

# ANNUAL PERFORMANCE REPORT FY 2004 ANNUAL PERFORMANCE PLAN FY 2005



U.S. DEPARTMENT OF ENERGY  
OFFICE OF INSPECTOR GENERAL

DOE/IG-APP-007



# Message From the Inspector General



I am pleased to present the Office of Inspector General's (OIG's) combined *Fiscal Year 2004 Annual Performance Report and Fiscal Year 2005 Annual Performance Plan*.

In Fiscal Year 2004, the Department was ranked first among all cabinet agencies in implementing the President's Management Agenda. We are proud to have played a critical role in assisting the Department in this accomplishment. Specifically, the OIG provided the Department's managers with recommendations to improve program performance and accountability in each of the President's Management Agenda initiatives, the Secretary's mission priorities, and the OIG-identified management challenges.

The OIG's 2004 report on *Management Challenges at the Department of Energy* identified the most serious risks being faced by the Department in 2005 and beyond. In addition, the Inspector General established a watch list that reflects operational or programmatic functions that, in our view, need to be closely monitored by Department management. The Department has taken significant positive steps to address the 2003 and 2004 challenges. While these actions have had a substantial impact, more needs to be done to improve the effectiveness and operational efficiency of the Department. For 2005, we will:

- Perform reviews to determine how the Department is ensuring the safety and health of its workers and the communities surrounding its many facilities and closure sites.
- Focus security reviews on management of sensitive programs, infrastructure, information management systems, and nonproliferation activities throughout the complex.
- Continue to perform reviews of contract administration and project management, particularly in the Environmental Management and National Nuclear Security Administration arenas. Some of these reviews will focus on lessons learned from prior reviews and projects.
- Increase reviews for contractor pension plan contributions, post retirement health benefits, and management of human capital in general.
- Increase reviews of property accountability across the complex to ensure investments in facilities and property are properly protected.

Our office is committed to assisting the Department in fulfilling its missions. We look forward to continuing to support Department senior leadership by identifying opportunities for management reform and improving efficiency and accountability.

A handwritten signature in cursive script, appearing to read "Greg Friedman".

Gregory H. Friedman  
Inspector General

# Table of Contents

---



|   |    |
|---|----|
| Overview, Vision and Mission .....  | 2  |
| Measuring FY 2004 Performance Results .....   | 3  |
| FY 2004 President's Management Agenda and OIG-Identified Management<br>Challenge Activities ..... | 13 |
| Relationship With the Department of Energy .....  | 20 |
| Funding Priorities.....   | 21 |
| FY 2005 Annual Performance Plan .....   | 25 |
| Office of Audit Services.....   | 31 |
| Office of Investigations.....   | 40 |
| Office of Inspections and Special Inquiries .....   | 44 |
| Appendix A<br>FY 2005 Performance Plan Schedule .....   | 45 |
| Appendix B<br>OIG Organizational Structure .....  | 49 |
| Appendix C<br>OIG Responsibilities, Authorities and Other Mandates.....                           | 51 |
| Appendix D<br>Validation and Verification .....   | 52 |

## Overview

---



The consolidated Performance Report and Plan summarizes the OIG's FY 2004 actual performance and FY 2005 planned activities. The goals, objectives, and performance measures included in this document will be used to measure OIG performance, report on positive results, and plan OIG work. This document includes the OIG's response to the President's Management Agenda initiatives and the Secretary's mission priorities and challenges. It is divided into four major sections and four appendices:

- Measuring FY 2004 Performance Results
- FY 2004 President's Management Agenda and OIG-Identified Management Challenge Activities
- FY 2005 Funding Priorities
- FY 2005 Annual Performance Plan

**Appendices:**

- Appendix A - FY 2005 Performance Plan Schedule
- Appendix B - OIG Organizational Structure
- Appendix C - OIG Responsibilities, Authorities and Other Mandates
- Appendix D - Validation and Verification

## Vision and Mission

**Vision:**

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

**Mission:**

To promote the effective, efficient, and economical operation of the Department, including the National Nuclear Security Administration (NNSA) and the Federal Energy Regulatory Commission (FERC), through audits, investigations, inspections, and other reviews to detect and prevent waste, fraud, abuse, and violations of law.

# Measuring FY 2004 Performance Results

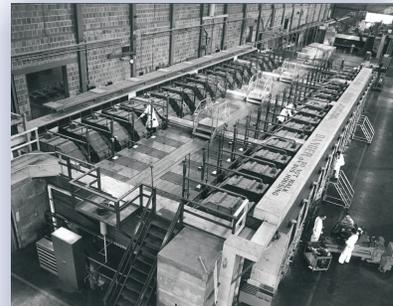


In FY 2004, the OIG continued to make positive contributions to the Department's mission-related priorities. OIG audits, inspections, reviews and investigations identified opportunities for cost savings and operational efficiencies and also returned hard dollars to the Department and the U.S. Treasury as a result of civil penalties and criminal prosecutions. During FY 2004, OIG performance resulted in the following positive outcomes:

- \$365,626,665 in Recommendations that Funds be Put to Better Use
- \$16,053 in Questioned Costs
- \$15,325,781 Investigative Fines, Settlements, and Recoveries
- 18 Successful Prosecutions
- 14 Suspensions and Debarments
- 1,398 Hotline Complaints Processed
- 39 Civil or Administrative Actions Taken
- 16 Indictments and Criminal Informations

OIG work consistently resulted in Department management agreeing to improve program performance. Examples of important outcomes of recent reviews are outlined below:

- Based on the results of an OIG recommended cost analysis, the Department agreed to maintain calutrons in a standby but operable condition until they were no longer needed. Operating in this mode could save up to \$43 million.
- Following an OIG audit, the Department agreed to better utilize the Toxic Substance Control Act Incinerator and the Vacuum-Assisted Thermal Desorption System treatment facilities in Oak Ridge, Tennessee. This will result in the potential avoidance of \$45 million in unnecessary costs over the next 4 years.
- The Department adopted two alternative process changes in relation to the conservation of beryllium metal, which will potentially save NNSA as much as \$42 million. This was the result of a 2003 audit.
- The Department, based on an OIG audit report, agreed to halt beryllium oxide operations at the Y-12 National Security Complex, thereby saving \$200 million in modernization costs.
- The Department agreed to perform an analysis to determine if it received equitable price adjustments due to contract scope changes in the Advanced Mixed Waste Treatment Facility contract. These price adjustments will potentially save at least \$90 million.



A track of calutrons at Oak Ridge National Laboratory's Y-12 Plant which produce stable isotopes, Oak Ridge Y-12 Plant, Oak Ridge, TN.



The OIG measures its performance against the long-term goals and annual goals as set forth in OIG planning documents. During this reporting period, the OIG successfully achieved its FY 2004 performance plan goals. In most instances, the OIG exceeded its goals. The following are the specific results:

**Goal 1:** Promote the President's Management Agenda and the Mission Priorities of the Secretary, and Congress.

**Objective 1:** A positive change is made in the Department relating to the implementation of the initiatives in the President's Management Agenda, the Secretary's Mission Priorities, and the OIG-identified Management Challenges.

**Performance Measure:**

- Conduct reviews as outlined in the OIG annual plan relating to: (1) the President's Management Agenda initiatives, (2) the Secretary's Mission Priorities, and (3) the OIG-identified Management Challenges. Specifically:
  - Complete reviews that address every Presidential, Secretarial, and OIG-identified initiative, priority, and/or challenge as identified in FY 2003 by FY 2005.
  - Conduct a review within 1 year of any new Department initiatives and priorities.

**Performance Results:** Met Goal. The OIG continued conducting reviews that address every President's Management Agenda initiative; the Secretary's Mission Priorities; and the OIG-identified Management Challenges. During FY 2004, the OIG conducted a total of 115 reviews that addressed one or more of these initiatives.

In FY 2004, there were no new Department initiatives and priorities for the OIG to review; therefore, there were no results to report.

**Goal 2:** Improve economy and efficiency and reduce waste, fraud, and abuse within the Department.

**Objective 2:** OIG efforts are concentrated on issues that have the greatest impact and usefulness to the Department.

**Performance Measures:**

- Ensure that every performance review includes an analysis of program accomplishments and the use of metrics to measure results.
- Ensure at least 50 percent of all performance audits include recommendations leading to demonstrable cost savings, program efficiencies and/or funds put to better use.



- Complete five follow-up reviews annually from FYs 2003 to 2007 to determine the status and efficacy of corrective actions.
- Complete an annual risk-based programmatic assessment that considers OIG institutional knowledge, past program performance, funding levels, Presidential, Secretarial, and congressional concerns, as well as input from Department program managers.
- Ensure that each year 80 percent of all planned performance audits address high-risk areas as identified in the OIG annual risk-based programmatic assessments.
- Strive for the Department to accept 75 percent of review recommendations.

**Performance Results:** Exceeded Goal. In FY 2004, all of the 60 performance audits completed included an analysis of program accomplishments and the use of metrics to measure results. Ten of the 60 performance audits completed were follow-up reviews to determine the status and efficacy of corrective actions. In addition, performance inspections completed during the reporting period included an analysis of program accomplishments and the use of metrics to measure results, as appropriate. The use of metrics enabled the Department to better analyze the operation of various programs and also determine whether those programs were effectively measuring their performance.

Ninety-seven percent of all audits issued included demonstrable cost savings and program efficiencies. OIG efforts also identified over \$323 million in proposed or pending expenditures which the OIG concluded could be better used for projects of higher priority. For example:

- An audit entitled “The Stabilization of Nuclear Materials at Los Alamos National Laboratory,” DOE/IG-0659, resulted in the NNSA agreeing to incorporate additional milestones and incentives into the Los Alamos contract and continue to emphasize the need for formal documentation for projects and sub-projects in order to consistently track scope, schedule, and budget process.
- An audit of “Recovery of Highly Enriched Uranium Provided to Foreign Countries,” DOE/IG-0638, led the Secretary of Energy to initiate a \$450 million plan to retrieve and secure tons of highly enriched uranium scattered among research reactors and repositories around the world. This plan will target the nuclear materials that could be used for making nuclear weapons or dirty bombs.
- An audit of “Cold Standby Program at the Portsmouth Gaseous Diffusion Plant,” DOE/IG-0634, resulted in the Department's reevaluation of the Cold Standby Program mission need and elimination of organizational conflicts at Portsmouth by consolidating program activities under a single Department entity.

In FY 2004, the OIG completed risk-based programmatic assessments in the environmental, national nuclear security, science, energy, and technology program areas. These risk assessments identified significant auditable entities at various Department locations.



During this reporting period, 81 percent of OIG planned performance audits addressed high-risk and sensitive areas as identified in the OIG annual risk-based programmatic assessments. In addition to the planned audits, the OIG also conducted audits in response to time-sensitive and complex requests from the Secretary or Congress. For example:

- A follow-up review at the Los Alamos National Laboratory (Los Alamos) found that Los Alamos had significantly improved the management of its purchase card program by implementing numerous corrective actions in response to recommendations from previous OIG reviews. While the progress was noteworthy, the review identified certain opportunities to further reduce the risk of purchase card misuse. The OIG determined that clarification of restrictions on purchasing certain items, usage of automated transaction review techniques, and strengthened periodic reviews could further reduce the risk associated with the purchase card program.

In FY 2004, the OIG conducted 60 performance audits that included 139 recommendations. The Department concurred with 98 percent of the recommendations. Additionally, the 28 inspection reports issued during this period contained a total of 66 recommendations to management. The Department concurred with 100 percent of these recommendations. The following are examples of positive outcomes resulting from OIG recommendations:

- An OIG audit found that the Department had not made significant progress in its efforts to remediate Hanford's groundwater and that pump-and-treat systems installed for this purpose have been largely ineffective. As a result of the audit, the Department, in conjunction with the Army Corps of Engineers, has undertaken an independent technical review of the groundwater remediation program at Hanford.
- The Department agreed to update and issue guidance designed to address the issues raised in an OIG audit report on system development activities of selected management contractors. The audit disclosed that the Department's contractors were not always on track to deliver effective information systems on time or at expected cost. The Department's contractors developed these systems without undertaking generally accepted systems development or project management practices, and in many cases, did not adequately justify the mission need or establish expected scope, cost, or schedule for such efforts.



