures, and surveillance and monitoring for medical effects of exposures.

During our review, we found that Livermore expended significant effort and had completed a number of corrective actions designed to improve its Prevention Program. However, we found that, in certain instances, all actions necessary to resolve previously observed weaknesses had not been completed. We concluded that implementation issues we observed occurred, at least in part, because the Livermore Site Office's oversight efforts during the implementation of Livermore's corrective actions were not entirely effective.

Management did not dispute the findings but indicated that it did not agree with our conclusions as they related to oversight weaknesses at the Livermore Site Office. Management agreed with our recommendations for ensuring that Livermore performs various actions as opportunities for continuous improvement and stated they had already taken corrective action or will take additional corrective action.
(DOE/IG–0851)

Alleged Violations of Executive Order 12333, U.S. Intelligence Activities – Improper Retention and Dissemination of Information on U.S. Persons

Within the Department, the Office of Intelligence and Counterintelligence (CI) is responsible for collecting, reviewing, analyzing, investigating and acting on concerns ranging from foreign intelligence to potential and actual terrorist activities. As part of its process, CI established what it termed "SPOT Reports".

While we took no exception to collection techniques, our inspection found that the Department had not always adequately managed "SPOT Reports". We discovered that the dissemination, review, retention and deletion of "SPOT Reports" containing information on U.S. Persons did not always comport with the Department's *Procedures for Intelligence Activities* and its *Counterintelligence Directorate's Counterintelligence Professional Guide*.

While trying to determine the underlying cause of the problems with review, retention and dissemination of "SPOT Reports", we found that some CI officials were not fully conversant with laws, regulations, executive orders and procedures concerning retention of information gathered on U.S. Persons. CI officials informed us that as a result of our inspection they had discontinued the use of "SPOT Reports" on U.S. Persons as of October 2010. These officials also indicated that effective January 2011, CI discontinued the use of all "SPOT Reports", including those involving cyber-related events.

We made several recommendations to help improve the purge/deletion process and ensure

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that information on U.S. Persons that is not needed is completely deleted. CI concurred with the report's recommendations. We consider management's comments responsive to our recommendations. **(DOE/IG-0852)**

Implementation of Nuclear Weapons Quality Assurance Requirements at Los Alamos

In its effort to attain the highest quality in weapons engineering design and manufacturing, the Department established the *DOE/NNSA Weapon Quality Policy* (QC-1). This policy requires NNSA and its contractors to establish processes to detect and prevent quality problems. This policy also requires that items, services and processes that do not meet established requirements be identified, controlled and corrected. To that end, NNSA and Los Alamos conduct surveys to help ensure that problems are identified and corrected. In previous reports, we have identified problems with quality assurance processes at the Department's National Laboratories.

Our inspection did not identify any material concerns with Los Alamos' quality management system. We did, however, identify a potential opportunity to improve the effectiveness of the program. Specifically, we found that Los Alamos may not have focused on identifying and evaluating the cause or causes of frequently cited weaknesses related to certain design and production activities.

We suggested that the Manager and the Quality Assurance Manager, at the Los Alamos Site Office, continue to fully implement quality assurance throughout the Laboratory and ensure that Los Alamos addresses recurring deficiencies consistent with the requirements of QC-1. **(INS-L-11-02)**

Organizational Conflicts of Interest Program at Sandia National Laboratories

The NNSA's Sandia National Laboratories (Sandia) is designated as a Federally Funded Research and Development Center. In performing its various research-related activities, Sandia has special access to a wide variety of Government proprietary information. Pursuant to Federal Acquisition Regulation 35.017, *Federally Funded Research and Development Centers*, and other contractual provisions, Sandia is obligated to protect proprietary data, act with independence and objectivity, and perform in a manner free from any Organizational Conflicts of Interest (OCI).

Our inspection revealed a number of areas where Sandia could improve its OCI process to prevent potential or actual OCI. Although specifically required by Federal regulation and contractual provisions, Sandia had not completed a number of OCI-related activities.

We also found that Sandia personnel who worked directly with Lockheed Martin Corporation on Work for Others projects and Cooperative Research and Development Agreements were not aware of the process for releasing information that may have been proprietary to the parent corporation.

NNSA management generally agreed with the report and the recommendations, and indicated that Sandia has already initiated improvement efforts in several areas to strengthen its OCI program. NNSA management also identified a series of comprehensive actions they plan to take in order to ensure the integrity of the Sandia OCI program, to include specific actions they will direct Sandia to take. In addition, Sandia stated that they are in agreement with the overall conclusions of the report, and that the conclusions are reflected in the recommendations. **(DOE/IG-0853)**

The Department's K-25 Building Decontamination and Decommissioning Project

The East Tennessee Technology Park (ETTP), formerly the Oak Ridge Gaseous Diffusion Plant, began operation during World War II as part of the Manhattan Project. As the Department's missions changed, operations at the plant ceased and the Department began a massive environmental remediation effort with completion anticipated in 2016. In 2001, the Department estimated that it would decontaminate and decommission (D&D) – a process which readies a building for demolition – both the K-25 building and its sister facility, the K-27 building, at a cost of $460 million. In 2002, the Department developed a plan to accelerate closure of ETTP, projecting a revised end date of 2008. The Department emphasized that risk reduction was a key factor for accelerating closure, noting that the K-25 and K-27 buildings posed some of the most serious environmental and safety risks at the site.

