The background of the top half of the page features a large, light blue, semi-transparent seal of the U.S. Department of Energy. The seal is circular and contains an eagle with its wings spread, perched atop a shield. The shield is divided into four quadrants, each containing a different energy-related symbol: a lightning bolt, a nuclear reactor, a wind turbine, and a hydroelectric dam. The words "DEPARTMENT OF ENERGY" are written in a circular path around the top of the seal, and "AMERICA" is written along the bottom. The entire seal is set against a background of a fine grid of light blue squares.

Inspector General Semiannual Report to Congress

October 1, 2010 — March 31, 2011

U.S. Department of Energy
Office of Inspector General



Department of Energy
Washington, DC 20585

April 27, 2011

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

Dear Secretary Chu:

I am pleased to submit the Office of Inspector General's (OIG) *Semiannual Report to Congress*. This report summarizes significant OIG activities and accomplishments during the six month period ending March 31, 2011. This report reflects our continuing commitment to focus OIG efforts on the issues and concerns most critical to you, the Administration, the Congress, and the taxpayer.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Friedman", is written over the typed name.

Gregory H. Friedman
Inspector General

Enclosure



This page intentionally left blank.



Table of Contents

Message from the Inspector General	2
Key Accomplishments	3
Implementation of the American Recovery and Reinvestment Act of 2009	4
Other Significant Audits, Inspections, and Reviews	13
Investigative Outcomes	21
Positive Outcomes	29
Highlights Based on Office of Inspector General Work	29
Congressional Responses	31
Legislative and Regulatory Reviews	31
Hotline System	31
Qui Tams	31
Management Referral System	31
Appendix 1 – Reports	33
Recovery Act and Recovery Act-Related Reports Issued	33
Other Audit Reports Issued	35
Inspection Reports Issued	37
Appendix 2 - Tables	38
Audit Reports with Recommendations for Better Use of Funds	38
Audit and Inspection Reports with Questioned Costs	39
Reports Lacking Management Decision	40
Prior Significant Recommendations Not Implemented	40
Summary of Investigative Activities	41
Summary of Investigative Activities – Hotline Activity	42
Summary of Recovery Act Section 1553 Retaliation Complaints	42
Peer Reviews	43

Message from the Inspector General



The Department of Energy's Office of Inspector General is pleased to submit its Semiannual Report to Congress for the period ending March 31, 2011. This report highlights key accomplishments of the Office of Inspector General particularly pertaining to our efforts to work with management to ensure the efficiency and effectiveness of Department of Energy (Department) operations.

During this reporting period, a significant portion of our oversight efforts centered on the Department's continuing efforts to meet the mandates of the *American Recovery and Reinvestment Act of 2009* (Recovery Act). Under the Recovery Act, the Department received over \$35 billion for various science, energy and environmental programs and initiatives. In recognition of the need for effective oversight to protect taxpayer interests, the Recovery Act mandated an aggressive oversight role for the Inspector General community, specifically including this office. In this regard, we established proactive efforts to evaluate internal control structures of Recovery Act programs; worked to ensure that such programs were periodically reviewed to determine if they were meeting established objectives; developed strategies for preventing and detecting possible unlawful acts associated with Recovery Act funds; and we implemented special programs called for in the Recovery Act to protect whistleblowers who feel they have been retaliated against for disclosures of alleged fraud, waste, or abuse. For the 6 month period ending March 2011, the Office of Inspector General issued 13 reports associated with the Department's Recovery Act responsibilities. These reviews are summarized in the body of this document.

Although our primary focus has been Recovery Act-related work, the Office of Inspector General continues its efforts in other vital Department sectors, including environmental remediation, stockpile stewardship, worker and community safety, cyber security and various aspects of contract and program management.

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



A handwritten signature in cursive script that reads "Greg Friedman".

Gregory H. Friedman
Inspector General



Key Accomplishments

For the Period of October 1, 2010 – March 31, 2011

Total Reports Issued:	
<i>Recovery Act Reports</i>	13
<i>Audit Reports</i>	24
<i>Inspection Reports (includes non-public reports)</i>	3
Funds Put to Better Use	\$ 15.8 million
Questioned Costs	\$ 21.8 million
Dollars Recovered (Fines, Settlements, and Recoveries)	\$ 54.8 million
Criminal Convictions	14
Suspensions and Debarments	45
Potential Recoveries from 15 Open <i>Qui Tam</i> Investigations	\$226.8 million
Civil and Administrative Actions	63
Hotline Complaints and Inquiries <i>Received</i>	2,749
Recovery Act Whistleblower Complaints and Inquiries Received	9



Implementation of the American Recovery and Reinvestment Act of 2009

Reports

The Department's Loan Guarantee Program for Clean Energy Technologies

The goal of the Department's Loan Guarantee Program (Program), as defined in the Energy Policy Act of 2005, is to provide Federal support, in the form of loan guarantees, to spur commercial investments in clean energy projects that use innovative technologies. The Recovery Act amended the Energy Policy Act of 2005 and temporarily expanded the Program by providing loan guarantees for renewable energy systems, electric transmission systems and leading edge biofuels projects. As of December 2010, the Department's Program for Clean Energy Technologies had issued over \$3.9 billion in loan guarantees to 8 recipients and had conditional commitments for an additional \$12 billion in loan guarantees.

We found that the Program could not always readily demonstrate, through systematically organized records, including contemporaneous notes, how it resolved or mitigated relevant risks prior to granting loan guarantees.

Program officials acknowledged the need to develop and implement a sound records management system to enhance the transparency of the decision-making process and to update loan related policies and procedures. We considered management's planned actions with regard to our recommendations to be generally responsive. (DOE/IG-0849)

Selected Aspects of the Commonwealth of Pennsylvania's Efforts to Implement the Recovery Act Weatherization Assistance Program

As part of the Recovery Act, the Weatherization Assistance Program was implemented to reduce energy consumption for low-income households through energy efficient upgrades. The Department awarded a 3-year Weatherization Assistance Program grant of \$252 million to the Commonwealth of Pennsylvania (Pennsylvania). Pennsylvania's Department of Community and Economic Development (DCED) administers the Recovery Act grant through 43 local agencies. These agencies are responsible for determining applicant eligibility, assessing and weatherizing homes, and conducting inspections. Pennsylvania plans to use its funding to weatherize about 34,000 units over the life of the grant, and to prioritize weatherization services for low income, high energy users.