Hanford Site's waste disposal groundwater remediation project workers retrieve suspect transuranic drum for the 200 West Area at Hanford.



- An OIG audit on the Department's continuity planning and emergency preparedness found that five sites (Argonne National Laboratory, Hanford Site, Los Alamos National Laboratory, Sandia National Laboratories, and the National Energy Technology Laboratory) had not developed comprehensive plans to continue essential functions during an emergency and had not corrected a number of weaknesses identified during prior emergency preparedness exercises. Based on OIG recommendations, the Department agreed to revise emergency preparedness requirements to ensure that sites establish a validation process for completing corrective actions and sharing lessons learned among field sites.
- As a result of an OIG inspection, Department management initiated a series of corrective actions to address concerns regarding the integrity of performance tests at the Department's Oak Ridge site, including the Y-12 National Security Complex. Also, the Department reduced the Y-12 site security contractor's award fee by approximately \$200,000.
- Following an OIG inspection, disciplinary action was taken against two contractor employees identified as having violated Department and Federal Aviation Administration policy by bringing unauthorized handguns onto Federal property and on board an NNSA aircraft. Additionally, policies and procedures are being developed for screening individuals and baggage being transported on NNSA aircraft.
- After an OIG inspection, the Lawrence Livermore National Laboratory introduced formal corrective action plans to address vulnerabilities in security incident reporting and security key control and inventory procedures. Also, Department officials initiated a Department-wide review of key control procedures used in all sensitive areas.

**Objective 3:** The Department has timely information so that prompt action can be taken to improve program performance.

**Performance Measures:**

- Issue 80 percent of audit reports no later than 60 days following receipt of management comments.
- Complete the field work for 75 percent of special inquiries within 60 days.
- Ensure that 90 percent of administrative reports to management are issued within 60 days of resolution of criminal and civil investigations.
- Complete follow-up inspections and special inquiries as identified in the annual plans within 90 days of initiation.



- Complete the field work for 80 percent of inspections within 90 days of initiation.

**Performance Results:** Exceeded Goal. Eighty-three percent of audits completed in FY 2004 were issued within 60 days following receipt of management comments. Field work for the office's two special inquiries was completed within 60 days. No follow-up inspections or special inquiries were identified in the FY 2004 annual performance plan. The Office of Inspections and Special Inquiries completed the field work for 86 percent of its inspections within 90 days. Ninety-three percent of administrative reports to management were issued within 60 days of resolution of the criminal and or civil action.

The following are examples of positive results:

- Four individuals and five companies were debarred from Government contracting. In one case, two individuals and three companies were debarred for 3 years from Government contracting for knowingly submitting false claims to the Department. In another case, two individuals and two companies were debarred for 18 months from Government contracting. This investigation revealed that a Department subcontractor provided kickbacks to a prime contractor employee and conspired with another subject as part of a bid rigging scheme.
- Management at a national laboratory enhanced remote access computer security policies after an OIG investigation determined that an unauthorized cyber intruder compromised a Government-owned desktop issued to a contractor employee.
- Pursuant to a settlement agreement, a security contractor agreed to credit the Department \$15,000 as reimbursement for amounts improperly paid to a former manager who submitted false and fraudulent timesheets to the Department over a 3 1/2 year period.
- Department management issued new guidance for unclassified foreign visits and assignments that clearly defines the roles of hosts of visitors/assignees, assigns responsible field and headquarters entities, and ensures proper oversight of hosts and their assignees/visitors.
- Savannah River Operations Office management agreed to conduct export control reviews on financial assistance agreements with educational institutions.
- Department management advised that a negative adjustment of approximately \$200,000 was made to the award fee for the site security contractor at an Oak Ridge, Tennessee, facility as a result of protective force performance test improprieties.



**Objective 4:** Financial management and cyber security are strengthened through completion of mandatory reviews in accordance with Office of Management and Budget (OMB) and other applicable requirements.

**Performance Measures:**

- Complete annually the Department's consolidated financial statement audits to determine whether the financial statements are free from material misstatement.
- Review the Department's classified and unclassified information security system programs in conjunction with the financial statement audit.
- Complete at least 10 "Statement of Costs Incurred and Claimed" audits annually to assess internal controls over costs claimed by the Department's major contractors.

**Performance Results:** Exceeded Goal. The OIG completed the audit of the Department's FY 2003 consolidated financial statements and rendered an unqualified (clean) opinion on December 5, 2003, ahead of the February 1, 2004, statutory due date. The review included an opinion on the system of internal controls, and compliance with laws and regulations. This enabled Department managers, congressional decision makers, and other customers to use and assess the fairness of the Department's financial statements in a timely manner.

In conjunction with the financial statement audit, the OIG completed reviews of the Department's classified and unclassified information security systems as required by the Federal Information Security Management Act of 2002. Although the Department had made improvements in this area, the OIG identified problems that continue to exist in several critical areas.

The OIG completed 14 Statement of Costs Incurred and Claimed audits to certify that contractors claim only costs allowed under contract and reimbursed by the Department.

**Objective 5:** Investigative efforts are concentrated on allegations of criminal and civil violations of law that adversely impact major Department programs and operations, with emphasis on maximizing the recovery of public resources and deterring future wrongdoing.

**Performance Measures:**

- Achieve an annual acceptance rate of 70 percent for cases presented for prosecutorial consideration.
- Ensure that 75 percent of all cases opened focus on key areas of Department vulnerability, specifically procurement and grant fraud, environmental violations, qui tams, or computer crimes.



**Performance Results:** Exceeded Goal. The OIG achieved a prosecutorial acceptance rate of 91 percent and obtained judicial and/or administrative actions on 37 percent of all cases investigated during the fiscal year. The OIG obtained 16 criminal indictments and 30 convictions, pretrial diversions, and civil judgments. Ninety-one percent of the cases opened in FY 2004 focused on key areas of vulnerability in the Department. Successes as a result of OIG investigations include:

- A Government contractor agreed to a civil settlement of \$4.5 million, of which \$1.6 million will be returned to the Department. The OIG investigation determined that the subject submitted false purchase orders for payment, improperly charged time to the Department contract, and billed the Department for personal expenses.
- An OIG investigation into allegations of labor mischarging at the Lawrence Livermore National Laboratory led to the University of California (the contract manager of the Laboratory) agreeing to pay \$3.89 million dollars to settle a civil claim.
- Pursuant to a civil settlement agreement, a Department subcontractor was ordered to pay the Government \$500,000. The OIG investigation determined that the subcontractor submitted false certifications for software/consulting services to five different Department contractors.

**Objective 6:** Effective networks are established through coordination with other law enforcement agencies in order to identify areas that are most vulnerable to waste, fraud, and abuse.

**Performance Measure:**

- Ensure at least 25 percent of all open cases are joint agency/task force investigations with external law enforcement agencies, such as the Federal Bureau of Investigation and other OIGs.

**Performance Results:** Exceeded Goal. The OIG opened 101 cases during FY 2004, 31 percent of which were joint agency/task force investigations. The following are examples of successes:

- Pursuant to a civil judgment, a former Department subcontractor was ordered to pay \$2.9 million to the Government. The subcontractor knowingly submitted false claims in the form of coal test reports and invoices to the Department of Energy and the Department of Defense.
- A Department contractor pleaded guilty to illegally discharging 1,275 barrels of diesel fuel into the Tennessee River. As a result of this plea, the contractor was ordered to pay \$350,000 in restitution, a \$50,000 fine, and a special assessment fee of \$125.



- A contractor procurement official was terminated from his position at a Department National Laboratory for bribery of a public official. The procurement official was also sentenced to 3 years' probation and 6 months' home confinement and ordered to pay \$120,000 in restitution, a \$50,000 criminal fine, and a \$100 special assessment fee.

**Objective 7:** Internal and external customers have a heightened awareness of potential fraud.

**Performance Measure:**

- Provide 20 fraud awareness briefings annually to Department and contractor employees and managers.

**Performance Results:** Exceeded Goal. In FY 2004, OIG investigative personnel conducted 45 fraud awareness briefings, including technology crimes fraud. These presentations are designed to discuss the process for reporting fraud, waste, and abuse to the OIG and to highlight priorities and initiatives of the Office of Investigations. The fraud awareness briefings were provided to managers and contractors who later referred matters to the OIG. The following are examples of successes of cases initiated as a result of referrals from Department and contractor employees and managers:

- Pursuant to a civil judgment, a former Department subcontractor was ordered to pay \$347,000 for unverified chemical analysis studies on contaminated groundwater.
- An individual was sentenced to 24 months' incarceration and 3 years' probation; and was ordered to pay restitution in the amount of \$32,734 for theft of over 20,000 pounds of aluminum conductor from a Department site.
- A United Kingdom citizen was sentenced to 200 hours of community service for hacking into a U.S. Government Laboratory's Computer Network. The action was the result of an unprecedented joint investigation with a New Scotland Yard Computer Crime Unit.

**Goal 3: Support the Taxpayer**

**Objective 8:** The Department and the public have an effective and efficient mechanism to report waste, fraud, and abuse.

**Performance Measures:**

- Operate the OIG Hotline in a manner that ensures at least 80 percent of Hotline complaints warranting further action begin processing within 7 days of receipt.



- Forward 85 percent of the complaints identified for referral to Department or other agency management within 14 days of initiation of the case.

**Performance Results:** Exceeded Goal. Ninety-five percent of predicated Hotline complaints, which are those determined to warrant further action, were entered into the tracking database within 7 days of receipt, and 99 percent of complaints identified for referral were processed within 14 days of initiation of the case. During the year, the OIG Hotline received 1,398 complaints/allegations; 454 of those items were predicated; and 213 matters were referred to management, of which 94 requested a response.

**Objective 9:** The public is aware of OIG reports.

**Performance Measure:**

- Ensure that all OIG public reports are accessible via the Internet within 3 working days of submission to the Secretary.

**Performance Results:** Met Goal. The 52 public reports that were identified by the OIG for inclusion on the Internet were posted within 3 working days. In addition, the OIG maintains the early alert system that provides an advanced notification to approved subscribers of the release of OIG public reports. During this period, the OIG received an increased volume of requests for placement on early alert system. Also, numerous members of the public complimented the OIG's electronic reports distribution process and the early alert system.

# FY 2004 President's Management Agenda and ——— OIG-Identified Management Challenge Activities



## The President's Management Agenda

This year marks the fourth anniversary of the President's Management Agenda (Management Agenda). The Management Agenda established Government-wide goals or standards for success in performance accountability. The President's vision for Government reform is guided by the following three principles:

- A citizen-centered, not bureaucracy-centered government;
- A results-oriented government;
- A market-based government, actively promoting rather than stifling innovation through competition.

The Management Agenda includes the following five key Government-wide initiatives to improve Federal management and deliver results to the American people:

- Strategic Management of Human Capital;
- Competitive Sourcing;
- Improved Financial Performance;
- Expanded Electronic Government; and
- Budget and Performance Integration.

Each quarter, OMB rates agencies on their status in achieving the overall goals for each initiative and on their progress in implementing their action plans. A Government-wide scorecard is used with a grading system of red, yellow, and green. As of July 2004, the Department received three green (success) ratings in the human capital, competitive sourcing, and financial performance areas and two yellow (mixed results) ratings in the areas of E-government and budget and performance integration. These ratings make the Department the highest performing Cabinet agency in implementing the Management Agenda.

In support of this effort, the Department developed a similar internal scorecard. This scorecard is used to evaluate each Department office on its Management Agenda progress. In FY 2004, the OIG received a green (success) rating for budget and performance integration and scored green in all areas of the Department's internal E-government initiative. In addition, the OIG made steady progress in implementing the following Management Agenda initiatives:

### Strategic Management of Human Capital

In the recent FY 2003 President's Council on Integrity and Efficiency (PCIE) Progress Report to the President, Federal Inspectors General (IGs) reported Strategic Management of Human Capital as one of the most serious challenges facing the Federal Government.



Over one-third of these IGs conducted work in the human capital area during the past year. The IGs reported that agencies could address their human capital issues through workforce skills and competency assessments, workforce restructuring, benchmarking against other Federal or private sector organizations, innovative recruitment and hiring approaches, improved training opportunities and techniques, and adoption of appropriate workplace tools.