We found that problems with contract administration and project management likely impacted the Department's ability to effectively manage the many technical challenges it encountered during its attempts to complete the K-25 D&D Project. While we could not directly link contract and project management weaknesses to discrete cost and schedule impacts, in our opinion, there was little doubt that these issues adversely affected management's ability to effectively manage the burgeoning cost of the K-25 D&D Project.

We made a series of recommendations designed to help strengthen overall management of the K-25 D&D Project. We also outlined a series of lessons learned and best practices that the Department could apply in on-going or yet to be initiated environmental remediation projects. The Oak Ridge Office generally agreed with the report's findings and recommendations. Management also provided information on completed and planned corrective actions. **(DOE/IG-0854)**

Follow-up Review of Property Control and Accountability at Idaho

The primary function of Idaho is to support the Department's mission regarding nuclear and energy research, science and national defense. The Idaho Operations Office oversees Battelle Energy Alliance, which manages and operates Idaho for the Department. In April 2005, the Office of Inspector General (OIG) issued a report on "*Property Control and Accountability at the Idaho National Laboratory*" (DOE/IG-0687) which concluded that certain improvements were needed in property management and reporting processes. Management concurred with the recommendations and stated that they took corrective action in response to our report.

This inspection revealed that Idaho officials have generally taken corrective action in response to our 2005 report to improve Idaho's processes for maintaining custody and accountability for excess property and for reporting and investigating missing or stolen property. Additionally, as a part of our inspection, we could not substantiate an allegation that Idaho may not be exerting due diligence to locate missing property prior to excessing it from the inventory as "retired" property. **(INS-L-11-03)**

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Allegations of Suspect Parts in Sun Microsystems Processors at Sandia – New Mexico

Sandia-New Mexico is a science-based technology organization that purchases world class technologies and specialized services to support the Sandia-New Mexico national security mission. Oversight of Sandia Corporation's contract is performed by the NNSA's Sandia Site Office. In support of its mission, Sandia has maintained a Just-In-Time (JIT) contract with Commercial Data Systems (CDS), an authorized reseller of computer hardware components since 2001, to provide commercial off-the-shelf Sun Microsystems products to Sandia.

We were unable to substantiate the allegation that Sandia purchased suspect computer parts that were installed in Sun Microsystems processors. However, we did find that, for a period of more than 6 years, CDS provided commercial off-the-shelf Sun Microsystems products to Sandia under the JIT contract without specific quality clauses prohibiting delivery of suspect or counterfeit items. We suggested that the Manager, Sandia Site Office, review the use of the standard clause for suspect and counterfeit items at Sandia and ensure that Sandia continues to incorporate the clause when appropriate into new and existing contracts. **(INS-L-11-04)**

Fixed Monthly Living Expense Payments at Livermore

Livermore is managed and operated by Lawrence Livermore National Security, LLC, for the NNSA. In certain circumstances, Livermore utilized subcontractors to obtain specialized skill sets that are not available locally. To minimize travel expenses, some subcontractors received fixed monthly living expenses (FMLE) which were negotiated travel reimbursements that provide a fixed monthly payment to cover specified travel expenses. An OIG investigation determined that a Livermore subcontractor paid $181,666 to subcontract employees who claimed and received payments to which they were not entitled.

This subsequent inspection found that Livermore, as a result of the investigation, had taken actions to address FMLE issues. For instance, Livermore established policies and procedures for the management and administration of the FMLE process. However, we suggested that the Manager, Livermore Site Office, closely monitor and periodically review the FMLE program to ensure that current Livermore policies and procedures are effective in precluding inappropriate FMLE payments and that internal controls have been established to prevent future problems **(INS-L-11-05).**

Protective Force Training Facility Utilization at the Pantex Plant

In 2001, the Department authorized individual sites to conduct basic training at their own sites. Since then, various NNSA sites have built their own training facilities for their protective forces to meet their security training requirements and prepare for possible threats or adverse actions. NNSA's Office of Secure Transportation (OST) authorized approximately $2 million in March 2011 to construct a Physical Training/Intermediate Use of Force (PT/IUF) facility at Pantex, near Amarillo, Texas.

We found that OST's plans to construct the PT/IUF facility at Pantex may not be cost effective. Specifically, we noted that Pantex's existing PT/IUF facilities have the capacity to fulfill OST's training needs. OST's analysis to

justify the construction of a new PT/IUF facility at Pantex did not fully consider the capability and capacity of Pantex's existing facilities. We wanted to ensure that NNSA decision makers were aware of our concerns before resource commitments were made regarding the path forward for this facility. Management reviewed a draft of this report and stated that in response to the recommendation OST, in conjunction with the Pantex Site Office, will re-evaluate its training facility requirements to determine whether a separate OST PT/IUF facility is in NNSA's best interest. **(DOE/IG-0855)**