Our audit identified several opportunities to increase the likelihood that Pennsylvania's Weatherization Assistance Program will satisfy its objectives and fully comply with Federal requirements. Specifically, we found that Pennsylvania had not always:

- Ensured that high energy users were given priority over lower energy users as called for in its Recovery Act State Plan approved by the Department on August 25, 2009; and,
- Limited advances to its local agencies to amounts needed for immediate cash needs or ensured that advances were deposited in interest bearing accounts. In fact, the 43 local agencies involved in Pennsylvania's program had not expended \$15.8 million of the \$42.7 million in advances that they received from DCED for periods ranging from 3 to 6 months. Local agencies, in some cases, also had not deposited advances in interest bearing accounts.

The Department's Office of Energy Efficiency and Renewable Energy (EERE) provided a response to our report that expressed agreement with our recommendations and provided planned and ongoing actions to address the issues identified. (OAS-RA-11-02)

The Department's Geothermal Technologies Program under the Recovery Act

Under the Recovery Act, the Department's Geothermal Technologies Program received \$400 million to promote the exploration and development of new geothermal fields and innovative research into advanced geothermal technologies. Recovery Act funding supports geothermal projects undertaken by private industry, academic institutions, tribal entities, local governments, and the Department's National Laboratories. The projects, covering activities in 39 states, represent a significant expansion of the U.S. geothermal industry and are intended to create or save thousands of jobs in drilling, exploration, construction, and operation of geothermal power facilities and manufacturing of ground source heat pump equipment.

Our review found that, in general, the Department followed established procedures for the solicitation, merit review, selection and award of geothermal projects. However, we identified weaknesses in project administration that need to be addressed to ensure that the Government's interests are protected, that financial assistance recipients fully comply with Federal requirements, and the goals of the Recovery Act are met. We also questioned \$110,000 in award payments that need to be resolved by the Department's contracting officer.

The Department concurred with the findings and recommendations contained in our audit report. Management stated that it had either completed or had ongoing actions to address the issues we identified. (OAS-RA-11-05)

Public reports are available in full text on our website at www.ig.energy.gov

The State of Illinois Weatherization Assistance Program

The Department awarded the State of Illinois a 3-year Weatherization Assistance Program grant of \$242 million to weatherize about 27,000 homes. The State of Illinois is expected to provide its largest local agency, the Community Economic Development Association of Cook County, Inc. (CEDA), approximately \$91 million over 3 years to weatherize an estimated 12,500 homes, or almost half of all the homes expected to be completed by the Illinois Program.

Our testing revealed that the State of Illinois and CEDA's Weatherization Program experienced substandard performance in the areas of workmanship, initial home assessments, and contractors billing for labor costs not incurred and materials not installed. CEDA also had not always ensured that contractors' material costs were reasonable, a practice that could ultimately reduce the number of homes of low income families that can be weatherized with available Recovery Act monies. These program execution issues resulted from a combination of problems including internal control weaknesses, inadequate final inspections, ineffective follow-up on inspection issues, and insufficient training.

To address the significant deficiencies we observed during our audit, we made recommendations to the Assistant Secretary for EERE to take action to ensure that the State of Illinois and CEDA address program weaknesses. (OAS-RA-11-01)

Management of the Plutonium Finishing Plant Closure Project

The Department's Richland Operations Office (Richland) awarded a contract to CH2M HILL Plateau Remediation Company (CHPRC) to remediate the Hanford Site's Central Plateau. Part of the contract's scope includes completion of the Plutonium Finishing Plant (PFP) Closure Project – a major decontamination and demolition project of an industrial complex consisting of more than 60 buildings. In April 2009, Richland provided \$330 million of the \$1.6 billion it received under the Recovery Act to CHPRC to apply towards the PFP Closure Project for FYs 2009-2011.

While the Department met several of the Office of Environmental Management's Recovery Act goals, such as creating jobs and accurately tracking and reporting costs, we identified several risks to maintaining the PFP Closure Project on schedule and within budget. Specifically, we found that:

- CHPRC is significantly behind schedule in decontaminating glove boxes, a key activity on the critical path to completing the project on time. As of August 31, 2010, or nearly 2 years into its contract, CHPRC had decontaminated 88 of the 174 glove boxes (51 percent), with only about 12 months left to decontaminate, remove, and ship the remaining 86 glove boxes from PFP;
- The PFP Closure Project was more than \$11 million behind schedule in completing the scope of its Recovery Act work as of September 30, 2010; and,

- Subsequent to receiving Recovery Act funds, CHPRC established a baseline for the PFP Closure Project for a total project cost of approximately \$718 million, an increase of about \$189 million or 36 percent over the adjusted contract cost.

To help ensure the project stays on track, we suggested that the Department expeditiously develop and implement alternative plans, as necessary, to mitigate the effects of any schedule delays at the PFP Closure Project. (OAS-RA-L-11-01)

The Department of Energy's Weatherization Assistance Program under the Recovery Act for the City of Phoenix – Agreed Upon Procedures

The State of Arizona received \$57 million in Weatherization Assistance Program Recovery Act grant funding, of which \$7.2 million was allocated to the City of Phoenix. The Arizona Department of Commerce was responsible for administering Weatherization grants, including sub-grants provided to the City of Phoenix.

The review identified opportunities for the City of Phoenix to improve its administration of Recovery Act funds made available by the Department's Weatherization Assistance Program. In particular, the City of Phoenix had not always ensured that costs charged for the weatherization of homes were reasonable. Specifically, the City of Phoenix had not:

- Procured contractor weatherization services through a competitive process as required by Federal regulations, nor had it performed cost analyses in the selection of contractors to ensure price competitiveness;
- Obtained or reviewed supporting documentation for contractors' invoices totaling \$275,375 for 30 homes/units to ensure that materials and labor costs incurred on projects were associated with allowable weatherization services and materials; and,
- Ensured that employees charging payroll costs to the Weatherization Program Recovery Act grants were actually providing such services to the Program. In fact, the City of Phoenix charged payroll costs to the Program totaling \$73,082 for 3 full time employees even though payroll information to support such costs did not exist.