The Department has steadily progressed in addressing this critical challenge. For example, the Department implemented a comprehensive human capital management strategy; an improved senior executive performance management system; a guide on developing and retaining a highly-skilled workforce; and business visions and workforce plans for all major offices.

Similarly, the OIG has taken positive steps to ensure full implementation of this important initiative. Specifically, the OIG is committed to using every tool available to identify, hire, and maintain a knowledgeable, diverse and high-performing workforce to carry out its mission. Examples of tools currently used include: extensive use of career and college fairs; attendance at minority conferences; recruitment and relocation bonuses; retention allowances; training plans allowing for accelerated promotion for entry level hires; and pay for training preparation courses for certified public accountants and certified fraud examiners. Additional current and future flexibilities include: selecting new hires through the Career Intern Program, paying for the cost of credentials and licenses, increased use of telecommuting, and limited payment of student loans, as funds permit.

To strengthen and leverage its Strategic Management of Human Capital, the OIG is implementing the new Human Capital Management Improvement Standards for Success measures developed by the Office of Personnel Management (OPM), the Office of Management and Budget (OMB), and the Government Accountability Office (GAO). These measures, when used in conjunction with a self-assessment, will serve as a roadmap for measuring the OIG's effectiveness in administering the strategic alignment of human capital with the mission, goals, and organizational objectives; workforce planning and deployment; leadership and diversity; knowledge management; performance culture; and talent. Additionally, these measures will provide a valuable baseline for evaluating progress and reporting successes in improving human capital management.

The OIG completed the following human capital management activities during FY 2004: appointed 100 percent of new hires to front line positions; increased span of control; pursued funding to include greater use of pay incentives to retain performing front line employees; identified competencies for OIG auditors, criminal investigators, and inspectors; revised a succession planning model; and ensured that performance standards for all OIG employees link to the OIG mission.

During FY 2005, the OIG will continue its efforts to increase participation in leadership development programs, adopt tools to implement a knowledge management action plan, and expand recruitment initiatives to ensure the hiring of a diverse workforce. The OIG will continue to aggressively implement and update, as necessary, human capital management



initiatives contained in its 5-Year Workforce Plan. For example, the OIG will continue to: (1) streamline operations, redirect positions to the front-line, increase spans of control, and reduce the number of managers and organizational layers; (2) make use of all recruitment flexibilities in place to effectively staff vacant and critical positions with the right skills mix including partnering with universities to utilize the Student Career Experience authority; (3) refine its succession planning efforts for leadership recruitment including the identification, development, and succession of potential leaders within the organization which includes specific objectives, actions, and timetables and an analysis of candidate pools; (4) integrate human capital management outcomes with all planning and budget documents; (5) establish effective learning tools to train, develop and retain employees; and (6) expand the use of automated human resources systems. Additionally, the OIG is linking OIG Senior Executive Service employees' performance to pay in support of the OPM performance management initiative. To ensure effective organizational alignment, the OIG will continually assess the size of its workforce and make determinations on staff deployment based on changes in the Department's mission and current initiatives at specific sites.

In FY 2004, the OIG contracted with the OPM to conduct an Organizational Assessment Survey of its employees. This survey enabled the OIG to obtain essential employee feedback with regard to organizational climate and culture in many critical areas of human capital management. Based on the survey results, the OIG developed a strategy that included establishing OIG change management working groups to identify ways to enhance areas such as training/career development, communication, fairness in treatment of others, and employee participation/involvement. Many positive suggestions were developed out of the working groups, and OIG management is currently assessing ways to implement these suggestions. The working groups consisted of employees from the field and headquarters, were cross-functional, and represented a cross-section of staff at various organizational levels. This effort provided a road map for management to follow in identifying opportunities to improve the effectiveness of the organization.

### **Improved Financial Management**

As previously mentioned on page 9 of this document, the OIG completed the audit of the Department's FY 2003 consolidated financial statements and rendered an unqualified (clean) opinion on December 5, 2003, ahead of the February 1, 2004 statutory due date.

The successful implementation of the Department's Integrated Management Navigation System (I-MANAGE) program's Standard Accounting and Reporting System (STARS) is critical to ensuring the accuracy and reliability of the Department's financial statements. STARS will replace the Department's aging legacy core financial systems and is the backbone of the I-MANAGE initiative, a corporate-level system designed to help achieve the President's Management Agenda for improved financial performance, expanded electronic government, and budget and performance integration. When complete, the system is expected to cost about \$51 million.



In May 2004, the OIG initiated an ongoing audit of the Department's implementation of STARS. The review disclosed a number of challenges to the successful implementation of STARS. For example, interface testing to ensure the proper inclusion of contractor-generated accounting data in STARS has not been completed. These interfaces are critical to the operation of STARS, and have been described by an implementation official as the key “show stopper” for the August 16, 2004 decision. The completion schedule for the interfaces slipped from April 2004 to July 2004, and testing remains incomplete. Also, as currently designed, STARS does not have the capability to permit budget recasts.

The OIG's overall review of STARS and I-MANAGE will not be completed until post-implementation testing is complete. The OIG made several critical suggested actions for the I-MANAGE Executive Steering Committee to take prior to full implementation of STARS. As a result of these suggestions, the Department delayed implementation of the system. Should these issues be resolved, the Department plans to begin implementing STARS during April 2005.

### **Expanded Electronic Government**

Electronic Government or E-government is the Management Agenda initiative that uses improved Internet-based technology to make it easy for citizens and businesses to interact with the Government, save taxpayer dollars, and streamline citizen-to-government communications.

The OIG continues to partner with the Department to implement those Federal electronic Government (E-government) initiatives that support the Management Agenda's E-government goal. During this past year, the OIG made significant progress in implementing these initiatives. In fact, the OIG scored “green” in all areas of the Department's internal E-government scorecard for the 3rd and 4th Quarters of FY 2004. Those areas include cyber security, enterprise architecture, and capital planning and investment control.

**Cyber Security.** The OIG completed its annual Federal Information Security Management Performance Metrics Report. This report forms the basis for the Department's annual report to the OMB. Other accomplishments include the certification and accreditation of an in-house major application information management system, development of an accurate inventory of all OIG Information Technology (IT) systems, and maintenance and completion of a Security Plan of Action and Milestones process for the OIG's IT system. Furthermore, the OIG reported all known cyber security incidents to the Department within established due dates.

**Enterprise Architecture, Capital Planning, and other E-Government Initiatives.** The Office implemented the Department's Extended Common Integrated Technology Environment (eXCITE) program for all desktop, network and application hosting services. This is a major Department initiative that combines all aspects of common IT systems and services throughout the Department under one umbrella. This consolidation benefited the



OIG and the Department in several ways, including a reduction in overall IT spending, elimination of dedicated OIG IT contractor resources, improved customer service, increased Department IT purchasing power, and increased cyber security protection. The OIG also continues to assist the Department in meeting its goals for developing a complete and mature Enterprise Architecture (EA). The Department's EA goal aims to ensure that IT is most effectively supporting the Department's business environment while providing a framework that drives its IT investment decisions. Moreover, a sound EA should help eliminate redundant Department-wide IT systems. The OIG completed the mapping of its IT systems and applications to the various Federal Enterprise Architecture Reference Models, documented the OIG's business layer architecture, validated and linked its IT investments, systems, and program strategic goals to the Department's strategic goals, and met all OMB A-11 IT reporting requirements.

### **Budget and Performance Integration**

In support of this initiative, the OIG aligns budget priorities with its overarching strategic goal and the Department's mission priorities. The linkage of budget costs to performance helps to ensure that the OIG prioritizes its spending of the funding Congress allocates. In addition, budget and performance integration helps the Office make more efficient and effective planning decisions. The OIG is committed to achieving this important initiative and will continue to refine and strengthen the integration of its budget and performance goals.

### **OIG-Identified Management Challenges**

As part of the Reports Consolidation Act of 2000, the OIG identified six significant management and performance challenges currently facing the Department. This effort reflects new work performed by the OIG; an assessment of the Department's progress in addressing previously identified challenges, as well as emerging issues facing the Department.

These challenges are categorized as either mission-related or internal control. Certain management challenges deal with long-standing mission-related risks that are inherent to the Department's complex operation. These challenges are likely to persist well into the future, in part, because they involve factors that are outside the Department's direct control. The Department faces three such challenges Environmental Cleanup, National Security, and Stockpile Stewardship. The following are the OIG-identified Management Challenges:

#### **Mission-Related Challenges**

Environmental Cleanup  
Homeland/National Security  
Stockpile Stewardship

#### **Internal Control Challenges**

Contract Administration  
Information Technology  
Project Management



The OIG also developed a watch list that consists of management issues which do not, in the OIG's opinion, meet the threshold of major management challenges yet warrant continued attention by senior Department managers. Watch list issues may include management challenges identified in previous years for which the Department has implemented corrective actions or has achieved positive outcomes. The watch list may also include emerging issues that may require Department action. This year, three areas are identified as operational or programmatic functions that need to be closely monitored by Department management. They are:

- Energy Supply
- Worker and Community Safety
- Performance Management

Additional information on management challenges and the OIG's watch list may be found by reviewing a Special Report on Management Challenges at the Department of Energy, issued in November 2004 (DOE/IG-0667).

The OIG-identified Management Challenges coincide with the Management Agenda initiatives. In FY 2004, the OIG issued the following reports relating to the Management Agenda and the OIG-identified Management Challenges:

#### **Information Technology and E-Government**

Control and Accountability of Emergency Communication Network Equipment  
Internal Controls Over the Accountability of Computers at Sandia National Laboratory, New Mexico  
Internal Controls Over Personal Computers at Los Alamos National Laboratory  
Controls Over Personal Computers at Los Alamos National Laboratory  
Federal Energy Regulatory Commission's Information Technology Program  
Personnel Security and Access Control Information Systems  
System Development Activities at Selected Management Contractors  
Safeguards over Sensitive Technology  
Internal Controls Over Classified Computers and Classified Removable Media at the Lawrence Livermore National Laboratory  
Management of the Oak Ridge Radio Transition Projects  
Implementation of Indications, Warning, Analysis, and Reporting Capability  
The Department's Reporting of Occupational Injuries and Illnesses  
Management Controls over the Licensing Support Network for Yucca Mountain Repository

#### **Improved Financial Management**

Los Alamos National Laboratory's Purchase Card Program Corrective Activities  
Central Offices Expenses for the Thomas Jefferson National Accelerator Facility  
Internal Controls at the University of California



### **Budget and Performance Integration**

Federal Energy Regulatory Commission's Performance Management

### **Human Capital Management**

Management Controls Over Contractor Tuition Reimbursements for Courses Leading to Degrees at Non-accredited Educational Institutions

### **Homeland/National Security**

National Security Laboratories' Annual Reporting of the Nuclear Weapons Stockpile Assessment

The Stabilization of Nuclear Materials at Los Alamos National Laboratory

The Department's Continuity Planning and Emergency Preparedness

Protective Force Response to a Security Incident at Sandia National Laboratory, California

Unauthorized Handguns on NNSA Aircraft

Management Controls Over the National Nuclear Security Administration's Test Readiness Program

Internal Controls Over Methamphetamine Precursor Chemicals at the Y-12 National Security Complex and the Oak Ridge National Laboratory

Allegations Involving Occupational Medical Services and Tank Farm Vapor Exposures at Hanford

NNSA's Enhanced Surveillance Campaign

Reestablishment of Enriched Uranium Operations at the Y-12 National Security Complex

The Department's Basic Protective Force Training Program

Protective Force Performance Test Improperities

Contractor Compliance with Deemed Export Controls

Recovery of Highly Enriched Uranium Provided in the U.S. and Dispersed to Foreign Countries

The Department's Implementation of the Federal Information Security Management Act (FISMA) 2004

Modernization of Tritium Requirements Systems

Design of the Uranium Storage Facility at the Y-12 National Security Complex

Reporting of Security Incidents at the Lawrence Livermore National Laboratory

This list does not include non-public or classified OIG reports. The full text of the OIG's public reports and Department management's comments can be found on the OIG website at: [www.ig.doe.gov](http://www.ig.doe.gov).