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Investigative Outcomes

Corporation Pays Settlement in Bid Rigging and Kickback Investigation

As previously reported, this investigation determined that information technology manufacturers, distributors, and systems integrators engaged in defective pricing that violated the terms of their General Services Administration (GSA) Schedule Contracts. The manufacturers, distributors, and systems integrators failed to provide truthful and accurate pricing information, failed to pass on price reductions and failed to offer discounts when required by their GSA Schedule Contracts. Additionally, the investigation determined several of the information technology manufactures violated the Anti-Kickback Act by engaging in the payment of kickbacks. During this reporting period, one systems integrator/consultant corporation paid over $63.5 million to settle bid rigging and Anti-Kickback Act allegations. This is an ongoing joint investigation with the Department of Justice Civil Division, U.S. Attorney's Office for the Eastern District of Arkansas, Defense Criminal Investigative Service, GSA OIG, Treasury Inspector General for Tax Administration, Defense Contract Audit Agency, the Transportation Security Administration, the Department of State, Department of Education and the U.S. Postal Service OIG.

Laboratory Equipment Recovered

The OIG recovered over $436,000 in laboratory equipment stolen from the Department's Savannah River Ecology Laboratory. The equipment was recovered from a University of Kentucky laboratory utilized by the former Department subcontractor employee who was alleged to have taken the equipment. The investigation is ongoing and is a joint investigation with the University of Kentucky Police.

Department Grantee's Former Chief Financial Officer (CFO) Pleads Guilty

The former CFO of an organization responsible for promoting green energy pled guilty to one count of wire fraud and one count of money laundering in U.S. District Court for the Eastern District of Tennessee. The organization received Department grant and contract funds. The investigation determined that the former CFO stole in excess of $400,000 from the non-profit agency over a 3-year period using various financial schemes.

Former Subcontractor Employee Pleads Guilty to Anti-Kickback Act Violation

A former subcontractor employee at the Y-12 National Security Complex (Y-12) pled guilty in U.S. District Court for the Eastern District of Tennessee to a one count violation of the Anti-Kickback Act and agreed to pay restitution of $294,976. The investigation determined that the former subcontractor employee received kickbacks from another Y-12 subcontractor. The investigation also revealed that during 2006, 2007

and 2008, the former subcontractor billed time and received payment for hours he did not work.

Former Los Alamos Contractor Employee Debarred from Government Contracting

As previously reported, an OIG investigation determined that while employed as a timekeeper at Los Alamos, a contractor employee fraudulently entered over 300 hours into the Los Alamos payroll system resulting in the individual receiving payment for hours not worked. The individual pled guilty in U.S. District Court for the District of New Mexico and was sentenced to 3 years supervised probation and was ordered to pay $15,363 restitution to the Department. During this reporting period, in response to an Investigative Report to Management (IRM), the individual was also debarred from doing business with the Federal Government for 3 years.

Former Los Alamos Subcontractor Employees Debarred from Government Contracting

As previously reported, an OIG investigation determined that while employed at Los Alamos, 4 former subcontractor employees stole 5,253 pounds of specialized copper wire belonging to Los Alamos and sold it for their own personal gain. Each of the individuals was accepted into the State of New Mexico's Pre-Prosecution Diversion Program and all four were ordered to pay restitution to the Department totaling $11,469. During this reporting period, in response to an IRM, NNSA debarred the four former Los Alamos subcontractor employees from doing business with the Federal Government for a period of 3 years.

Former Contractor Employee Pled Guilty

A former contractor employee of Livermore pled guilty in Alameda County Superior Court to one count of felony embezzlement of Government property and was sentenced to one day incarceration and 5 years probation. The individual was also ordered to pay $9,640 in restitution, court fees and assessments. The investigation determined that while employed at Livermore, the individual stole high-end printer cartridges and sold them to a supply company and online wholesalers.

Former Los Alamos Subcontractor Employee Debarred from Government Contracting

As previously reported, an OIG investigation determined that while employed at Los Alamos, an individual attempted to steal irradiated gold from a Los Alamos plutonium processing facility. The former employee pled guilty in U.S. District Court for the District of New Mexico and was sentenced to 366 days in prison and 3 years supervised probation. During this reporting period, in response to an IRM, the former Los Alamos employee was debarred from doing business with the Federal Government for 3 years.

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Grantee Reimburses the Department

A Department grantee reimbursed the Department $133,605 after an OIG investigation determined the funds were spent on unallowable and unsupported grant costs. The grantee, a non-profit organization, was supposed to use the grant funds to renovate and expand a math, science and technology center. The investigative findings were reported to the Chicago Operations Office, which led to the grantee agreeing to reimburse the Department.

Department Subcontractor Employee Pays Restitution

NNSA reported receiving $32,819 in voluntary restitution from a Department subcontractor employee. The payment was made as part of an agreement between the New Mexico First Judicial District Attorney's Office and the individual. The investigation determined that the subcontractor employee submitted and was reimbursed with Department funds for fraudulent travel claims.

Employment Terminated in Fraud Investigation

A subcontractor employee of Sandia and Los Alamos National Laboratories was terminated from employment. The joint investigation between the OIG and U.S. Secret Service determined that the former subcontractor employee sold Department computer serial numbers to an individual with no Department affiliation on numerous occasions. The computer serial numbers were used to fraudulently obtain over $1.6 million worth of computer parts from a large computer manufacturer. There was no loss to the Department.