As a result of weaknesses in the City of Phoenix's administration of Weatherization Assistance Program, we questioned \$348,457 in costs incurred. The report made several recommendations to improve the administration of the Weatherization Assistance Program grant and also recommended that the Contracting Officer resolve identified questioned costs.

Public reports are available in full text on our website at www.ig.energy.gov

EERE management agreed to address the issues in this report as part of its ongoing monitoring of the State of Arizona's Weatherization Assistance Program and to promptly resolve all questioned costs identified. To its credit, the Arizona Department of Commerce stated that it had engaged the City of Phoenix in resolving questioned costs. For its part, the City of Phoenix reported that it had implemented a new Recovery Act Weatherization program that used a competitive low bid process to ensure cost reasonableness and full and open competition. The City of Phoenix said that it was engaged in finding an alternative method to more accurately support its personnel costs charged to Recovery Act funding. (OAS-RA-11-03)

The Department of Energy's Weatherization Assistance Program under the Recovery Act for the Capital Area Community Action Agency – Agreed Upon Procedures

The State of Florida received \$176 million in Weatherization Assistance Recovery Act grant funding, of which \$7.5 million was allocated to the Capital Area Community Action Agency. The Florida Department of Community Affairs was responsible for administering Weatherization grants, including sub-grants provided to the Capital Area.

The review identified opportunities for the State and Capital Area Community Action Agency to improve their administration of Recovery Act funds. In particular, the review found that the State's guidelines for verifying that homes had not been weatherized after September 30, 1994, were not consistent with Department regulations. Consequently, there was a risk that homes would be improperly re-weatherized.

The State of Florida and the Capital Area Community Action Agency provided responses that expressed agreement with our report's recommendations and provided planned and ongoing actions to address the issues identified. EERE management agreed to address the issues in this report as part of their ongoing monitoring of the State of Florida's Weatherization Assistance. (OAS-RA-11-04)

Environmental Cleanup Projects Funded by the Recovery Act at the Y-12 National Security Complex

The Department's Oak Ridge National Laboratory's (Oak Ridge) Office of Environmental Management received \$216 million of Recovery Act funds to perform environmental cleanup activities at the National Nuclear Security Administration's (NNSA) Y-12 National Security Complex (Y-12). These funds were allocated to seven projects addressing material disposition, deactivation and demolition, and remediation.

Our audit did not reveal significant project management problems with efforts at Y-12 which had been funded under the Recovery Act. For the specific projects reviewed, we noted that the projects were ahead of schedule and under budget. In addition, Y-12 was in compliance with Recovery Act requirements for segregation of funds and reporting guidelines. However, we did identify instances where required terms were not incorporated into subcontracts funded by the Recovery Act. For example:

- A clause mandating compliance with several Recovery Act requirements lacked certain important operating provisions and/or had not always been properly flowed down to project subcontracts; and,
- A control designed to prevent the employment of illegal aliens by requiring that employers verify employment eligibility with the Department of Homeland Security had been omitted from all Recovery Act subcontracts.

These clauses were designed to ensure that the Department enforced important Recovery Act requirements and other contract requirements. Perhaps most importantly, their use would have further reduced the risk of illegal aliens gaining access to Y-12. After we notified them of the issues, Y-12 officials reported that they had taken actions to mitigate these concerns. The mitigating actions initiated by Y-12 should, if successfully implemented, resolve the concerns discussed in this report. However, we suggest that the Y-12 Site Office provide continued oversight and monitoring of these issues. **(OAS-RA-L-11-02)**

The Department's Infrastructure Modernization Projects under the Recovery Act

The Recovery Act provided just over \$35 billion for the Department, including \$198 million to be used by the Office of Science (Science) for infrastructure modernization initiatives. Science officials stated that modernization was needed to many Department laboratories, offices, and other facilities due to their age.

Our review of nine projects at Oak Ridge and the Lawrence Berkeley National Laboratory (Berkeley) found that both sites generally employed required project management practices and the projects were meeting their cost and schedule baseline estimates. The projects also generally complied with various Recovery Act requirements and properly reported the jobs created. However, we did note that 1 Berkeley project planned to use \$2.6 million in Recovery Act funds to purchase a switching station for which there was no current demand and which would not be placed into service for some time.

To help derive the greatest benefit from Recovery Act expenditures for infrastructure modernization, we suggested that the Berkeley Site Office thoroughly review all project plans to ensure that Berkeley is using Recovery Act funds to upgrade equipment, laboratory space, and office space that offers the maximum benefit to the Department. **(OAS-RA-L-11-04)**

Public reports are available in full text on our website at www.ig.energy.gov

Recovery Act Funded Projects at the SLAC National Accelerator Laboratory

The Department's Office of Science received approximately \$1.6 billion through the Recovery Act which it used to invest in science projects, including approximately \$97 million for major construction, laboratory infrastructure, and research efforts at the SLAC National Accelerator Laboratory (SLAC) located in Menlo Park, California. These funds were allocated to eight projects to improve mission readiness and science capability.

Our review of 3 SLAC Recovery Act funded projects, accounting for over \$47 million, did not reveal problems with schedule or budget. In addition, for the specific SLAC projects we tested, we did not identify material issues with compliance of Recovery Act requirements, including the segregation of funds. We noted, however, that in some instances SLAC did not always comply with its internal requirements designed to ensure that subcontractor invoices and purchase requisitions for Recovery Act related work were adequately reviewed and properly classified.

After discussing our findings with SLAC management, SLAC initiated actions intended to mitigate these concerns. These mitigating actions, if successfully implemented, should address the concerns discussed in the report. However, we suggested that the SLAC Site Office provide continued oversight and monitoring of the issues identified in this report. (OAS-RA-L-11-05)

The Department's Recovery Act – Massachusetts State Energy Program

The Department's State Energy Program (SEP) provides grants to states, territories, and the District of Columbia (states) to support their energy priorities. The SEP allows the states to implement energy efficiency and renewable energy projects that meet their unique energy needs and emphasizes the state's role as the administrator for the program. The Commonwealth of Massachusetts' Department of Energy Resources (Massachusetts) was allocated \$54.9 million in SEP funds under the Recovery Act.

