



U.S. Department of Energy  
Office of Inspector General  
Office of Audits and Inspections

# Audit Report

The Department of Energy's Office  
of Environmental Management's  
Budget Allocation Plan



**Department of Energy**  
Washington, DC 20585

March 15, 2012

MEMORANDUM FOR THE SENIOR ADVISOR FOR ENVIRONMENTAL MANAGEMENT

FROM: *Daniel M. Weeber*  
Daniel M. Weeber, Director  
Eastern Audits Division  
Office of Inspector General

SUBJECT: INFORMATION: Audit Report on "The Department of Energy's  
Office of Environmental Management's Budget Allocation Plan"

BACKGROUND

The Department of Energy's Office of Environmental Management is tasked with managing the technically challenging risks posed by the world's largest nuclear cleanup effort. At the end of Fiscal Year 2010, EM had responsibility for nuclear cleanup activities at 18 sites covering more than 500 square miles in 11 states, and employed more than 30,000 Federal and contractor employees, including scientists, engineers and hazardous waste technicians. This cleanup poses unique, complex problems that must be solved under hazardous conditions, and will require billions in funding for decades.

EM received approximately \$6 billion in traditional base appropriations for FY 2010, and requested approximately \$6 billion for FY 2011. However, under the Continuing Resolution for FY 2011, EM was appropriated \$5.7 billion, representing approximately \$358 million in cuts from the Department's FY 2011 budget request and a \$317 million reduction from the Department's FY 2010 enacted budget, reductions of about five percent of the base amount. In addition, as part of the American Recovery and Reinvestment Act of 2009 the Department received about \$6 billion in funding to perform accelerated cleanup work at its sites, with the bulk of the work conducted at its Hanford Site, the Oak Ridge Reservation and the Savannah River Site. The Recovery Act funding stream has largely been expended and related work is ending. Given the current budget uncertainties and increasingly scarce funding resources, we initiated this audit to determine whether EM was effectively managing and planning for declining budget allocations. Our work complements the conclusions relating to the EM Program that were conveyed in our recent report on *Management Challenges at the Department of Energy* (DOE/IG-0858, November 2011).

CONCLUSIONS AND OBSERVATIONS

We found that EM had implemented a risk-based process to manage and plan for declining budget allocations that incorporates the myriad factors that must be considered in making difficult budgetary decisions. The overall budget planning process, as implemented within EM, prioritized the cleanup work in the following manner:

1. Activities to maintain a safe, secure and compliant posture in the EM complex;

2. Radioactive tank waste stabilization, treatment and disposal;
3. Spent nuclear fuel storage, receipt and disposition;
4. Special nuclear material consolidation, processing and disposition;
5. Transuranic and mixed/low-level waste disposition;
6. Soil and groundwater remediation; and,
7. Excess facilities deactivation and decommissioning.

While adherence to this priority structure was designed to achieve the greatest risk reduction associated with wastes containing the highest concentrations of radionuclides, risk was not the only factor that led to ultimate funding decisions. For instance, there were approximately 37 cleanup agreements with Federal and state regulators that had to be considered during the budget planning process. During FY 2011, cleanup agreements included 179 major enforceable agreement milestones that, if missed, could have resulted in severe fines and penalties to the Government. There were also certain regulatory guidelines that had to be followed, such as the requirements established by the Resource Conservation and Recovery Act and the Comprehensive Environmental Response, Compensation and Liability Act.

#### Site Integrated Priority Lists

EM's budget formulation and allocation process was based on site needs and requirements. Specifically, Headquarters' annual budget guidance required each field site to develop a site-specific Integrated Priority List (IPL) ranking the site's projects based on the previously discussed seven risk factors and regulatory considerations for funding purposes. In accordance with the priority structure, the highest ranking items in the IPLs were those determined to be "minimum safety/essential services" required to maintain an active EM facility, such as safeguards and security, solid waste disposition supporting continued site operations, and soil and groundwater surveillance. The guidance provided each site with target funding levels to be used in determining which projects to include in EM's Congressional Budget Request. The sites used target funding levels to "draw a line" above which projects were to be funded on a priority basis. The IPL was the basis for the sites' budget requests. EM Headquarters combined the site IPLs to establish an overall IPL for EM. Given funding limitations, the IPL established the priority for funding EM projects.

We found that EM Headquarters' final budget decisions were either consistent with IPL estimates, or deviations from priorities at the site level with adequate justifications. We reviewed the FY 2011 and FY 2012 EM budget allocation process at Savannah River and Oak Ridge, given the fact that each site received about \$50 million less in the final funding plan for FY 2011 than was requested in the FY 2011 Congressional Budget Request. Based on our review, we found that both sites established IPLs for FYs 2011 and 2012 that appeared consistent with the seven high-level priorities established within EM for the cleanup work. To ensure that

these established priorities were maintained throughout the process, we reviewed a sample of projects at both sites to determine if the ultimate FY 2011 funding decisions were consistent with the IPL estimates. Working with budget officials from both sites, we determined that the original priorities were either reasonably maintained in the final funding decisions or deviations from the original priorities with justifications based on changes in exigent factors at the site. For example, we found that EM's budget decisions allowed it to meet most major enforceable milestones related to its cleanup mission for FY 2011. Specifically, EM reported that it met 173 of 179 (97 percent) of the major enforceable milestones established for FY 2011.