Department Employee Pleads Guilty in U.S. District Court

A senior Department employee pled guilty in U.S. District Court for the District of Columbia to one count of converting public money. The employee retired in lieu of termination. The OIG investigation determined that the director submitted and was reimbursed for fraudulent vouchers in connection with official Department travel.

Former Subcontractor Employee and Two Private Citizens Debarred from Government Contracting

As previously reported, an OIG investigation determined that three individuals conspired to steal and fraudulently use two GSA fuel credit cards issued to Los Alamos. The former subcontractor employee and one private citizen were placed into the State of New Mexico's Pre-Prosecution Diversion Program. The other private citizen pled guilty and was sentenced to 3 years probation. The three individuals were also required to pay restitution to the Department. During this reporting period, in response to an IRM, the former Los Alamos sub-contractor employee and the two private citizens were debarred from doing business with the Federal Government for 3 years.

Two Former Pantex Plant Contractor Employees Sentenced

As previously reported, two contractor employees were terminated from employment at Pantex pursuant to OIG investigative findings. The

investigation determined that the two contractor employees, along with a former Pantex contractor employee, stole various items including industrial power equipment, copper and building materials from Pantex. During this reporting period, the two contractor employees pled guilty in U.S. District Court for the Northern District of Texas to one count each of theft of Government property. One employee was sentenced to 6 months incarceration and 3 years supervised release. The second employee was sentenced to 2 years probation. Both were fined, ordered to pay restitution and suspended from Government contracting. The exact loss to the Department has not been determined.

IRM Issued in Conflict of Interest Investigation

An IRM was issued to the administrator of the Bonneville Power Administration (BPA). In response, BPA issued an official letter of reprimand to a manager who, since 2007, encouraged BPA paint shop personnel to purchase paint and related supplies from a BPA vendor that gave the manager a vendor discount on personal paint purchases. During the period in question, BPA made $45,846 in purchases from the vendor and the manager purchased discounted paint from the vendor for personal use.

IRM Issued to NETL

An IRM was issued to the NETL Director with recommendations for corrective action. The investigation determined that three Federal employees made Government credit card purchases in violation of purchase card regulations. In response to the IRM, management took a range of disciplinary actions, including a suspension and letters of reprimand. Additionally, management committed to modifying the current NETL requisition protocols.

IRM Issued to the Berkeley Site Office (BSO)

An IRM was issued to the BSO with three recommendations, including recommending a review of the vehicle accountability process of a contractor at Berkeley. All recommendations in the IRM were accepted by the site office. The OIG investigation determined that the contractor failed to properly account for its Department-owned vehicles and failed to register the vehicles with the California Department of Motor Vehicles as required by law.

IRM Issued to Oak Ridge Office and Y-12 Site Office

An IRM was issued to the managers of the Oak Ridge Office and Y-12 Site Office with two recommendations for corrective action regarding a security contractor and missing property. Management agreed to closely monitor the contractor to ensure missing items were reported to the Department and the NNSA. Management also agreed to include the contractor's failures in the contractor's performance report. The IRM was issued after an OIG investigation determined the contractor failed to adhere to reporting requirements involving missing property.

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Protesters Convicted of Trespassing at Y-12

Twelve individuals with no Department affiliation were convicted in U.S. District Court for the Eastern District of Tennessee for trespassing at Y-12 in Oak Ridge, Tennessee. These individuals were anti-nuclear protesters. Jointly, OIG agents, the U.S. Marshals Service and Y-12 security guards participated in the arrest, processing and detention of the individuals.

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Positive Outcomes

Highlights Based on Office of Inspector General Work

During this reporting period, the Department took positive actions as a result of OIG work conducted during the current or previous periods. Consistent with our findings and recommendations:

- EERE conducted a comprehensive analysis of audit findings related to programs that EERE sponsored or implemented under the Recovery Act, developed formal monitoring plans, and implemented a centralized system to allow better reporting of monitoring data. In addition, EERE created a program guidance website to serve as a library of official guidance on key Recovery Act requirements like the Buy American provision and the Davis-Bacon Act.

- A Department contracting officer formally requested the return of $47,500 for consulting services that was paid to a West Virginia grantee due to insufficient documentation to support the reasonableness of expenditure of Recovery Act weatherization funds.

- NNSA issued a memo requiring the Heads of Department Elements, in consultation with appropriate legal counsel, to determine whether consensual listening-in to telephone/radio conversations is appropriate for certain operations and, if warranted, to approve procedures for such activities.

- NNSA and Department program and site offices took action to strengthen controls over Intergovernmental Personnel Act and Change of Station assignments with Federal and non-Federal entities, including controls or processes over approvals and cost sharing and reimbursement.

- NNSA examined the tracking and closure of findings reported by Los Alamos for fire protection deficiencies and recommended more robust documentation of closure. NNSA also notified Los Alamos that periodic verification via random sampling will be conducted to ensure the ongoing efficacy of the process to address weaknesses regarding corrective actions for fire protection deficiencies.