Our audit found that Massachusetts had, for the most part, implemented processes and controls necessary to manage its SEP Recovery Act funding. We found, however, that Massachusetts, although it had draft plans, had not finalized its Recovery Act sub-recipient oversight plans and procedures. We also noted that Massachusetts' obligations, as defined and subsequently clarified by the Department, were overstated.

Management concurred with our recommendations and stated that it will continue to closely oversee the work carried out under Massachusetts' SEP, including regular on-site visits, frequent communication and reviews of all reports. (OAS-RA-11-06)

Management of the Tank Farm Recovery Act Infrastructure Upgrades Project

As part of the Recovery Act the Department awarded Washington River Protection Solutions (WRPS) approximately \$324 million to accelerate completion of infrastructure upgrades for the Hanford Site's tank farms during the fiscal year 2009-2011 timeframe. These funds were applied to the existing contract with WRPS to manage the operations and construction activities necessary to store, retrieve, treat and dispose of the 53 million gallons of Hanford tank waste.

Our review found that the Department selected projects for Recovery Act funding that supported the goal of upgrading the tank farm infrastructure and waste feed delivery systems. In addition, the Department was on schedule to complete the Recovery Act upgrades by September 30, 2011, as planned, and at less than the estimated cost. Furthermore, as a result, additional projects have been added through contract modification to utilize the remaining Recovery Act funds.

Although the Recovery Act funded work was being delivered on schedule and under budget, we were unable to verify that the use of these funds actually accelerated overall project completion. Because the level of detail necessary to trace project costs as needed for the Recovery Act was not foreseen when the original contract was awarded and cannot be objectively recreated at this time, we did not make any specific suggestions or recommendations to address this matter. **(OAS-RA-L-11-03)**

Management Alert Issued to Department on Recovery Act Appliance Rebate Fraud Investigation

The OIG released a Management Alert regarding a potential weakness in the Department's Energy Efficient Appliance Rebate Program (Rebate Program). The Alert served to notify the Department that the Rebate Program in the State of Georgia contains weaknesses that prevent officials from identifying ineligible appliance rebates and verifying that recipients replaced older inefficient appliances with ENERGY STAR® qualified appliances. **(INV-RA-11-01)**

Whistleblower Retaliation

Section 1553 of the Recovery Act extends whistleblower protection to employees who reasonably believe they are being retaliated against for reporting misuse of Recovery Act funds received by their non-Federal employers. Specifically, an employee of any non-Federal employer, such as a private company or a state or local agency, who reports waste, fraud or abuse connected to the use of Recovery Act funds may not be discharged, demoted or otherwise discriminated against because of his or her disclosure. Unless the Inspector General determines that the complaint is frivolous, does not relate to covered funds, or another Federal or State judicial or administrative proceeding has previously been invoked to resolve such complaint, the Inspector General shall investigate the complaint and issue a report of findings within 180 days.

During this reporting period, the Office of Inspector General (OIG) received nine Recovery Act Whistleblower Retaliation complaints. The OIG carried over eight complaints from prior reporting periods. During the reporting period, the OIG issued one report of findings. The OIG dismissed two complaints, one when a complainant either elected to file his or her complaint in another forum, and one when a complainant was withdrawn or withdrew his or her complaint. The OIG dismissed five complaints after determining they were not related to covered funds. Section 1553 also requires the OIG to note in its Semiannual Report, the number of Recovery Act whistleblower investigations that have received extensions during the reporting period. Six complaints received extensions during this reporting period.



Other Significant Audits, Inspections, and Reviews

Management Challenges

The OIG identifies annually what it considers to be the most significant management challenges facing the Department. This effort highlights those programs and operations that are, in our judgment, the most difficult to manage as well as those with the most significant demonstrated performance problems. With these considerations in mind and given the persistent nature of the previously identified management challenges, the OIG's management challenge list for Fiscal Year (FY) 2011 includes the following:

- Contract and Financial Assistance Award Management
- Cyber Security
- Energy Supply
- Environmental Cleanup
- Human Capital Management
- Safeguards and Security
- Stockpile Stewardship

In addition, we have designated a "watch list", consisting of issues that do not currently meet our threshold of being classified as management challenges, but warrant continued attention by Department officials. For FY 2011, the watch list includes: Infrastructure Modernization, Nuclear Waste Disposal, and Worker and Community Safety. (DOE/IG-0844)

The Department of Energy's K Basins Sludge Treatment Project at the Hanford Site

The Department's Richland office is required to retrieve, treat and package for disposal an estimated 28.5 cubic meters of radioactive sludge from the Hanford Site K Basin. The Department's former prime contractor for the K Basins Sludge Treatment Project, Fluor Hanford, Inc. (Fluor), subcontracted with British Nuclear Group America (BNGA), to design and fabricate a modular system known as the Contractor's Stabilization and Packaging System (CSAPS). This system was intended to retrieve, oxidize, and package the sludge to meet the Department's Waste Isolation Pilot Plant waste acceptance criteria for disposal.