## Relationship With the Department of Energy



The Department's overarching mission is to advance the national, economic and energy security of the Nation; to promote scientific and technological innovation in support of that mission; and to ensure the environmental cleanup of the national nuclear weapons complex. The Department has four key strategic goals and five mission priorities toward achieving its mission:

### Strategic Goals

**Defense Strategic Goal:** To protect our national security by applying advanced science and nuclear technology to the Nation's defense.

**Energy Strategic Goal:** To protect our national and economic security by promoting a diverse supply and delivery of reliable, affordable, and environmentally sound energy.

**Science Strategic Goal:** To protect our national and economic security by providing world-class scientific research capacity and advancing scientific knowledge.

**Environmental Strategic Goal:** To protect the environment by providing a responsible resolution to the environmental legacy of the Cold War and by providing for the permanent disposal of the Nation's high-level radioactive waste.

### Mission Priorities

- Promote energy conservation;
- Modernize the energy infrastructure;
- Increase energy supplies;
- Protect the environment; and
- Increase our Nation's energy security.

The OIG's overarching strategic goal supports these agency mission-related goals and priorities.

### OIG Strategic Goal

To operate a robust review program and provide timely performance information and recommendations to facilitate the Department's efforts to: (1) implement the President's Management Agenda; (2) resolve management challenges; (3) execute the Secretary's priorities; and (4) ensure the integrity of the Federal and contractor workforce, while ensuring that the OIG completes statutory mandates, recovers monies, and provides opportunities for savings.

## Funding Priorities

---



### Department Funding

Key components of the Department include 24 research laboratories and facilities, 4 power marketing administrations, and 114 contaminated cleanup sites affecting about 2 million areas of land. The Department's FY 2005 budget request is \$24.3 billion, with over 100,000 Federal and contract employees. The FY 2005 budget is the largest thus far and continues to support the President's commitment to the following key national priorities:

**National Security.** Within the Department's Defense Goal, the FY 2005 budget supports an increase for the NNSA. NNSA carries out the Department's defense nuclear security responsibility. The budget request for \$9.0 billion will help the Department to maintain the safety, security, reliability and effectiveness of the Nation's nuclear weapons stockpile; prevent the spread of materials, information and technology of weapons of mass destruction by eliminating or securing nuclear materials and related infrastructure; and provide the U.S. Navy with safe, effective nuclear propulsion plants.

**Environmental Management.** The Department's FY 2005 budget requests \$8.6 billion to meet environmental-related objectives that include accelerating in environmental cleanup, maintaining the schedule to establish a permanent geologic nuclear waste repository by 2010, and accelerating assistance to employees of the Cold War nuclear weapons complex who may have been harmed by their work.

**Energy/Science.** Under the energy goal, the FY 2005 budget requests \$2.5 billion to broaden the Department's energy security portfolio to expand the Nation's energy supply. The Department's FY 2005 budget proposes \$3.4 billion for science programs. This request continues the Administration's commitment to the Nation's scientific strength by maintaining essential facility operations and support for research in the exciting fields of genomics, scientific supercomputing, fusion energy, and nanoscience.

**Corporate Management.** The Department's FY 2005 budget requests \$824 million for activities related to Corporate Management. The critical corporate responsibilities and functions which directly support the mission of the Department include national energy; environmental, health and safety activities; development of Departmental policies; and required legal, financial, and administrative services.

### OIG Funding by Strategic Goal

To assist in advancing the Department's mission priorities, the OIG focuses its resources toward the most significant mission-related priorities and challenges facing the Department. The OIG's overarching strategic goal is directly related to the Department's mission priorities and the Management Agenda.



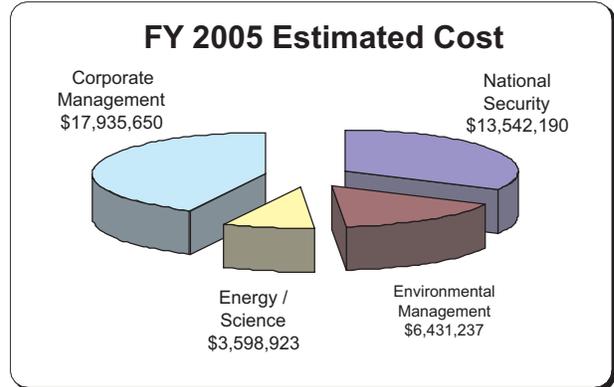
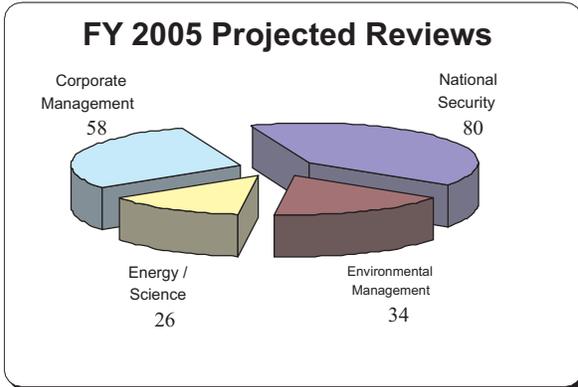
OFFICE OF INSPECTOR GENERAL

| Strategic Goal  | FY 2004<br>Appropriated | FY 2005<br>Requested |
|---|-------------------------|----------------------|
| The OIG's overarching Strategic Goal is to operate a robust review program and provide timely performance information and recommendations to facilitate the Department's efforts to: (1) implement the President's Management Agenda; (2) resolve management challenges; (3) execute the Secretary's priorities; and (4) ensure the integrity of the Federal and contractor workforce, while ensuring that the OIG completes statutory mandates, recovers monies, and provides opportunities for savings. | \$ 39,229,000           | \$41,508,000         |

For FY 2005, the OIG requested \$41.5 million to effectively carry out its duties and responsibilities and meet its current planning goals and objectives. The OIG's current budget is \$39.2 million, with 263 Federal employees. The increase in funding will help to ensure that the OIG continues on the path towards successfully conducting independent audits, investigations, inspections, and other reviews of the Department's programs.



### Funding by Priority Area



| Mission Priorities       | Outcomes   | Mission Priorities   | Outcomes   |
|--------------------------|--|----------------------|--|
| NATIONAL SECURITY        | <ul style="list-style-type: none"> <li>Promote the safety and reliability of the nuclear stockpile.</li> <li>Promote security and safety within Department programs.</li> <li>Assess the Department's progress in addressing and resolving the threat from weapons of mass destruction.</li> <li>Promote effective intelligence and counterintelligence programs.</li> </ul>                           | ENERGY/SCIENCE       | <ul style="list-style-type: none"> <li>Contribute to the protection of the critical energy infrastructure.</li> <li>Promote the implementation of the President's National Energy Plan.</li> <li>Assist in directing research and development that directly relate to and support the missions of the Department and aid in ensuring greater application of mature technologies.</li> </ul>  |
| ENVIRONMENTAL MANAGEMENT | <ul style="list-style-type: none"> <li>Promote implementing environmental cleanup faster and cheaper.</li> <li>Contribute to the success of the Department completing the characterization of the Yucca Mountain site for a permanent storage of the Nation's spent nuclear fuel.</li> <li>Assess the Department's management of uranium enrichment and civilian nuclear power development.</li> </ul> | CORPORATE MANAGEMENT | <ul style="list-style-type: none"> <li>Contribute to the effectiveness of the Department's financial management (audit of the Department's financial statements).</li> <li>Assure the American public that the Department is fiscally responsible in carrying out its mission.</li> <li>Promote effective contract management.</li> <li>Foster responsiveness to complaints and allegations from Department and OIG customers.</li> <li>Ensure the Department has metrics in place and uses them to manage its programs and activities effectively.</li> <li>Promote the safety and health of the Department's workforce.</li> </ul> |

\* Note: Much of the work performed by the OIG crosses multiple business lines. This is especially true for the contract management reviews. As such, the expenses for national security, environmental management and energy/science may be underrepresented and reflected within the outcome, "promote effective contract management."



## Critical Outside Influences

Internal and external organizations increasingly request the OIG to conduct quick turnaround, unplanned, and resource-intensive reviews. In addition, the OIG must also undergo a periodic external quality control review. These requests, to a large extent, directly impact OIG workload, formulating budgets, assessing organizational structure, evaluating procedures, and establishing priorities. Examples include:

**Secretarial/Congressional Priorities.** Emerging mission-related priorities require the Secretary and Congress to make frequent requests for the OIG to conduct related reviews. These requests affect the OIG's progress in achieving its strategic planning goals.

**New Statutory Requirements.** New legislative mandates and unfunded audit, investigative, inspection, or inquiry requirements directly impact OIG planned performance. Specifically, new statutory requirements divert resources away from other critical areas, including evaluating the performance of the Department's programs and operations as they relate to the Management Agenda, the Secretary's mission priorities, and the most serious management challenges facing the Department.

**External Peer Review.** As in the private sector, under relevant Government Auditing Standards, government audit organizations must have a periodic external quality control review. In FY 2004, the Department of the Treasury OIG completed a peer review and issued an unqualified (clean) opinion on our audit function. The opinion was based on a detailed review of performance, financial and contract audits covering a number of complex technical and financial activities. The reviewers specifically noted that the operating control system in place for audits completed during the 2-year period under review (FY 2002-FY 2003) provided reasonable assurance that the Energy OIG complied with the principles established by the U.S. Government Accountability Office and the PCIE.

In FY 2005, the Office of Investigations will participate in its first PCIE peer review.

## Cross-Cutting Program Activities

In performing its mission, the OIG undertakes many of its activities with other external organizations to achieve a common goal. Such organizations include:

- Federal prosecutors in the Department of Justice and United States Attorneys' Offices throughout the country;
- The Defense Contract Audit Agency;
- State and local prosecutors;
- Other Federal agency OIGs;
- The Intelligence Oversight Board on intelligence matters concerning violations of law, Executive order, Presidential directive, or Department Intelligence Procedures.

## FY 2005 Annual Performance Plan

---



Office of Inspector General work is important to the Department's success in fulfilling its mission-related goals. The OIG must ensure that its resources and activities cover issues and concerns most critical to the Department. The FY 2005 Performance Plan describes the planned projects and activities the OIG will undertake during the coming year. These activities will include an increased focus on national/homeland security, information technology security, environmental cleanup, procurement, and contract management. The performance FY 2005 goals, objectives and measures will help the OIG to better plan its priorities and continue to assist the Department in identifying and taking corrective action to improve areas most vulnerable to waste, fraud, and mismanagement. In FY 2005, OIG audits, inspections and special inquiries will continue to identify opportunities for cost savings and operational efficiencies. With increased emphasis on environmental cleanup, and procurement and grant fraud, OIG investigations will continue to return hard dollars to the Department and the U.S. Treasury.

### FY 2005 Performance Measures

As the OIG moves toward the future, many requests from Congress and the Department may cause a redirection of resources. These requests may take priority over planned activities and, as necessary, the OIG will adjust its work priorities to meet those demands. During FY 2004, an annual assessment of its goals, objectives, and measures resulted in the need to adjust several performance measures. For FY 2005, the OIG will measure its results against the following performance measures:

#### Performance Measures:

- Conduct reviews as outlined in the OIG annual plan relating to: (1) the President's Management Agenda initiatives; (2) the Secretary's Mission Priorities; and (3) the OIG-identified Management Challenges. Specifically:
  - Complete reviews that address each Presidential, Secretarial, and OIG-identified initiative, priority, and/or challenge as identified in FY 2003 by FY 2005.
  - Conduct a review within 1 year of any new Department initiatives and priorities.
- Ensure that every performance review includes an analysis of program accomplishments and the use of metrics to measure results.
- Increase by 10 percent last year's baseline measure with respect to ensuring that at least 50 percent of all performance audits include recommendations leading to demonstrable cost savings, program efficiencies, and/or funds put to better use.