- Department and NNSA took steps to fully implement program, site office, and contractor continuity of operations planning requirements. Continuity of operations planning contractor requirements documents were added to contracts at sites that support or perform Departmental Mission Essential Functions or Primary Mission Essential Functions.

- NNSA and Los Alamos reviewed current vital safety system assessment procedures for applicable quality assurance requirements and concluded that all appropriate criteria had been incorporated.

- ARPA-E addressed concerns relating to the development and finalization of policies and procedures and lack of tracking of technology transfer and outreach

expenditures. In the five funding opportunity announcements that it issued in April 2011, ARPA-E required recipients to track and report their expenditures on technology transfer and outreach to ARPA-E to satisfy a requirement of the America COMPETES Act.

- A Department laboratory disclosed that it too had some very old controlled substances requiring destruction that it was not authorized to possess. It coordinated with the U.S. Drug Enforcement Administration to retrieve them.

The OIG has also been instrumental in working with Department management and the U.S. Department of Justice (DOJ) to address significant contractor internal control and accountability issues. Recent investigations have identified fraudulent activities in the areas of long-term per diem payments and purchase card usage. These investigations resulted in multiple criminal prosecutions of contractor employees for fraudulent acts. The investigations also identified that internal controls were not being enforced by Department contractors, which created an environment that allowed fraud to occur unchecked. To date, civil actions have resulted in several contractors reaching settlements totaling millions of dollars. Examples of our efforts in these two areas are as follows:

- **Per Diem Fraud.** The OIG has a number of investigations involving the improper payment of per diem by Savannah River Nuclear Solutions. Many of these payments involved Recovery Act funds. During this reporting period, four individuals were convicted for receiving per diem payments they were not entitled to receive. To date, the OIG investigations have resulted in multiple criminal convictions and disciplinary actions and two individuals being debarred from doing business with the Government for 3 years. In addition, the investigations have resulted in civil settlements with contractors that failed to enforce internal controls that would have prevented the fraudulent activities. The contractor employees and the contractors have paid in excess of $2.2 million in fines and restitution as well as settlement agreements.

- **Purchase Card Fraud.** The OIG has a number of investigations involving the improper use of Government purchase cards by contractor employees at the Department's Hanford Site. As previously reported, several contractor employees were convicted, sentenced and ordered to pay over $1 million in restitution. During this reporting period, a contractor employee was sentenced to one year of supervised release and ordered to pay restitution. Another contractor employee pled guilty and is awaiting sentencing. Additionally, five contractor employees and one company were debarred from doing business with the Federal Government. Also during this reporting period, current and former Hanford Site contractors entered into civil settlement agreements with the DOJ to settle allegations that they repeatedly failed to address internal control weaknesses. One prime contractor agreed to pay $4 million, another agreed to pay $1.5 million and a third agreed to pay $515,000.

Congressional Responses

During this reporting period, the OIG provided information at the request of Congress in 16 instances and briefed congressional staff on 12 occasions. In addition, the OIG testified at one congressional hearing before the Subcommittee on Environment and the Economy, House Committee on Energy and Commerce, on June 1, 2011. The hearing was entitled, "The Department of Energy's Role in Managing Civilian Radioactive Waste."

Legislative and Regulatory Reviews

The Inspector General Act of 1978, as amended, requires the OIG to review and comment upon legislation and regulations relating to Department programs and to make recommendations concerning the impact of such legislation or regulations on departmental economy and efficiency. The OIG coordinated and reviewed 26 items during this reporting period.

Hotline System

The OIG operates a Hotline System to facilitate the reporting of allegations involving the programs and activities under the auspices of the Department. During this reporting period, the Hotline received 3,712 contacts (calls, letters, e-mails, walk-ins, and *Qui Tams*); 3,387 of these were immediately resolved, redirected, or required no further action. In addition, 342 complaints were processed for further review and adjudication. The OIG Hotline System can be reached by calling **1-800-541-1625** or **1-202-586-4073**.

Management Referral System

The OIG referred 95 complaints to Department management and other government agencies during the reporting period and specifically requested Department management to respond concerning the actions taken on 28 of these complaints. Otherwise, management was asked to reply only if wrongdoing or misconduct was confirmed or indicators of fraud involving Department programs, operations or personnel were identified in response to an OIG referral. The following referrals for which responses were received during this reporting period are examples that demonstrate management's use of OIG-provided information to stimulate positive change or to take corrective action:

- The OIG received allegations that certain buildings at the Argonne National Laboratory posed potential unidentified fall hazards for employees. The OIG referred this concern to the Department's Office of Science for action. In response to the OIG referral, Department management required Laboratory officials to inspect the buildings identified in the complaint. The inspections identified potential fall hazards and corrective action was taken to include installation of permanent guardrail systems, posting of appropriate warning signs and installation of padlocks on access doors.

- The OIG was advised of the theft of a Lawrence Livermore National Laboratory (Laboratory) Protective Force Division employee's credential. In response to an OIG referral to Department management, the Laboratory's Security Director assessed the use and control of staff credentials. A new Operational Directive was subsequently issued concerning the carrying and

accountability of credentials for Laboratory Protective Force personnel.