Our review disclosed that the sludge treatment phase of the Spent Nuclear Fuel project had not been effectively managed. Specifically, the Department did not require Fluor and its subcontractor to implement key project management principles, the lack of which ultimately lead to abandonment of the planned approach after 3 years of effort and the expenditure of about \$43 million for the CSAPS. We also found that Fluor did not follow Federal Acquisition Regulations when it paid a \$1 million fee to BNGA that was not tied to any performance objectives but appeared to be for contract closeout. The unsuccessful attempt to dispose of the K Basin sludge was due to inadequate management oversight of the project. Because of its focus on meeting schedule, Richland did not ensure that contractors followed requirements and best

Public reports are available in full text on our website at www.ig.energy.gov

business practices that would have mitigated project risk and helped ensure that substantial cost and time were not wasted in constructing an unacceptable nuclear facility. We made several recommendations designed to improve current and future management of Environmental Management projects. Management generally concurred with our recommendations. (DOE/IG-0848)

Federal Energy Regulatory Commission's Monitoring of Power Grid Cyber Security

Congress passed the Energy Policy Act of 2005, giving the Federal Energy Regulatory Commission (Commission) jurisdiction to conduct oversight of the bulk power system, commonly referred to as the bulk electric system or power grid, including the approval of mandatory cyber security reliability standards. The North American Electric Reliability Corporation (NERC) developed Critical Infrastructure Protection (CIP) cyber security reliability standards which were approved by the Commission in January 2008. Security over the Nation's power grid remains a critical area of concern. Recent testimony before Congress disclosed various issues, including the existence of significant vulnerabilities in the power grid's infrastructure, and many utilities that were not in compliance with the standards.

Although the Commission had taken steps to ensure CIP cyber security standards were developed and approved, our testing revealed that such standards did not always include controls commonly recommended for protecting critical information systems. In addition, the CIP standards implementation approach and schedule approved by the Commission was not adequate to ensure that systems-related risks to the Nation's power grid were mitigated or addressed in a timely

manner. We found that these problems existed, in part, because the Commission had only limited authority to ensure adequate cyber security over the bulk electric system. However, even in situations where authority did exist, the Commission had not always acted to ensure that cyber security standards were adequate.

Without improvements, the Commission may not be able to provide adequate oversight to ensure that cyber security vulnerabilities within the power grid are identified and mitigated. As such, we made several recommendations that, if fully implemented, should help improve the overall effectiveness of the Commission's ability to monitor security over the Nation's power grid. Management concurred with three of the recommendations and concurred with the intent of the remaining two recommendations. (DOE/IG-0846)

Improvements Needed in the Department's Emergency Preparedness and Continuity of Operations Planning

The Department's diverse mission is directly related to helping resolve many of the energy, environmental and nuclear security challenges that face the Nation. As a consequence, the Department's operations involve dangerous substances, such as nuclear and hazardous materials. In this context, the Department must ensure that it can quickly and effectively respond to emergencies at its facilities and is prepared to maintain or resume mission-related work following an emergency. A previously issued OIG report on *The Department's Continuity Planning and Emergency Preparedness* (DOE/IG-0657) found that the Department had not implemented effective emergency preparedness and continuity of operations (COOP) programs.

We found that, despite various corrective actions, the Department had not fully resolved problems in emergency preparedness planning. For instance, at the four sites included in our review, we found that sites had not completed all required emergency planning, did not always share lessons learned and track performance metrics to augment corrective action processes, and that three of four sites were not always adequately resolving emergency management issues. We also observed that although the Department issued its updated, overarching COOP plan subsequent to our review, 55 percent of Department elements had not submitted their individual, updated plans. Furthermore, with regard to the submitted plans, many had not included full consideration of all planning requirements.

We made several recommendations intended to promote effective and comprehensive emergency management and COOP programs throughout the Department. The Department and NNSA generally agreed with our recommendations and stated that they had already taken action or would take action to address our recommendations. (DOE/IG-0845)

The Department's Implementation of the "Energy Annex, Emergency Support Function 12" to the National Response Framework

As required by the National Response Framework, the Department, in coordination with the Department of Homeland Security, plays an active role in responding to national-level disasters and emergencies. The Department is responsible for serving as the focal point to assist Federal, state and local governments, and private industry with

the disruption, preparation and mitigation of damaged energy systems and components.

We determined that the Department had completed a number of actions designed to prepare it to implement an effective response to incidents and disasters. Specifically, Departmental personnel had participated in major coordination efforts, made readiness assessments in response to Hurricane efforts, implemented short and long-term incident management and recovery efforts, and maintained financial accountability. We did, however, identify an opportunity to improve preparedness by ensuring that responders receive required training prior to participating in exercises or actual emergency situations. Specifically, we determined that a number of coordinators and volunteers may not have received required training prior to deployments.

We made no formal recommendations to management since corrective actions were initiated to resolve the training issues we identified. (DOE/IG-0847)

Management of Controlled Substances at Lawrence Livermore National Laboratory

As part of its national defense mission, the Department's Lawrence Livermore National Laboratory (Livermore) actively engages in scientific, engineering, and environmental research activities. Livermore maintains 42 controlled substances, including drugs such as black tar heroin, cocaine, phencyclidine and steroids under three business activities registered to possess controlled substances: Researcher for bio-medical research; Health Clinic for medical treatment of

Public reports are available in full text on our website at www.ig.energy.gov

Livermore personnel; and, Analytical Lab for forensic science work.

During our inspection, we found that, with the exception of the Health Clinic, Livermore was not appropriately managing its controlled substances in accordance with Federal regulations and Department policy intended to prevent misuse or misappropriation. Livermore's inability to properly account for controlled substances in its possession occurred because officials did not devote adequate attention to developing and maintaining program accountability.

To help ensure that the safeguards being developed are adequate, we made several recommendations designed to improve the accountability over controlled substances at Livermore. NNSA management concurred with the report recommendations and agreed that there is a need for a rigorous system of controls for managing the inventory of controlled substances.
(INS-O-11-01)

Inspection of Allegations Relating to Irregularities in the Human Reliability Program and Alcohol Abuse within the Office of Secure Transportation

The Office of Secure Transportation (OST) conducts transportation missions in support of national security, including the secure transportation of nuclear weapons, weapon components and special nuclear material. We received a series of allegations concerning violations of the Human Reliability Program (HRP) and alcohol abuse within the OST. Specifically, it was alleged that incidents involving violations of the HRP were not reported as required, and that the HRP was not administered

in a fair and consistent manner. It was also alleged that alcohol abuse was a problem within OST and that alcohol-related incidents involving current agents assigned to various locations and agent candidates at the OST training facility in Fort Chaffee, Arkansas, were some of the biggest problems facing OST.

During our inspection, we did not substantiate the allegations that violations of the HRP occurred that were not reported, as required, or that the HRP was administered in an unfair or inconsistent manner. However, we did substantiate specific alcohol-related incidents within OST involving current agents and agent candidates.