- Complete at least five follow-up reviews annually from FYs 2003 to 2007 to determine the status and efficacy of corrective actions.
- Complete an annual risk-based programmatic assessment that considers OIG institutional knowledge, past program performance, funding levels, Presidential, Secretarial, and congressional concerns, as well as input from Department program managers.
- Ensure that each year at least 80 percent of all planned performance audits address high-risk areas as identified in the OIG annual risk-based programmatic assessments.
- Strive for the Department to accept 75 percent of review recommendations.
- Issue 80 percent of audit reports no later than 60 days following receipt of management comments.
- Complete the field work for 75 percent of special inquiries within 60 workdays.
- Ensure that the average time to issue Administrative Reports to Management is 60 days or less following final resolution of criminal and civil investigations.
- Complete the field work for 80 percent of inspections within 90 days.
- Complete annually the Department's consolidated financial statement audits to determine whether the financial statements are free from material misstatement.
- Review the Department's classified and unclassified information security system programs in conjunction with the financial statement audit.
- Initiate at least 10 "Statement of Costs Incurred and Claimed" audits annually to assess internal controls over costs claimed by the Department's major contractors.
- Achieve an annual acceptance rate of 70 percent for investigative cases presented for prosecutorial consideration.
- Ensure that 75 percent of all investigative cases opened focus on key areas of Department vulnerability, specifically procurement and grant fraud, environmental violations, qui tams, or computer crimes.
- Ensure at least 25 percent of all open cases are joint agency/task force investigations with external law enforcement agencies, such as the Federal Bureau of Investigation and other OIGs.
- Provide 20 fraud awareness briefings annually to Department and contractor employees and managers.



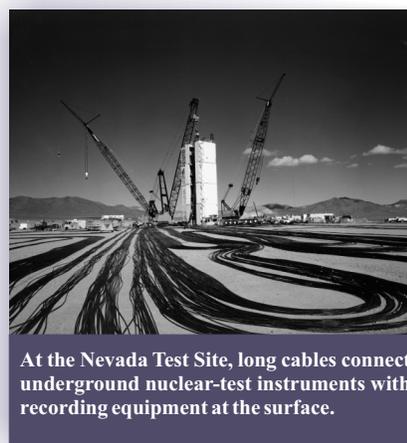
- Operate the OIG Hotline in a manner that ensures at least 85 percent of Hotline complaints warranting further action begin processing within 7 days of receipt.
- Forward 85 percent of the complaints identified for referral to Department or other agency management within 14 days of initiation of the case.
- Ensure that all OIG public reports that were identified by the OIG for inclusion on the Internet are posted within 3 working days of submission to the Secretary.

The OIG will focus its resources and planned activities toward the following key Department mission priorities:

### National Security

The Department plays a critical role in our Nation's security mission and is responsible for reinvigorating the security posture throughout the nuclear weapons program. In coordination with the Department of Defense and other agencies, the Department helps to ensure that we live in a safe and secure world. The 21st century presents the prospect of a national security environment in which threats may be more variable in nature, may be less predictable than in the past, and evolve more quickly. In the current environment, nuclear weapons will continue to play a critical role in the overall security posture of the United States.

The Nuclear Posture Review establishes a major change in the Department's approach to the role of nuclear offensive forces in our deterrent strategy and sets up the blueprint for transforming its strategic posture. A New Triad has been established, comprised of: (1) both nuclear and non-nuclear offensive strike systems, (2) active and passive defenses, and (3) a revitalized defense infrastructure that will provide new capabilities in a timely fashion to meet emerging threats. This new concept of national security strengthens our overall abilities to deter threats to the United States, reassures our allies of the United States' commitments, and dissuades arms competition by potential adversaries. Further, the United States will now develop forces with the capabilities needed to address a range of threats from unspecified countries instead of basing its nuclear planning on the need to address the "Russian threat."



At the Nevada Test Site, long cables connect underground nuclear-test instruments with recording equipment at the surface.

One of the Department's top priorities is safeguarding and securing all of its sites and facilities. At \$1.38 billion, the FY 2005 budget for all Department safeguards and security addresses the



requirements identified in the revised Design Basis Threat. Approved in May 2003, the new Design Basis Threat reflects the most credible threats to Departmental assets and operations. This is the basis for establishing and assessing protective effectiveness at Department facilities based on the latest intelligence. It will be implemented over the next several years.

The Department focuses its resources to achieve the following three goals: (1) ensure that nuclear weapons continue to serve their essential deterrence role by enhancing and maintaining the safety, security, and reliability of the nuclear weapons stockpile, (2) limit or prevent the spread of materials, technology, and expertise relating to weapons of mass destruction; advance the technologies to detect the proliferation of weapons of mass destruction worldwide; and eliminate or secure inventories of surplus materials and infrastructure usable for nuclear weapons, and (3) provide the Navy with safe, militarily effective nuclear propulsion plants and ensure their continued safe and reliable operation.

## Environmental Management

The Department faces significant environmental challenges at over 100 facilities around the country due to past operations that left a legacy of unacceptable risk to the environment. The environmental management program includes stabilization and disposition of some of the most hazardous materials known to man resulting from over five decades of nuclear weapons production and energy research. It has presented the Department with some of the most technically challenging and complex work of any environmental program in the world and is one of the largest liabilities of the Federal Government.

In FY 2002, the Department restructured its environmental cleanup program after an intensive Top-to-Bottom review that showed the Department was only managing risk rather than reducing it. The new cleanup strategy emphasizes doing more real work, greater accountability, increased competition among contractors, innovative cleanup methods, and the use of performance-based incentives. The top priority of the program has been to reform and refocus the nuclear weapons cleanup program to deliver risk reduction faster and cleanup more efficiently and effectively. The Department has also defined risk reduction cleanup strategies on a site-by-site basis. These plans, currently developed for 18 sites lay out the current site conditions, the desired end state, strategic initiatives to get from current state to end state, and



Idaho Completion Project, contaminated soil being removed from the Central Facilities Area, Idaho National Engineering & Environmental Laboratory.



management processes to support this new approach. For example, the plans provide site-specific strategies for significant acceleration of risk reduction and completion of cleanup for two of the Department's largest sites the Hanford Site in Washington and the Idaho National Engineering and Environmental Laboratory in Idaho by at least 35 years earlier than originally planned.

At the Yucca Mountain site, the Department is also developing a geologic repository to safely dispose of high-level radioactive waste and spent nuclear fuel. The repository is necessary to support the environmental cleanup of the Cold War legacy and to enhance energy security by maintaining a viable nuclear option.

## Energy/Science

The Department leads the Nation in the effort to develop affordable advanced clean energy for the 21st Century and to accelerate its acceptance and use, both nationally and internationally, by providing cutting-edge research in a broad range of renewable and non-renewable energy sources. The Department has “an ambitious, long-term vision of a zero-emission future, free of reliance on imported energy,” to help the nation improve and move beyond today's energy choices in ways that meet consumer and public needs. In addition, in FY 2005, the Department will be at the forefront of implementing the President's Hydrogen Fuel initiative, to reduce America's dependence on foreign oil. The Department has five key goals: promote energy conservation; modernize the energy infrastructure; increase energy supplies; protect the environment; and increase our Nation's energy security.

Viewed as one of the premier science organizations in the world, the Department operates and manages 10 national laboratories and 27 scientific user facilities. The Department's goals are to deliver the basic scientific research and knowledge for its applied technology programs through strategic investments that advance the frontiers of the physical sciences and areas of biological, medical, environmental, and computational sciences; and provide world-class research facilities and scientific human capital to the Nation's overall science enterprise.

The Department is one of the Government's primary sponsors of basic cutting edge research and leads the Nation in supporting physical sciences in various research areas to improve our Nation's energy security and to address issues ancillary to energy, such as genomics, climate change, and life sciences. Through these investments in basic research, the Department is addressing some of the most challenging scientific questions of the 21st Century.

## Corporate Management

The Department manages a diverse portfolio of program missions, facilities, and resources over a nationwide complex that includes Headquarters organizations, operations offices, field/site offices, national laboratories, power marketing administrations, and sites dedicated to



environmental cleanup. The offices that support the corporate management framework are responsible for supporting the Secretary's initiatives to improve management and accountability while ensuring the safety, security, and health of the workforce and public.

Some of the corporate management challenges the Department faces include:

- Financial Management
- Project Management
- Oversight of Contractors
- Performance Management
- Information Technology Management
- Worker and Community Safety



The Office of Audit Services provides internal and contract audit activities for Department programs and operations, including the NNSA and FERC. The office strives to provide reliable, credible financial and performance information to senior management, the Congress, and the taxpayers. The office is organizationally aligned with the Department's critical missions in national security; environmental quality; and energy, science, and technology. This organizational structure helps to ensure that audit work provides comprehensive coverage over Department organizations, programs and operations, while meeting the Department's evolving needs.

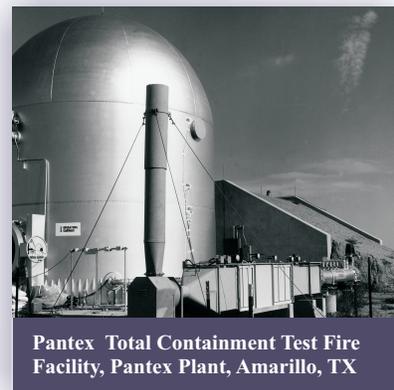
The office uses a risk-based process for identifying areas for audit coverage. Specific areas with the greatest vulnerability and those with significant dollar amounts are identified. This process leads to conducting program performance reviews that focus on the most serious management challenges facing the Department, the Management Agenda and the Secretary's mission priorities. A significant portion of audit resources is directed toward meeting OIG statutory audit responsibilities. In the past, these responsibilities were mostly financial in nature and crosscut all of the challenge areas, the President's five key management initiatives, and the Secretary's mission priorities. OIG statutory audit responsibilities continue to increase with the addition of information technology security responsibilities.

The Office of Audit Services is carrying 53 active audits into the new year, and has scheduled 90 performance audits to start in FY 2005. Many non-discretionary taskings from external sources impact on workload demands and it is sometimes necessary to delay, postpone, or cancel planned audits to accommodate these demands. Following is a summary of audits scheduled to begin in FY 2005 grouped by the Department's mission priorities. The planned audit workload is summarized later in this plan.

### National Security

To promote the safety and reliability of the nuclear stockpile, the following audits will determine whether:

- NNSA is effectively and efficiently managing its activities to attain its goal to certify its nuclear weapon stockpile through advanced simulation and computation technology. (A05TG030)
- Classified parts are accurately accounted for at NNSA sites. (A05AL001)
- NNSA has developed a plan to reduce the stockpile of strategic nuclear warheads by December 2012. (A05AL002)



Pantex Total Containment Test Fire Facility, Pantex Plant, Amarillo, TX



- The B61 Spin Rocket Motor Project is needed based upon documented justifications. (A05AL003)
- The Secondary Assessment Technologies Program is providing modern scientific tools, methods, and knowledge required to certify the performance of nuclear secondaries. (A05DC007)
- The Inertial Confinement Fusion experiments to support high energy density physics for Stockpile Stewardship will be completed by 2005. (A05LA010)
- The Pit Production Program will develop a certifiable pit by 2007. (A05LA013)
- NNSA is completing its campaign targets to create an infrastructure through which a massive quantity of data can easily flow. (A05LL017)
- NNSA is completing its annual nuclear survivability campaign targets for nuclear systems and components. (A05LL018)
- The Y-12's lithium operations are capable of supporting future mission needs. (A05YT025)
- The W-76 refurbishment will be completed within scope, schedule, and cost parameters established in the project plan. (A05YT027)
- The planned scope of the Chemistry and Metallurgy Building Replacement Project is appropriate for current national security needs. (A05YT028)

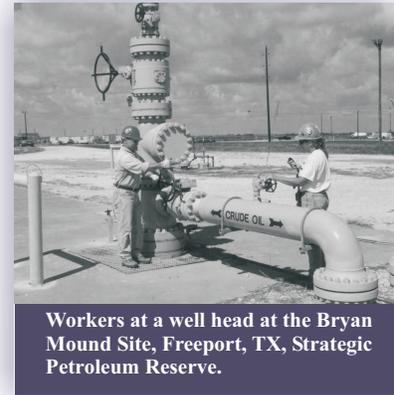
To assess the Department's progress in addressing and resolving the threat from weapons of mass destruction, the following audits will determine whether:

- The Sealed Sources Recovery Project will meet its goal to recover 14,320 sources before the scheduled project closeout in FY 2011. (A05AL005)
- NNSA is dismantling retired weapons and disposing of unneeded parts. (A05DC006)
- The Satellite-Based Nuclear Detonation Project will deliver new generation satellite sensors by 2005. (A05LA015)
- It is cost-effective to relocate TA-18 from Los Alamos to Nevada. (A05LA016)
- Nuclear Nonproliferation programs and activities at the Y-12 National Security Complex are effective. (A05YT029)

To promote security and safety within Department programs, the following audits will determine whether:



- Corrective actions have been identified and appropriately implemented to address classified safeguards and security/cyber security findings. (A05NE012)
- The safeguards and security program at the Strategic Petroleum Reserve meets the risks posed by the Department's new Design Basis Threat requirements and whether the security forces are capable of successfully responding to perceived threats now and in the future. (A05PT018)
- The safeguards and security program at the Naval Reactors/Bettis and Knolls Atomic Power Laboratories and the Idaho Naval Reactors Facility are operating in an effective manner. (A05PT021)
- The Departmental occupational physical fitness qualification standards ensure that Department and contractor employees have the physical abilities to perform essential occupational functions of their jobs. (A05PT022)
- The Department has implemented recommendations related to the resolution of significant finding investigations. (A05DC008)
- The Dynamic Materials Properties Campaign has met established milestones to characterize and assess the thermodynamic properties of stockpile materials. (A05DC009)
- NNSA has developed a comprehensive plan to reduce the deferred maintenance backlog at Los Alamos by 2009. (A05LA012)
- Los Alamos has developed a comprehensive plan to fund the modernization of the DX complex. (A05LA014)
- NNSA is meeting its annual targets to reduce the size of the Russian nuclear weapons complex and create sustainable high technology-laden commercial enterprises. (A05LL019)
- The Office of Civilian Radioactive Waste Management has developed transportation routes for shipments to the Yucca Mountain Repository that avoid metropolitan areas. (A05LV023)



To promote effective intelligence and counterintelligence programs, the following audits will determine whether:

- The Department has effectively addressed prior weaknesses identified at the nuclear weapons laboratories counterintelligence offices. (A05AL004)



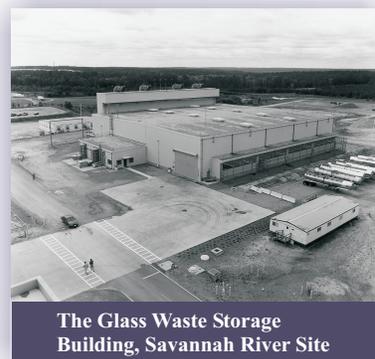
## Environmental Management

To promote implementing environmental cleanup faster and cheaper, the following audits will determine whether:

- Lessons learned from performance-based contracting at the Rocky Flats, Mound, and Fernald Closures Sites have been identified. (A05DN002)
- The Department is on schedule to complete the cleanup of the East Tennessee Technology Park (ETTP) by 2008. (A05ET007)
- The Department's cleanup plan for the Subsurface Disposal Area will meet established regulatory agreements. (A05ID011)
- The Rocky Flats Project Office is meeting Comprehensive Environmental Response, Compensation, and Liability Act; Code of Federal Regulation; and Department guidance for assessing environmental liabilities after site closure. (A05DN001)
- The Richland Operations Office is properly restructuring its workforce. (A05RL019)
- Hanford's new low-level waste disposal facility is needed. (A05RL021)
- The Department is using permits and designs from Glass Waste Storage Building #1 in the construction of Glass Waste Storage Building #2 at the Savannah River Site. (A05SR026)
- The Department has disposed of waste originally scheduled for treatment in the Consolidated Incinerator Facility. (A05SR028)
- The Department can maintain adequate available storage space in its high-level waste tanks to respond to catastrophic failures. (A05SR029)
- Brookhaven's 2006 Accelerated Completion Projects are on schedule, are within budget, and will generate anticipated cost savings. (A05PR013)
- The Department is adequately managing legacy conventional munitions in its custody. (A05PT019)
- Cleanup at Naval Reactor sites is being accomplished in an effective manner. (A05PT020)



East Tennessee Technology Park  
Deposit Removal, Oak Ridge, TN



The Glass Waste Storage  
Building, Savannah River Site



To contribute to the success of the Department completing the characterization of the Yucca Mountain site for permanent storage of the Nation's spent nuclear fuel, the following audits will determine whether:

- The Department is meeting its milestones for the Yucca Mountain Project. (A05LV020)
- The transportation casks program is adequate to meet the waste acceptance schedule. (A05LV024)

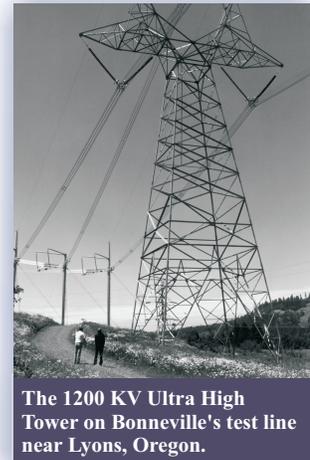
To assess the Department's management of uranium enrichment and civilian nuclear power development, the following audits will determine whether:

- The Richland Operations Office is pursuing a safe and economical strategy for storing cesium and strontium capsules prior to disposal. (A05RL018)
- The Department is maximizing the volume of sludge waste encapsulated in each canister produced in the Defense Waste Processing Facility. (A05SR025)
- The Department's highly enriched uranium off-speculation blend-down project at SRS is needed, and if so, it is on schedule and within budget. (A05SR027)

## Energy/Science

To contribute to the protection of the critical energy infrastructure, the following audits will determine whether:

- Bonneville's transmission infrastructure projects are being completed within cost and schedule targets. (A05DN005)
- The Power Marketing Administrations have human capital management strategies in place to meet changing workforce needs. (A05DN003)
- The Office of Nuclear Energy's facility requirement is consistent with the Office of Environmental Management's closure plans for facilities at Idaho. (A05ID009)
- The Department's programs have developed effective mechanisms to identify, prioritize and adequately protect critical/essential physical assets and associated key resources/functions. (A05FF006)
- The Isotope Program is capable of meeting customer needs within existing cost constraints while maintaining a necessary infrastructure base. (A05FF008)
- Actions have been taken to ensure the safety and security of high and significant hazard non-Federal hydroelectric dams. (A05NE010)





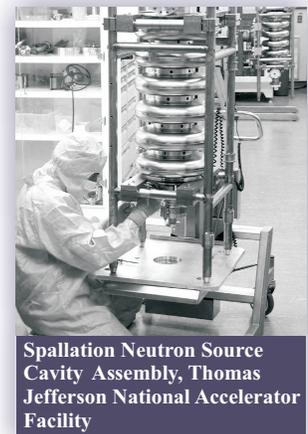
- The Office for Electricity Transmission and Distribution is making progress towards leading a national effort to modernize and expand the Nation's electricity delivery system to ensure a more reliable and robust electricity supply, as well as economic and national security. (A05PR016)
- The Department is adequately managing its financial assistance to the Swan Lake-Lake Tye Intertie. (A05SC024)
- The Office of Science is disposing of excess and idle facilities to minimize costs and reduce safety and environmental risks. (A05SC025)

To promote the implementation of the President's National Energy Plan, the following audits will determine whether:

- The Department's FreedomCAR (Cooperative Automotive Research) Program is: (1) using competition in the selection of new projects; (2) using cost sharing agreements with the private sector when appropriate; and (3) coordinating efforts to ensure that work already being performed by the Federal Government or the private sector is not duplicated. (A05CH004)
- FERC appropriately identifies and investigates potential energy market abuses in a timely manner. (A05NE011)

To assist in directing research and development that directly relate to and support the missions of the Department and aid in ensuring greater application of mature technologies, the following audits will determine whether:

- Battelle-Pacific Northwest National Laboratories is managing its laboratory research programs and projects. (A05RL023)
- The Department's nanotechnology investments are being directed toward the highest potential areas, do not duplicate research being funded by other agencies or industry, and have adequately addressed potential safety issues regarding the use of nano materials. (A05PR015)
- The Office of Science decisions to extend or renew university grants ensure that supported educational user facilities are effectively utilized. (A05CH003)
- The Department's vadose zone subsurface science research is being duplicated. (A05RL024)
- The Department is properly transitioning the Spallation Neutron Source Project to a fully functioning facility. (A05SC023)





## Corporate Management

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

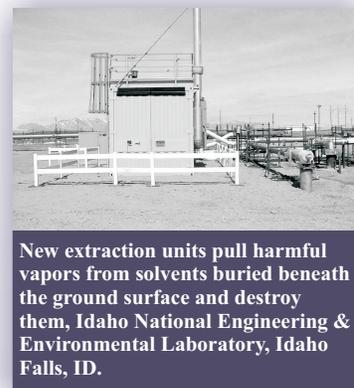
- Audit of the Department's Consolidated Financial Statements as of and for the year ended September 30, 2004. (A05FN001)
- Audit of FERC's Financial Statements as of and for the year ended September 30, 2004. (A05FN002)
- Audit of the Isotope Production Distribution Financial Statements as of and for the year ended September 30, 2004. (A05FN003)
- Audit of the Decommissioning and Decontamination Financial Statements as of and for the year ended September 30, 2004. (A05FN004)

To assure the American public that the Department is fiscally responsible in carrying out its mission, the following audits will determine whether:

- The Department has adequate plans to remediate the 618-10/618-11 Burial Grounds. (A05RL017)
- The Department has implemented a process for maximizing the use of enterprise licenses across the complex. (A05TG026)
- The Department has mature processes in place for managing its information technology capital investments. (A05TG028)
- The Department used proper methods to ensure that information stored on third party systems is adequately secured. (A05TG029)
- The State of Nevada and affected units of local governments used the funds provided by the Nuclear Waste Fund according to the terms in the Nuclear Waste Policy Act and annual appropriations language. (A05LV022)

To promote effective contract management, the following audits will determine whether:

- The incentives for the Idaho National Engineering and Environmental Laboratory and Idaho Clean-Up Project will improve performance and/or reduce costs. (A05ID008)
- The Idaho Operations Office and its contractor have accounted for personal property at Idaho National Engineering and Environmental Laboratory. (A051D010)





- The Department's non-management and operating contractors are making pension plan contributions as required. (A05OR013)
- The Department is managing costs for site services at Portsmouth and Paducah. (A05OR014)
- The contractor post-retirement health benefits at the Oak Ridge Reservation are consistent with other contractors. (A05OR015)
- Current practices for disposition of personal property at ETTP will reduce costs to the Government. (A05OR016)
- The Department's contractors' performance fees are commensurate with the cleanup work performed. (A05RL022)
- Costs charged by Fermi to the Department are allowable. (A05CH002)
- The Department ensures that work-for-others activities conform to applicable policies and guidance, do not compete with the private sector, and are not subsidized by Department funds. (A05CH005)
- The Department utilizes its fleet vehicles in an efficient manner. (A05FF009)
- The Department and its contractors have adequate systems and controls to ensure that personal property, including experimental property, is properly accounted for, controlled and disposed. (A05PR017)
- Architect and engineering costs at selected NNSA sites are consistent with industry standards. (A05LV021)
- BWXT is meeting performance objectives established at the start of the performance period. (A05YT026)

To ensure the Department has metrics in place and uses them to manage its programs and activities effectively, the following audits will determine whether:

- The Department and its contractors are using the most favorable rates for the treatment and disposal of low-level and mixed low-level wastes at Envirocare. (A05ET006)
- The Department's transuranic waste is being treated to a higher standard than the Waste Isolation Pilot Plant waste acceptance criteria. (A05ID012)



Shipment of transuranic waste at the entrance to the Waste Isolation Pilot Plant, Carlsbad, NM.