- The OIG referred to Department management allegations of a potential hostile work environment at an Office of Science facility. In response to the referral, management requested that a fact finder review the situation. Based on the review results, a senior Department manager was provided a formal written reprimand and placed on a performance improvement plan.

- The OIG referred to Department management allegations that a Savannah River contractor exhibited preferential treatment toward certain staff augmentation companies. Specifically, the contractor added requirements to a Request for Proposal (RFP) applicable to only a few preferred companies which contradicted the spirit of small business set asides. In response to an OIG referral to Department management, the criteria were removed from the RFP and the process for soliciting and obtaining staff augmentation personnel was revised.

Qui Tams

Since 1996, the OIG has been instrumental in working with the DOJ in *Qui Tam* cases. The OIG is currently working on 14 *Qui Tam* lawsuits involving alleged fraud against the Government with potential liability in the amount of approximately $254,300,000. While these cases are highly resource intensive, requiring extensive OIG investigative and audit effort, they have proven to result in a high return on our investment.

Appendix 1 - Reports

Recovery Act and Recovery Act-Related Reports Issued

April 1, 2011 – September 30, 2011

Report Number	Title	Date Issued	Savings	Questioned Costs
OAS-RA-11-07	*The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the State of Wisconsin*	06-06-11		$17,110
OAS-RA-11-08	*Management Alert on Planned Actions Related to the National Energy Technology Laboratory's Simulation-Based Engineering User Center*	04-22-11		
OAS-RA-11-09	*The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of West Virginia*	06-13-11		$67,600
OAS-RA-11-10	*The Department of Energy's American Recovery and Reinvestment Act – California State Energy Program*	07-28-11		
OAS-RA-11-11	*The Advanced Research Projects Agency – Energy*	08-22-11		$280,387
OAS-RA-11-12	*The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Missouri*	08-22-11		
OAS-RA-11-13	*The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act in the State of Indiana*	08-23-11		$8,000

Recovery Act and Recovery Act-Related Reports Issued

April 1, 2011 – September 30, 2011

Report Number	Title	Date Issued	Savings	Questioned Costs
OAS-RA-11-14	*The Department of Energy's Weatherization Assistance Program Funded under the American Recovery and Reinvestment Act for the Commonwealth of Virginia*	08-25-11		$1,200,000
OAS-RA-11-15	*Los Alamos National Laboratory Environmental Management Activities Funded by the Recovery Act*	08-25-11		
OAS-RA-11-16	*The Status of Energy Efficiency and Conservation Block Grant Recipients' Obligations*	09-01-11		
OAS-RA-11-17	*The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act in the State of Tennessee*	09-19-01		$126,774
OAS-RA-11-18	*Examination Report "Community Action Partnership of the Greater Dayton Area – Weatherization Assistance Program Funded by the American Recovery and Reinvestment Act of 2009"*	09-29-11		
OAS-RA-11-19	*Examination Report "Cuyahoga County of Ohio Department of Development - Weatherization Assistance Program Funded by the American Recovery and Reinvestment Act of 2009"*	09-29-11		
OAS-RA-11-20	*Examination Report "People's Equal Action and Community Effort, Inc. – Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009"*	09-30-11		

Recovery Act and Recovery Act-Related Reports Issued

April 1, 2011 – September 30, 2011

Report Number	Title	Date Issued	Savings	Questioned Costs
OAS-RA-11-21	*Examination Report "Action for a Better Community, Inc. - Weatherization Assistance Program Funds Provided by the American Recovery and Reinvestment Act of 2009"*	09-30-11		$6,200
OAS-RA-L-11-06	*Department's Management of Cloud Computing Services*	04-01-11		
OAS-RA-L-11-07	*The Department of Energy's American Recovery and Reinvestment Act – New Jersey State Energy Program*	04-15-11		
OAS-RA-L-11-08	*Use of American Recovery and Reinvestment Act of 2009 Funds on Solid Waste Project Activities at the Department of Energy's Hanford Site*	05-19-11		
OAS-RA-L-11-09	*Performance of Recovery Act Funds at the Waste Isolation Pilot Plant*	07-07-11		
OAS-RA-L-11-10	*Department of Energy's Controls over Recovery Act Spending at the Idaho National Laboratory*	07-21-11		
OAS-RA-L-11-11	*The Department of Energy's Energy Efficiency and Conservation Block Grant Program Funded under the American Recovery and Reinvestment Act for the State of Pennsylvania*	09-23-11		
OAS-RA-L-11-12	*Implementation of the Recovery Act at the Savannah River Site*	09-29-11		
OAS-RA-L-11-13	*The 12 GeV CEBAF Upgrade Project at Thomas Jefferson National Accelerator Facility*	09-30-11		
DOE/IG-0850	*Verification of Lawrence Berkeley National Laboratory's Contract Worker's Eligibility to Work in the U.S.*	04-15-11		