We made several suggestions to improve the administration of the HRP and to assist with opportunities for improving policies and procedures related to alcohol use by OST agents, agent candidates and other personnel.
(INS-L-11-01)

The Department's Energy Conservation Efforts

The Energy Independence and Security Act of 2007 (EISA) requires Federal agencies to apply energy efficiency measures to Federal buildings so that by FY 2015, each agency's energy intensity is reduced by 30 percent from the established baseline. If the Department achieves the 30 percent energy conservation requirement, its energy consumption would be reduced by nearly 7 trillion BTUs, resulting in a savings of nearly \$80 million annually. The Department's approach to meeting its EISA requirement has been to rely, to the maximum extent possible, on its individual sites obtaining third-party financing agreements, known as Energy Savings Performance Contracts (ESPCs), to fund energy conservation projects.

We found that the Department's current approach was not sufficient to permit it to achieve the EISA imposed energy conservation requirement. At the time of our review, Department sites had cumulatively planned only enough conservation measures projected to reduce the Department's energy intensity by only 22 percent by FY 2015. In addition, we found that not all of the Department's sites could successfully manage or pursue ESPCs to meet the energy conservation requirement. Specifically, we found that several sites had not pursued or implemented ESPCs because they were determined to be not economically viable. In the absence of ESPCs, Department sites had difficulty securing appropriated funds to support their energy conservation efforts.

In September 2010, the Department established a Strategic Sustainability Performance Plan (Sustainability Plan) as required by Executive Order 13514 on *Federal Leadership in Environmental, Energy, and Economic Performance*. The strategies described in the Sustainability Plan, if fully implemented, should advance the resolution of the issues identified in this and our previous reports, and help the Department meet the EISA mandate. (OAS-L-11-02)

Questioned, Unresolved and Potentially Unallowable Costs Incurred by Sandia Corporation during Fiscal Years 2007 and 2008

Since 1993, Sandia Corporation, a Lockheed Martin company, has operated Sandia National Laboratories (Sandia) under contract with the Department. Sandia is required by its contract to

account for all funds advanced by the Department, to safeguard assets in its care, and to claim only allowable costs. During FYs 2007 and 2008, Sandia claimed costs totaling \$3 billion.

We identified over \$10 million in questioned and unresolved costs claimed by Sandia during FYs 2007 and 2008. In addition, we noted the following other concerns which need to be addressed to ensure that only allowable costs are claimed by and reimbursed to Sandia:

- Sandia incurred \$3,405,908 in home office expenses in FYs 2007 and 2008 which we consider unresolved pending audit completion and resolution;
- We noted that \$1,995,544 of costs incurred by Sandia as long as 10 years ago and previously questioned by the OIG had not been resolved. In addition, home office expenses incurred during FYs 2000 through 2006 totaling \$9,601,236 were pending audit;
- Sandia's procurement function did not effectively review invoices or monitor contract performance periods to identify weaknesses that resulted in questioned costs for 13 subcontractors; and,
- NNSA's Field Chief Financial Officer (CFO) has not signed the FY 2008 Statement of Costs Incurred and Claimed (SCIC), as required by the Department's Accounting Handbook. On January 14, 2010, the Office of Field Financial Management issued a memorandum to the Contracting Officer which stated that the FY 2008 SCIC was not approved by the Field CFO due to Sandia's potential noncompliance with Cost Accounting Standards.

Public reports are available in full text on our website at www.ig.energy.gov

Management generally agreed with the report and concurred with the recommendations. Management's response included planned corrective actions to be taken in response to our recommendations along with milestones for completion. (OAS-L-11-01)

Audit of National Security Technologies, LLC Internal Audit Function

National Security Technologies, LLC (NSTec), has managed and operated the Nevada National Security Site since July 1, 2006, for NNSA's Nevada Site Office. The contract requires NSTec to establish and maintain an independent internal audit function and to develop an Internal Audit Implementation Design that describes the audit organization, lines of reporting, oversight responsibilities, and auditing standards to be followed. To help ensure that only allowable costs are claimed by management and operating contractors, the OIG, the Department's Office of Procurement and Assistance Management, and contractors implemented a Cooperative Audit Strategy. This strategy relies on the contractors' internal audit function to provide audit coverage of the allowability of incurred costs claimed by contractors.

Although we found that NSTec Internal Audit generally met Institute of Internal Auditors Standards for the seven audits we reviewed, we identified a number of exceptions in one audit that resulted in that audit not meeting quality and professional standards.

The audit quality exceptions that we identified were isolated and NSTec has acted to improve both the quality and independence of its internal audit organization. To ensure these actions are completely implemented, we made several

suggestions to address the issues identified in our report. Management concurred with our recommendations and indicated that it had initiated or already completed actions to address weaknesses identified during our review. (OAS-L-11-03)

Solar Technology Pathway Partnerships Cooperative Agreements

EERE established the Solar Technology Pathway Partnerships (Solar TPP) program as part of an effort to make solar energy cost-competitive with conventional forms of electricity by 2015. To implement the program, the Department, beginning in 2007, established cooperative agreements with 12 for-profit financial assistance recipients who in turn established partnerships with universities, non-profit organizations, and the Department's national laboratories. As of June 2010, the Department had reimbursed about \$120 million in costs incurred by the 11 recipients who had begun work, just over 80 percent of total program awards of \$147 million.

We noted that the Department had developed and implemented controls designed to ensure that Solar TPP projects were awarded in compliance with applicable regulations and were making adequate technical progress. Our testing, however, revealed that the Department's financial monitoring of the \$120 million expended for these projects was not always adequate.

The Department concurred with the findings and recommendations contained in our audit report. Management stated that it had either completed or had ongoing actions to address the issues we identified. (OAS-M-11-02)

The Department's Unclassified Cyber Security Program – 2010

As required by the Federal Information Security Management Act of 2002 (FISMA), the OIG conducts an annual independent evaluation to determine whether the Department's unclassified cyber security program adequately protects its information systems and data.