Finally, we determined that EM's budget development and allocation process was designed to accommodate changes that could not be known or anticipated when the budget was originally developed. EM Headquarters had delegated authority to site managers to control the execution of their budgets at the project level, as long as the total expenditures were within the authority levels established in the Congressional Budget or EM Operating Plan. Accordingly, site officials were able to reallocate funds at the project level to accommodate changing needs or priorities that could not have been anticipated years earlier at the beginning of the budget process. Budget officials explained that viable reasons for reallocating funds included, but were not limited to, requirement changes that eliminated the need for a particular project, unforeseen problems, technology advancements, contractor changes, modified staffing levels, advancements or delays to work scope, and changes in high-level priority areas.

#### Path Forward

Although EM's current annual budget planning process appeared to be adequate to address the nearly five percent decline in budget allocations that we tested, more extensive reductions could put future regulatory and agreement milestones at risk. Given the current widespread calls for dramatic reductions in Federal spending, it is possible that the process currently in place that is based on site needs and requirements may lead to an increase in missed regulatory and agreement milestones as budget allocations are further reduced across the complex. To address such shortfalls, our report on *Management Challenges at the Department of Energy*, suggested that the Department may need to revise its current environmental remediation strategy and instead address environmental concerns on a national, complex-wide risk-driven basis.

No recommendations are being made in this report; therefore, a formal response is not required. We appreciated the cooperation of the various Departmental elements during the audit.

#### Attachment

cc: Deputy Secretary  
Associate Deputy Secretary  
Under Secretary for Nuclear Security  
Chief of Staff

## **OBJECTIVE, SCOPE AND METHODOLOGY**

### **OBJECTIVE**

The objective of the audit was to determine whether the Department of Energy's (Department) Office of Environmental Management (EM) was effectively managing and planning for declining budget allocations.

### **SCOPE**

This audit was performed between June 2011 and February 2012, at the Department's Headquarters in Washington, DC. The audit also included significant coordination with officials from the Savannah River Site (Savannah River) and the Oak Ridge Office (Oak Ridge). The scope of the audit primarily covered the Department's management and planning of EM's budget for Fiscal Year's (FY) 2011 and 2012.

### **METHODOLOGY**

To accomplish the audit objective, we:

- Reviewed applicable laws, regulations and guidance relevant to EM's budget allocation process;
- Interviewed key personnel in EM and the Office of the Chief Financial Officer, and officials from Savannah River and Oak Ridge;
- Analyzed FY 2011 and FY 2012 Integrated Priority Lists for both Savannah River and Oak Ridge; and,
- Reviewed a sample of the Monthly Project Reviews conducted by EM for Savannah River and Oak Ridge.

We conducted this performance audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our conclusions based on our audit objective. Accordingly, the audit included tests of controls and compliance with laws and regulations to the extent necessary to satisfy the objective. In particular, we assessed the Department's implementation of the *Government Performance and Results Act of 1993* and concluded that the Department had not established performance measures specifically related to EM's budget allocation process. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of the audit. While our reliance on computer-processed data was minimal, we verified the accuracy of data relative to the audit objective.

We discussed the contents of the report with Department officials on February 3, 2012.

## CUSTOMER RESPONSE FORM

The Office of Inspector General has a continuing interest in improving the usefulness of its products. We wish to make our reports as responsive as possible to our customers' requirements, and, therefore, ask that you consider sharing your thoughts with us. On the back of this form, you may suggest improvements to enhance the effectiveness of future reports. Please include answers to the following questions if they are applicable to you:

1. What additional background information about the selection, scheduling, scope, or procedures of the audit or inspection would have been helpful to the reader in understanding this report?
2. What additional information related to findings and recommendations could have been included in the report to assist management in implementing corrective actions?
3. What format, stylistic, or organizational changes might have made this report's overall message more clear to the reader?
4. What additional actions could the Office of Inspector General have taken on the issues discussed in this report which would have been helpful?
5. Please include your name and telephone number so that we may contact you should we have any questions about your comments.

Name \_\_\_\_\_ Date \_\_\_\_\_

Telephone \_\_\_\_\_ Organization \_\_\_\_\_

When you have completed this form, you may telefax it to the Office of Inspector General at (202) 586-0948, or you may mail it to:

Office of Inspector General (IG-1)  
Department of Energy  
Washington, DC 20585

ATTN: Customer Relations

If you wish to discuss this report or your comments with a staff member of the Office of Inspector General, please contact our office at (202) 253-2162.

This page intentionally left blank.

The Office of Inspector General wants to make the distribution of its reports as customer friendly and cost effective as possible. Therefore, this report will be available electronically through the Internet at the following address:

U.S. Department of Energy Office of Inspector General Home Page  
<http://energy.gov/ig>

Your comments would be appreciated and can be provided on the Customer Response Form attached to the report.