Other Audit Reports Issued

April 1, 2011 – September 30, 2011

Report Number	Title	Date Issued	Savings	Questioned Costs
IG-0851	*Implementation of Beryllium Controls at Lawrence Livermore National Laboratory*	06-17-11		
IG-0854	*The Department of Energy's K-25 Building Decontamination and Decommissioning Project*	07-13-11		
IG-0855	*Management Alert on Protective Force Training Facility Utilization at the Pantex Plant*	09-27-11	$2,000,000	
OAS-M-11-03	*Security Planning for National Security Information Systems at Lawrence Livermore National Laboratory*	04-15-11		
OAS-L-11-04	*Follow-up Audit of National Nuclear Security Administration's Nuclear Explosive Safety Study Program*	06-08-11		
OAS-FS-11-06	*Department of Energy Isotope Program's Fiscal Year 2007 Financial Statement Audit*	04-07-11		
OAS-FS-11-07	*Uranium Enrichment Decontamination and Decommissioning Fund's Fiscal Year 2010 Financial Statement Audit*	06-14-11		
OAS-V-11-09	*Audit Coverage of Cost Allowability for Bechtel BWXT Idaho, LLC under Department of Energy Contract Number DE-AC07-99ID13727 during Fiscal Year 2010*	08-09-11		
OAS-SR-11-01	*Special Inquiry on Office of Special Counsel Whistleblower Disclosure File No. DI-10-1231: Allegations Regarding Western Area Power Administration's Desert Southwest Region*	05-18-11		

Inspection Reports Issued
April 1, 2011 – September 30, 2011

Report Number	Title	Date Issued	Savings	Questioned Costs
DOE/IG-0852	*Alleged Violations of Executive Order 12333, U.S. Intelligence Activities – Improper Retention and Dissemination of Information on U.S. Persons*	07-01-11		
INS-L-11-02	*Implementation of Nuclear Weapons Quality Assurance Requirements at Los Alamos National Laboratory*	07-08-11		
DOE/IG-0853	*Organizational Conflicts of Interest Program at Sandia National Laboratories*	07-13-11		
INS-L-11-03	*Follow-up on Property Control at Idaho National Laboratory*	09-07-11		
INS-L-11-04	*Suspect Parts for Sun Microsystems Processors at Sandia National Laboratory-New Mexico*	09-16-11		
INS-L-11-05	*Fixed Monthly Living Expense Payments at the Lawrence Livermore National Laboratory*	09-21-11		

Appendix 2 - Tables

Audit and Inspection Reports with Recommendations for Better Use of Funds

April 1, 2011 – September 30, 2011
(Dollars in Thousands)

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

	Total Number	One Time Savings	Recurring Savings	Total Savings
A. Those issued before the reporting period for which no management decision has been made:*	4	$611,098,083	$0	$611,098,083
B. Those issued during the reporting period:	25	$2,000,000	$0	$2,000,000
Subtotals (A + B)	29	$613,098,083	$0	$613,098,083
C. Those for which a management decision was made during the reporting period: *	15	$10,100,426	$0	$10,100,426
(i) Agreed to by management:		$0	$0	$0
(ii) Not agreed by management:		$10,100,426	$0	$10,100,426
D. Those for which a management decision is not required:	11	$0	$0	$0
E. Those for which no management decision has been made at the end of the reporting period: *	3	$602,997,657	$0	$602,997,657

Definition of Terms Used in the Table

Funds put to better use: *Funds that could be used more efficiently by implementing recommended actions.*

Unsupported costs: *A cost that is not supported by adequate documentation. Questioned costs include unsupported costs.*

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

**The figures for dollar items included sums for which management decisions on the savings were deferred and, in some cases, awaiting determination by the Contracting Officer.*

Audit and Inspection Reports with Questioned Costs

April 1, 2011 – September 30, 2011
(Dollars in Thousands)

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

	Total Number	Questioned Costs	Unsupported Costs
A. Those issued before the reporting period for which no management decision has been made:*	0	$243,967,062	$196,000
B. Those issued during the reporting period:	7	$1,460,374	$245,697
Subtotals (A + B)	7	$245,427,436	$441,697
C. Those for which a management decision was made during the reporting period:*	6	$30,381,251	$245,697
(i) Value of disallowed costs:		$8,058,075	$0
(ii) Value of costs not disallowed:		$22,110,296	$0
D. Those for which a management decision is not required:	1	$1,200,000	$1,200,000
E. Those for which no management decision has been made at the end of the reporting period:*	0	$215,259,065	$441,697

Definition of Terms Used in the Table

Questioned costs: *A cost that is (1) unnecessary; (2) unreasonable; (3) unsupported; (4) or an alleged violation of law, regulation, contract, etc.*

Unsupported costs: *A cost that is not supported by adequate documentation. Questioned costs include unsupported costs.*

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

**The figures for dollar items included sums for which management decisions on the savings were deferred and, in some cases, awaiting determination by the Contracting Officer.*

Reports Lacking Management Decision

DOE's Departmental Audit Report Tracking System (DARTS) tracks audit reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by audit agencies and agreed to by management are addressed as efficiently and expeditiously as possible. Listed below are the audit reports over 6 months old that were issued before the beginning of the reporting period and for which no management decision had been made by the end of the reporting period. The reason a management decision had not been made and the estimated date for achieving management decision is described below.