Our evaluation disclosed that the Department had taken steps to enhance its unclassified cyber security program, including resolving weaknesses identified during our FY 2009 evaluation. In addition, the Department had initiated implementation of an automated tool to aid in security and performance reporting. The Department also continued to maintain its defense-in-depth strategy to protect its networks against intruders and other external threats. While these were positive accomplishments, our review revealed weaknesses in the areas of access controls, configuration and vulnerability management, web application integrity, and security planning and testing.

In light of the growing number of cyber security threats and the noted vulnerabilities, we made several recommendations designed to help the Department strengthen its unclassified cyber security program. Management concurred with our recommendations and indicated that corrective action would be taken. **(DOE/IG-0843)**

The Federal Energy Regulatory Commission's Unclassified Cyber Security Program – 2010

As required by FISMA, we conducted an annual independent evaluation to determine whether the

Commission's unclassified cyber security program adequately protects its information systems and data.

Our evaluation revealed that the Commission had taken actions to significantly improve its cyber security posture and mitigate risks associated with the weaknesses identified during our FY 2009 evaluation. However, we identified that security patches needed to resolve known vulnerabilities discovered during regularly scheduled scans were not applied to all workstations in a timely manner. In addition, even though officials had established an automated mechanism for tracking all known vulnerabilities, only 10 percent of the identified "high risk" vulnerabilities were actually being tracked.

We made a recommendation that, if fully implemented, should help the Commission further improve its cyber security posture. Management concurred with the report's recommendation and disclosed that it had initiated actions to address issues identified in our report. **(OAS-M-11-01)**

Critical Asset Vulnerability and Risk Assessments at the Power Marketing Administrations – Follow-Up Audit

The Department's largest Power Marketing Administrations (PMAs), Bonneville, Western Area, and Southwestern, provide wholesale electric power to utilities for use in millions of homes, hospitals, financial institutions, and military installations. To protect these assets, the PMAs follow safety and security requirements. Department policy, augmented by requirements established by the North American Electric Reliability Corporation and the Department of

Public reports are available in full text on our website at www.ig.energy.gov

Homeland Security, require the PMAs to conduct vulnerability and risk assessments of their most critical assets.

At the time of our audit, many PMA efforts essential to identifying current risks or threats and mitigating those risks remained incomplete. While a number of activities relevant to critical infrastructure protection had been initiated, the PMAs had not completed and updated, when appropriate, all required vulnerability and risk assessments and had not conducted required tests to ensure that security measures for physical assets were operating as designed. Further, Bonneville and Western had not implemented security enhancements recommended in completed risk assessments.

To help reduce the risk of damage to critical power-related assets, we recommended that the PMAs: (1) re-evaluate resource allocation priorities with a view toward completing required assessments and implementing needed protective measures; (2) establish and implement policies and resource-loaded schedules to ensure that critical asset vulnerability and risk assessments are conducted and updated timely and that the status, decisions and justifications regarding implementation of recommended security enhancements are documented; and, (3) implement security system performance-based testing consistent with Department policies. The PMAs generally agreed with the recommendations and provided planned actions. **(DOE/IG-0842)**



Investigative Outcomes

Settlement Agreement Reached in the Sale of Defective Body Armor

As previously reported, a joint investigation was conducted into allegations that a body armor manufacturer knowingly participated in manufacturing and sale of defective body armor containing Zylon. The body armor company sold this defective body armor to the Department as well as to other Federal, state, local, and tribal law enforcement agencies. Eight separate companies that provided component parts of the armor, or the armor itself, previously agreed to pay a total of \$59 million to resolve allegations that they violated the False Claims Act. During this reporting period, a ninth company agreed to pay \$1.5 million in settlement of claims by the U.S. Government. This remains an ongoing investigation with the Department of Justice Civil Division and several other Federal law enforcement agencies.

Information Technology Manufacturer Pays Large Settlement in Defective Pricing and False Claims Investigation

As previously reported, an investigation determined that information technology manufacturers and a distributor engaged in defective pricing that violated the terms of their General Services Administration (GSA) Schedule

Contracts. The manufacturers and the distributor failed to provide truthful and accurate pricing information, failed to pass on price reductions and failed to offer discounts when required by their GSA Schedule Contracts. Additionally, the investigation determined several of the information technology manufactures violated the Anti-Kickback Act. During this reporting period, 1 manufacturer paid \$46 million to settle these allegations. This is an ongoing joint investigation with the Department of Justice Civil Division, U.S. Attorney's Office for the Eastern District of Arkansas, Defense Criminal Investigative Service (DCIS), GSA OIG, Treasury Inspector General for Tax Administration, and the U.S. Postal Service OIG.

Former Department Grantee Debarred

As previously reported, a joint OIG investigation determined that a Department grantee failed to ensure compliance with financial and program management standards pursuant to various cooperative agreements and grants it was awarded by multiple agencies, resulting in substantial overpayments to the grantee. During the course of the investigation, which identified accounting irregularities, the grantee disbanded the company and subsequently filed for Chapter 7 Bankruptcy. As a result of the investigation, Department procurement officials returned \$2.9 million to the U.S. Treasury – monies the company would have received had its 2006 cooperative agreement with the Department continued. During this reporting

Public reports are available in full text on our website at www.ig.energy.gov

period, the former Department grantee was debarred from doing business with the Federal Government for a period of 5 years. This investigation was conducted jointly with the Office of Inspectors General at the U.S. Environmental Protection Agency (EPA), U.S. Department of Agriculture, the U.S. Department of Interior, and the GSA.

Owner and Employee of Metal Recycling Business Plead Guilty to Financial Structuring Charges

The owner and an employee of a metal recycling business, with no affiliation to the Department, pled guilty in U.S. District Court, Eastern District of Washington, to seven counts of Structuring Financial Transactions to avoid reporting requirements and one count of Conspiracy to Commit Structuring. The investigation determined that the individuals knowingly purchased stolen recyclable metals, including metal from the Bonneville Power Administration (Bonneville), and improperly structured cash withdrawals to avoid filing currency transaction reports. As part of the plea, the individuals agreed to forfeit assets, including currency, financial instruments, real estate and vehicles exceeding \$1.5 million. This is an ongoing joint investigation with the Federal Bureau of Investigation (FBI), Internal Revenue Service (IRS), and State and local law enforcement.