- The Energy Information Administration's quality control procedures ensure that its products are accurate and timely and its products do not duplicate commercially available services. (A05PR014)
- The Department is taking an effective approach to provide analytical laboratory services for the Hanford Site. (A05RL020)
- The Department's major systems are meeting Department goals and users' information needs. (A05TG027)
- Los Alamos has integrated its various financial software systems into a single system. (A05LA011)

To promote the safety and health of the Department's workforce, the following audits will determine whether:

- The Department's Office of Environment, Safety, and Health's Beryllium Registry is accurate and complete. (A05DN004)
- The Department has taken corrective actions to resolve the environment, safety and health (ES&H) deficiencies of the Science laboratories in accordance with the recommendations of the Occupational Safety and Health Administration and the Nuclear Regulatory Commission. (A05CH001)
- The Department's bio-assay program is meeting worker and community safety requirements in an economical manner. (A05FF007)
- The medical facilities are being operated in a cost-effective manner that is consistent with Departmental practices. (A05SR030)

## Office of Investigations

---



As the law enforcement organization within the OIG, the Office of Investigations' key mission is investigating alleged violations of criminal, civil, and administrative laws, rules, and regulations. Particular focus is placed on the prevention and detection of contract and grant fraud; environment, safety and health (ES&H) violations; computer crimes; and issues that reflect on the integrity and credibility of Department officials. This generally involves the investigation of Department personnel, contractors and others receiving Department funds. The office works closely with other law enforcement agencies, as many of the investigations focus on significant criminal enterprises that affect multiple agencies. Special Agents also work closely with State and Federal prosecutors. Since September 11, 2001, the Department of Justice (DOJ) has placed primary focus on National Security and any and all criminal acts related to violations of National Security. This has resulted in DOJ's elevating the threshold for cases accepted for prosecutorial consideration.

Most recently, through a provision of the Homeland Security Act of 2002, the Inspector General (IG) Act was amended to grant statutory law enforcement authority to 25 Presidentially-appointed IGs who are members of the PCIE, including the Department of Energy IG. The amended IG Act now includes authority to carry firearms while engaged in official duties; make an arrest without a warrant while engaged in official duties; and seek and execute warrants for arrest, search of premises, or seizure of evidence.

In FY 2005, the Office of Investigations plans to build on its existing efforts in combating fraud, waste, and abuse within the Department. The office will continue its pursuit of proactive initiatives designed to effect positive change within the Department complex and to enhance the office's ability to meet organizational goals and objectives. Close attention will be paid to Office of Investigations' infrastructure needs to ensure adequate skills, tools, and processes are in place to respond promptly and appropriately to emerging priority issues identified by the President, the Secretary, the Congress, and the public. Partnerships with other established law enforcement agencies and Department managers and employees will be expanded, and productive sources of information will be further cultivated.

### **National Program Area Initiative**

The work performed by the Office of Investigations is primarily reactive in nature and has the potential of reaching into any Department, including NNSA and FERC, which are major program areas. During FY 2005, the office will continue to move forward aggressively with the National Program Area Initiative as a tool for identifying and examining Department programs and operations most vulnerable to fraud, waste and abuse. The program initiatives closely correlate with the Department's strategic goals, which will further serve to provide relevant oversight of the Department's efforts to accomplish its goals. The program focuses on four primary areas: (1) contract and grant fraud; (2) ES&H violations; (3) Qui Tams; and (4) technology crimes. One of the office's goals is to have 75 percent of open investigations address at least one of the four program areas.



## **Contract and Grant Fraud**

The Department is one of the largest civilian contracting agencies. During FY 2004, the Office of Investigations continued to identify and interact with key Department and NNSA procurement personnel, as well as conduct fraud awareness briefings with special emphasis on procurement and grant fraud. One major success in this area involved a subcontractor who, pursuant to a civil judgment, was ordered to pay the Government \$2.9 million. The subcontractor submitted false claims in the form of coal test reports and invoices.

Given the continuing potential for significant fraud in the area of contract and grant administration, the Office of Investigations will continue to: (1) prioritize contract and grant fraud investigations, placing emphasis on cases with a potential high dollar recovery to the Department; (2) identify and pursue contract and grant fraud investigations proactively; (3) continue to provide Fraud Awareness Briefings throughout the Department, including NNSA; (4) work with established contract and grant task forces, and identify opportunities to establish new task forces with DOJ involvement; and (5) coordinate and pursue leads referred by the OIG Offices of Audit Services and Inspections and Special Inquiries.

## **Environment, Safety, and Health**

The OIG identified environmental cleanup as one of three Department FY 2004 management challenges that is likely to persist well into the future. The Department's program for cleaning up the environmental contamination caused by nuclear weapons research, production, and testing is estimated to cost about \$210 billion over the next several decades. The Department operates in a regulatory environment governed by complex Federal statutes, to include approximately 70 compliance agreements with States and other Federal agencies. In light of the commitment of billions of dollars and thousands of contractors and Department employees to the national environmental cleanup, the office has taken the position that a significant portion of investigative resources should be dedicated to crimes associated with the environmental cleanup.

In FY 2005, the Office of Investigations will continue to: (1) participate in the "Environmental Consortium," a multi-agency effort; (2) work with established ES&H task forces, and identify opportunities to establish new task forces; and (3) develop and maintain ES&H contacts in the Department, NNSA, and other Government agencies.

## **Qui Tams**

The Government recovered over \$6 million in FY 2004 based on OIG investigations relating to Qui Tam complaints or complaints filed by citizens under the False Claims Act. These successful investigations have had a major impact on the Department which is reflected in the fact that over the past 5 years Qui Tam investigations have resulted in over \$53 million in



settlements. The Office of Investigations continues to work closely with DOJ's Commercial Litigation Branch, in the investigations and analyses of Qui Tam cases.

In FY 2005, the Office of Investigations will continue to: (1) assist the DOJ in investigating and providing analysis of the Qui Tam cases; (2) adjust resources appropriately to ensure priority Qui Tam cases are being resolved in a timely manner; and (3) identify specific Qui Tam training for Investigations personnel.

### **Technology Crimes**

The Technology Crimes Section (TCS) was established to investigate network intrusions and other technology crimes; support traditional fraud investigations; assist audits and inspections with forensic examinations and technical services; and publish reports to enhance the Department's technology operations. TCS is staffed by investigators with the specialized skills necessary to proactively and reactively investigate the expanding number of high technology crimes that are occurring within many of the Department's programs. This is critical because risks and vulnerabilities are on the increase (i.e. security breaches, computer systems intrusions, virus attacks and employee misuse). The Department has a large and complex infrastructure that facilitates the mission of conducting valuable research and development, managing waste disposal, and protecting national security.

In FY 2004, a TCS investigation resulted in management at a national laboratory enhancing remote access computer security policies after an investigation determined that an unauthorized cyber intruder compromised a Government-owned desktop issued to a contractor employee. During FY 2005, TCS will: (1) proactively contribute to and support fraud investigations through consultations and forensic media analysis; (2) investigate incidents of technology crimes and non-compliance with applicable regulations involving protection of the information infrastructure throughout the Department's complex; clarify and extend the office's role in technology incident response and investigations in the Department; (3) provide basic technology crimes training to Criminal Investigators; and (4) refine and provide technology crimes awareness briefings throughout the Department complex.

### **Other Initiatives**

In addition to its work within the four program areas in FY 2004, the Office of Investigations will, as resources allow, address other initiatives aimed at improving operational effectiveness and efficiency.

### **Proactive Work**

Two years ago, the office streamlined and formalized its proactive case development process with a targeted approach designed to ensure more efficient and effective use of resources.



During FY 2005, the office will proactively identify and pursue investigations of fraud schemes involving Department financial assistance programs, which include grants and cooperative research and development agreements. The Department currently has in excess of 6,200 active financial assistance awards valued at nearly \$18 billion. Currently 67 percent of the cases in the Office of Investigations inventory involve contract/grant fraud. Investigations into environmental crimes are also an increasing proactive area of interest to the Office of Investigations.

### **Quality Assurance Reviews**

During FY 2004, the remaining two of five internal Quality Assessment Reviews (QAR), initiated in FY 2003, were completed. The program, which is modeled after the PCIE peer review process, is a new requirement under section 6(e) of the IG Act of 1978, as amended. The QARs are internal reviews designed to evaluate whether: (1) investigative offices are in compliance with the PCIE's Quality Assurance Standards for Investigations, relevant Federal laws and regulations, Agency directives and orders, and internal investigative policies, objectives and priorities; and (2) adequate internal safeguards and management procedures exist relative to the OIG's newly granted statutory law enforcement authority. In addition to providing assessments to organizational performance and compliance, the process is also used to identify opportunities to improve, streamline, and reduce redundancies in office policies and programs.

The Office of Investigations is in the process of preparing for a PCIE peer review which will be conducted during FY 2005 by the U.S. Department of Education, Office of Investigations.

## Office of Inspections and Special Inquiries



The Office of Inspections and Special Inquiries conducts performance and allegation-based inspections, as well as special inquiries in response to concerns raised by Congress, senior levels of the Department, and others. The office also manages the OIG Hotline and Management Referral Systems. The office facilitates management reform in the Department by evaluating and providing recommendations to improve program performance. Although the office plans a portion of its annual inspection work, it retains flexibility in order to be able to promptly address concerns and allegations received during the course of the year. The Office of Inspections and Special Inquiries initiated an annual average of 11 allegation-based inspections over the last 4 years. When planning its performance inspection work, the office identifies and prioritizes topics responsive to the President's Management Agenda, the Secretary's Mission Priorities, and the Department's Management Challenges as identified by the OIG. Inspections are initiated with consideration given to their significance and potential impact on Department programs and operations. In light of current heightened concerns over homeland security, the office is focusing its resources to address critical safety and security issues affecting programs and operations throughout the Department. The office is carrying 23 active inspections into the new year, and the following reflects planned inspections for FY 2005:

### National Security

In the area of National Security, the OIG plans to conduct inspections of:

- Personnel security clearances
- Internal controls over sensitive property
- Controls over classified removable electronic media at one or more Department sites
- Export controls
- Departmental response to changing security conditions
- Design Basis Threat implementation performance measures
- Disposal of unneeded radioisotope equipment
- Security police officer training at one or more selected sites
- Security of hazardous chemicals
- Implementation of the Design Basis Threat at a selected site
- Controls over spent nuclear material at one or more Department sites
- Implementation of the Personnel Security Assurance Program at one or more selected sites
- Department intelligence activities, as required by Executive Order (quarterly reviews)

### Corporate Management

In the area of Corporate Management, the OIG plans to conduct the following inspection:

- Utilization of Government purchase cards



## Appendix A

### FY 2005 Performance Plan Schedule

#### Office of Audit Services

#### AUDIT NUMBER

#### TITLE

#### PLANNED FISCAL YEAR 2005 PERFORMANCE AUDITS

#### National Security

|          |   |
|----------|---|
| A05AL001 | Classified Parts Control and Accountability   |
| A05AL002 | NNSA's Nuclear Weapon Stockpile Plan  |
| A05AL003 | B61 Spin Rocket Motor Project   |
| A05AL004 | Management of the Counterintelligence Program at NNSA<br>Weapons Labs   |
| A05AL005 | Management of the Sealed Sources Program  |
| A05DC006 | Retired Warheads Stockpile Systems  |
| A05DC007 | Secondary Assessment Technologies   |
| A05DC008 | Follow-up Review of the Management of the Stockpile Surveillance<br>Program's Significant Findings Investigations |
| A05DC009 | Dynamic Materials Properties Campaign   |
| A05LA010 | Inertial Confinement Fusion Ignition and High Yields Campaign at Los<br>Alamos                                    |
| A05LA012 | NNSA's Facilities and Infrastructure Recapitalization Programs for Deferred<br>Maintenance at Los Alamos          |
| A05LA013 | Follow-up Audit of Pit Production   |
| A05LA014 | DX Strategic Facility Plan  |
| A05LA015 | Satellite-Based Nuclear Detonation Project  |
| A05LA016 | Relocation of Los Alamos Tech Area 18 to the Nevada Test Site   |
| A05LL017 | Visual Interactive Environment for Weapons Simulation   |
| A05LL018 | Nuclear Survivability Campaign  |
| A05LL019 | Russian Nuclear Cities Initiative   |
| A05LV023 | Use of Oversight Funds by the State of Nevada and Local Governments   |
| A05NE012 | Management of Classified Safeguards and Security/ Cyber Security<br>Corrective Actions                            |
| A05PT018 | Safeguards and Security at the Strategic Petroleum Reserve  |
| A05PT021 | Safeguards and Security at Naval Reactors/Bettis and Knolls Atomic Power<br>Labs                                  |
| A05PT022 | Department Physical Fitness Standards   |
| A05TG030 | NNSA's Supercomputer  |
| A05YT025 | Lithium Operations at the Y-12 National Security Complex  |