Management Audit

IG-0831: The Office of Science's Management of Information Technology Resources, November 20, 2009 – *The finalization of the management decision is pending the resolution of complex cost allocation issues and coordination with senior Departmental leadership. This should occur by March 31, 2012.*

IG-0835: The Department of Energy's Opportunity for Energy Savings Through Improved Management of Facility Lighting, July 1, 2010 – *The Department of Energy, in support of the Department's implementation of E.O. 13514, "Federal Leadership in Environmental, Energy, and Economic Performance", established a Strategic Sustainability Office. The finalization of the management decision is pending coordination with the newly established office; a final management decision is expected by December 31, 2011.*

Prior Significant Recommendations Not Implemented

As of September 30, 2011, closure actions on recommendations in 44 OIG reports had not been fully implemented within 12 months from the date of report issuance. The OIG is committed to working with management to expeditiously address the management decision and corrective action process, recognizing that certain initiatives will require long-term, sustained, and concerted efforts. The Department has closed 113 recommendations in the past 6 months. Management updates DARTS on a quarterly basis, most recently in September 30, 2011. Information on the status of any report recommendation can be obtained through the OIG's Office of Audits and Inspections.

Summary of Investigative Activities
April 1, 2011 – September 30, 2011

Cases open as of April 1, 2011	244
Cases opened during period	79
Cases closed during period	70
Multi-Agency Task Force Cases Opened	28
Qui Tam investigations opened	2
Total Open Qui Tam investigations as of September 30, 2011	14
Cases currently open as of September 30, 2011	253
IMPACT OF INVESTIGATIONS:	
Administrative discipline and other management actions	67
Recommendations to management for positive change and other actions	49
Suspensions/Debarments	42
Accepted for prosecution*	43
Indictments	16
Criminal convictions	28
Pre-trial diversions	1
Civil actions	24
TOTAL DOLLAR IMPACT (Fines, settlements, recoveries)**	**$72,235,554**

** Some of the investigations accepted during the 6-month period were referred for prosecution during a previous reporting period.*
*** Some of the money collected was the result of task force investigations involving multiple agencies.*

Summary of Investigative Activities (con't)

HOTLINE ACTIVITY

April 1, 2011 – September 30, 2011

HOTLINE ACTIVITY	
Total Hotline calls, emails, letters, and other complaints (contacts)	**3,712**
• Hotline contacts resolved immediately/ redirected/no further action	3,387
• Hotline contacts predicated for evaluation	325
• Hotline predications open at the end of previous reporting period (03/31/11)	17
Total Hotline predications processed this reporting period	**342**
• Hotline predications transferred to OIG Program Office	57
• Hotline predications referred to Department management or other entity for information/action	95
• Hotline predications closed based upon preliminary OIG activity and review	131
• Hotline predications awaiting referral	43
• Hotline predications open at the end of the reporting period	16

Summary of Recovery Act Section 1553 Retaliation Complaints

April 1, 2011 – September 30, 2011

Recovery Act Whistleblower Retaliation Complaints received	4
Complaints carried over from prior period(s)	9
Disposition of Whistleblower Retaliation Complaints:	
• Reports issued	1
• Complaints Dismissed:	
- Elected another forum	4
- Upon receipt of Complaint, determined not related to covered funds	2
- After investigation, determined not related to covered funds after investigation	1
• Complaints Withdrawn	1
Recovery Act Complaints that received extensions	2

Peer Reviews

April 1, 2011 – September 30, 2011

Results of Reviews Conducted by DOE/OIG:

Office of Audits and Inspections

Date of Recent Peer Reviews (s)	Reviewed OIG	Outstanding Recommendations
N/A		

Results of Reviews Conducted by DOE/OIG:

Office of Investigations

Date of Recent Peer Reviews (s)	Reviewed OIG	Outstanding Recommendations
N/A		

There are no outstanding recommendations from any previous peer reviews.

Results of Reviews Conducted by Other OIGs:

Office of Audits Services

Date of Recent Peer Reviews (s)	Reviewing OIG	Requirements For Review Frequency	Outstanding Recommendations/Link
N/A			

Results of Reviews Conducted by Other OIGs:

Office of Investigations

Date of Recent Peer Reviews (s)	Reviewing OIG	Requirements For Review Frequency	Outstanding Recommendations/Link
09/28/2011	Environmental Protection Agency	At least once every 3 years	N/A

Feedback Sheet

The contents of the September 2011 Semiannual Report to Congress comply with the requirements of the Inspector General Act of 1978, as amended. If you have any suggestions for making the report more responsive, please complete this feedback sheet and return it to:

United States Department of Energy
Office of Inspector General (IG-10)
1000 Independence Avenue, SW
Washington, D.C. 20585

ATTN: **Michelle Anderson**

Name: _____

Daytime Telephone Number: _____

Comments/Suggestions/Feedback:

For media inquiries, please dial (202) 253-2162 for assistance.

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U.S. Department of Energy

Office of Inspector General

Call the HOTLINE if you suspect:

- Fraud,
- Waste,
- Abuse,
- Mismanagement by a DOE Employee, Contractor, or Grant Recipient; or have a
- Whistleblower Retaliation Complaint related to American Reinvestment and Recovery Act funds

Call

1-800-541-1625 or **(202) 586-4073**

Additional information on the OIG and reports can be found at
www.ig.energy.gov

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Washington, DC 20585

U.S. DEPARTMENT OF ENERGY

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