A05YT027 W-76 Life Extension Program  
A05YT028 Chemical and Metallurgical Research Building Replacement Project at.  
Los Alamos  
A05YT029 Nonproliferation Activities at the Y-12 National Security Complex

## **Environmental Management**

A05DN001 Assessing Natural Resources Damages at Rocky Flats  
A05DN002 Lessons Learned in Performance Based Contracting at Rocky Flats, Fernald,  
and Mound Closure Sites  
A05ET007 Closure of the East Tennessee Technology Park  
A05ID011 Cleanup of the Idaho National Laboratory Subsurface Disposal Area  
A05LV020 Analytical Laboratory Services at the Hanford Site  
A05LV024 Transportation Casks for Commercial Spent Nuclear Fuel  
A05PR013 Accelerated Completions Projects at Brookhaven National Laboratory  
A05PT019 Management of Legacy Military Munitions  
A05PT020 Environmental Liabilities and Cleanup at Naval Reactor Land Based  
Reactor Plants  
A05RL018 Cesium and Strontium Capsule Disposition  
A05RL019 Management of Human Capital at the Richland Operations Office  
A05RL021 Low-Level Waste Disposal Facilities at the Hanford Site  
A05SR025 Defense Waste Processing Facility Operations at the Savannah River Site  
A05SR026 Construction of the Glass Waste Storage Building #2 at the Savannah River  
Site  
A05SR027 Highly Enriched Uranium Blend at the Savannah River Site  
A05SR028 Follow-up of Waste Incineration at the Savannah River Site  
A05SR029 Storage Capacity of the High Level Waste Tanks at the Savannah River Site

## **Energy/Science**

A05CH003 Energy Research Funding to User Facilities at Educational Institutions  
A05CH004 Department's FreedomCAR Program  
A05DN003 Power Marketing Administration's Management of Human Capital  
A05DN005 Bonneville Power Administration's Transmission System Infrastructure  
Projects  
A05FF006 Physical Asset Critical Infrastructure Protection at the Department  
A05FF008 Performance Review of the Department's Isotope Program  
A05ID009 Transfer of Landlord Responsibilities at the Idaho National Laboratory  
A05NE010 FERC's Safety and Security Program for Hydroelectric Projects  
A05NE011 FERC's Oversight and Investigations Program  
A05PR015 DOE's Implementation of the National Nanotechnology Initiative  
A05PR016 Office of Electricity Transmission and Distribution  
A05RL023 Research Programs at the Pacific Northwest National Laboratory  
A05RL024 Department's Vadose Zone Research and Contaminant Fate and Transport  
Modeling  
A05SC023 Spallation Neutron Source Project  
A05SC024 Swan Lake - Lake Tyee Intertie  
A05SC025 DOE's Disposal of Excess and Idle Facilities and Structures

## Corporate Management

|          |  |
|----------|--|
| A05CH001 | Environment, Safety, and Health Initiatives at Science Laboratories  |
| A05CH002 | Fermi's Allowable Costs  |
| A05CH005 | Work-for-Others  |
| A05DN004 | DOE Beryllium Registry   |
| A05ET006 | DOE's Waste Treatment and Disposal Contracts with Envirocare   |
| A05FF007 | Department's Bio-Assay Program   |
| A05FF009 | Department's Utilization of Fleet Vehicles   |
| A05ID008 | Performance Incentives in the New Idaho Clean Up Project and Idaho National Lab Contracts                        |
| A05ID010 | Property Accountability at the Idaho National Laboratory   |
| A05ID012 | Department's Treatment of Transuranic Waste for Disposal   |
| A05LA011 | Enterprise Resource Planning Projects at Los Alamos  |
| A05LV021 | Follow-up Audit on Architect and Engineering Costs at Selected NNSA Sites  |
| A05LV022 | Use of Oversight Funds by the State of Nevada and Local Governments  |
| A05OR013 | Pension Plan Contributions at Non-M&O Contractors  |
| A05OR014 | Department's Management of USEC Site Services at Portsmouth and Paducah  |
| A05OR015 | Post-Retirement Health Benefits at the Oak Ridge Reservation   |
| A05OR016 | Property Management at the East Tennessee Technology Park  |
| A05PR014 | Energy Information Administration  |
| A05PR017 | Property Management at Office of Science Laboratories  |
| A05RL017 | Remediation of Hanford's 618-10/618-11 Burial Grounds  |
| A05RL020 | Analytical Laboratory Services at the Hanford Site   |
| A05RL022 | Richland Operations Office Performance Based Contract Incentives   |
| A05SR030 | Medical Facility Costs at the Savannah River Site  |
| A05TG026 | Management of the Department's Enterprise License Activities   |
| A05TG027 | Post-Implementation of Major Systems   |
| A05TG028 | DOE's Information Technology Capital Investment Processes  |
| A05TG029 | Security over Contractor Provided Services   |
| A05TG031 | Federal Energy Regulatory Commission's Implementation of the Federal Information Security Management Act (FISMA) |
| A05TG032 | DOE's Implementation of the Federal Information Security Management Act (FISMA)                                  |
| A05YT026 | Performance Based Incentives for BWXT Y-12 LLC   |

## PLANNED FISCAL YEAR 2005 GMRA AUDITS

|          |  |
|----------|--|
| A04FN001 | DOE FY 2004 GMRA                                 |
| A04FN002 | FERC FY 2004 GMRA                                |
| A04FN003 | Isotope Production Distribution FY 2004 GMRA     |
| A04FN004 | Decommissioning and Decontamination FY 2004 GMRA |

## **OTHER PLANNED FISCAL YEAR 2005 FINANCIAL AUDITS**

|          |   |
|----------|---|
| A05AL030 | Sandia FY 2004 SCIC                           |
| A05CH033 | Argonne National Laboratory FY 2004 SCIC      |
| A05DN031 | Midwest Research Institute FYs 2002-2003 SCIC |
| A05ET032 | UT-Battelle FY 2004 SCIC                      |
| A05ET033 | West Valley FYs 1999-2004 SCIC                |
| A04FN005 | FMFIA FY 2005                                 |
| A05ID034 | Bechtel BWXT FY 2004 SCIC                     |
| A05LA031 | Los Alamos FY 2004 SCIC                       |
| A05LA032 | Honeywell FY 2004 SCIC                        |
| A05LL033 | Livermore FY 2004 SCIC                        |
| A05LV034 | Bechtel FY 2004 SCIC                          |
| A05OR036 | Bechtel Jacobs FY 2004 SCIC                   |
| A05PT034 | Schenectady FY 2004 SCIC                      |
| A05PT035 | Bechtel-Bettis FY 2004 SCIC                   |
| A05RL037 | PNNL FY 2004 SCIC                             |
| A05SR038 | Westinghouse Savannah River Co FY 2004 SCIC   |
| A05YT035 | BWXT Y-12 FY 2004 SCIC                        |

## **Office of Inspections and Special Inquiries**

### **PLANNED FY 2005 INSPECTIONS**

#### **National Security**

- Personnel security clearances
- Internal controls over sensitive property
- Controls over classified removable electronic media at one or more Department sites
- Export controls
- Departmental response to changing security conditions
- Design Basis Threat implementation performance measures
- Disposal of unneeded radioisotope equipment
- Security police officer training at one or more selected sites
- Security of hazardous chemicals
- Implementation of the Design Basis Threat at a selected site
- Controls over spent nuclear material at one or more Department sites
- Implementation of the Personnel Security Assurance Program at one or more selected sites
- Department intelligence activities, as required by Executive Order (quarterly reviews)

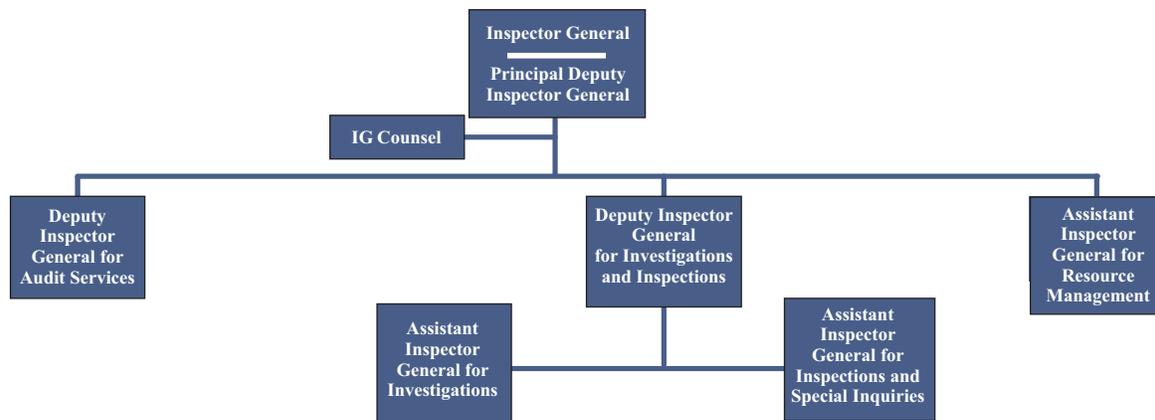
#### **Corporate Management**

- Utilization of Government purchase cards



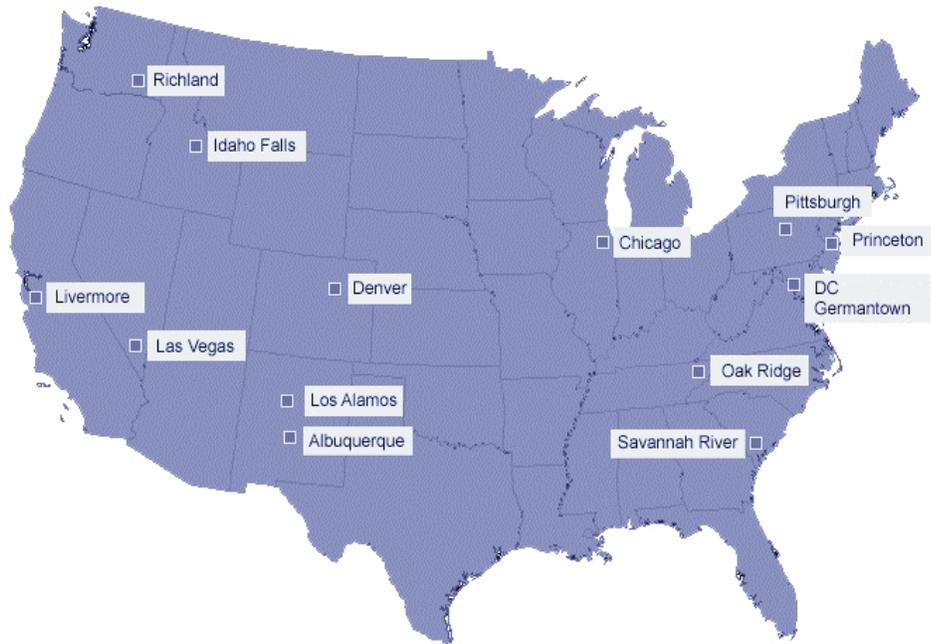
## OIG ORGANIZATION

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





## LOCATION OF OIG FIELD OFFICES





### **OIG Responsibilities and Authorities**

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

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

The OIG also performs a number of functions mandated by other statutes, Executive orders, and regulations not included in the IG Act.

### **Other Mandates**

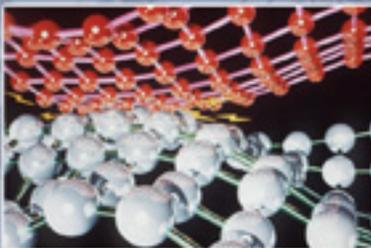
- Government Management Reform Act
- Government Information Security Reform Act
- Federal Information Security Management Act
- Government Performance and Results Act
- Executive Order 12863, President's Foreign Intelligence Advisory Board
- Executive Order 12333, United States Intelligence Activities
- National Defense Authorization Act for Fiscal Year 2000



## Validation and Verification

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

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



U.S. DEPARTMENT OF ENERGY  
OFFICE OF INSPECTOR GENERAL