Guilty Pleas and Sentencing in Purchase Card Fraud Investigation

As previously reported, a former contractor employee pled guilty in U.S. District Court for the Eastern District of Washington to 15 counts of Wire Fraud in connection with a purchase card fraud investigation. The investigation determined that the subject, a purchase card holder, made 219 fraudulent Government-funded purchase card transactions for personal items totaling over \$564,326. During this reporting period, the former contractor employee was sentenced to 20 months incarceration followed by 3 years probation, and was ordered to pay \$564,326 restitution and \$1,500 in fines and special assessments. The former contractor employee was also debarred from Government contracting for 3 years. Also during this reporting period, two former contractor employees, who assisted in the scheme, each pled guilty to five counts of Wire Fraud in U.S. District Court for the Eastern District of Washington. Each was sentenced to 4 months home confinement followed by 1 year probation, and both were ordered to pay a combined total of \$22,000 in restitution and fines. The investigation also determined that the two former employees solicited and received numerous items that were improperly purchased with a Government-funded purchase card. Further, an Investigative Report to Management (IRM) was issued to the Director of the Office of Procurement and Assistance Management recommending the suspension and debarment of the two former contractor employees.

Former Department Supply Contractor Sentenced in Purchase Card Fraud Investigation

A former Department supply contractor pled guilty in Federal District Court for the Eastern District of Washington to 2 counts of Wire Fraud and was sentenced to 366 days incarceration and 3 years probation, and was ordered to pay \$487,000 in restitution to the Department. The investigation determined that the former Department subcontractor employee utilized Government-funded purchase cards in a conspiracy with his spouse, the former Department supply contractor, to embezzle approximately \$487,000 from the Department. The purchase card was used to make unauthorized purchases from the spouse's company.

Monetary Recovery as a Result of Investigative Report to Management

A Department contractor agreed to repay \$438,790 as a result of improper billing for unallowable costs. An IRM had been issued to the Department's Environmental Management Consolidated Business Center regarding unallowable costs billed to the Department and other Federal agencies. The investigation determined that the Department contractor violated Federal Acquisition Regulations pertaining to allowable costs, labor mischarging, trade missions and severance payments. This is an ongoing joint investigation with the DCIS, U.S. Army Criminal Investigation Command, EPA OIG, and Defense Contract Audit Agency.

Guilty Plea in Purchase Card Fraud Investigation

A former Department contractor employee and an individual with no affiliation to the Department pled guilty in U.S. District Court, Eastern District of Washington, to Conspiracy to Commit Wire Fraud in connection with a purchase card fraud investigation. The former contractor employee was sentenced to 3 months home confinement with electronic monitoring followed by 3 years probation, and ordered to pay \$150,000 in restitution to the Department. The investigation determined that the former contractor employee conspired with the individual to defraud the Federal Government. The former contractor employee used his Government-funded purchase card to place orders with the individual's supply company. That individual then funneled those orders to a company owned by the former contractor employee's spouse. The Department ultimately paid approximately \$700,000 for materials that could have been purchased for approximately \$300,000.

Public reports are available in full text on our website at www.ig.energy.gov

Monetary Recovery, Convictions, Pre-Trial Diversion, and Indictments for Improper Payment of Per Diem

A number of OIG investigations involved the improper payment of per diem by Savannah River Nuclear Solutions (SRNS). A number of these investigations involve Recovery Act funds:

- In 2 of the investigations, the OIG was notified that SRNS reduced its award fee by \$1.14 million to offset monies paid to ineligible per diem recipients. The investigations determined SRNS paid per diem allowances to ineligible employees on multiple occasions. Approximately \$700,000 of the total recouped money involved Recovery Act funds. This was the first DOE OIG monetary recovery on an investigation involving Recovery Act funds.
- In a third investigation, a former SRNS subcontractor employee pled guilty in U.S. District Court for the District of South Carolina, to one count of making false statements to receive Recovery Act funded per diem benefits while working at a Department site. As previously reported, the former employee was indicted for making false per diem eligibility certifications to fraudulently obtain approximately \$44,415 in Department funds. This was the first DOE OIG conviction in an investigation involving Recovery Act funds.
- In two separate but related investigations, three former SRNS subcontractor employees were indicted in U.S. District Court for the District of South Carolina for theft of Government funds for fraudulently obtaining unauthorized per diem payments. The first investigation determined a former subcontractor employee acted alone in submitting fraudulent documents in order to receive unauthorized per diem payments. Those per diem payments were funded with Recovery Act funds. The second investigation determined that two former subcontractor employees conspired and completed a scheme to submit fraudulent documents in order for one of the former subcontractor employees to receive per diem benefits. Those per diem payments were not funded by Recovery Act funds.
- In another investigation, a former subcontractor employee falsified per diem certification forms in order to receive the ineligible Recovery Act-funded payments. The former SRNS subcontractor employee entered into a pre-trial diversion agreement for 18 months. As part of the agreement, the former subcontractor employee reimbursed the Department \$22,561 and was suspended from any future Department related employment for 18 months.
- In 3 other separate but related investigations, 3 former SRNS subcontractor employees were terminated for fraudulently obtaining approximately \$90,000 in Department funded per diem payments. The investigations determined that each of the former subcontractor employees made false statements to receive the per diem payments they would otherwise be ineligible to receive. To date, the Department has been reimbursed \$24,362.
- As previously reported, an OIG investigation determined that a former subcontractor employee knowingly made false statements to support eligibility to receive per diem payments. During this reporting period, as part of a pre-trial diversion agreement, the former

subcontractor employee was suspended from employment at all the Department's sites and facilities, and with the Department's contractors for 18 months. The Department also received \$10,906 in restitution from the former subcontractor employee.

Former Pantex Subcontract Employee Debarred

As previously reported, an OIG investigation determined that a former Department subcontractor employee submitted approximately \$163,000 in false travel and time and attendance claims for himself and on behalf of company employees. The former subcontractor employee was convicted on 16 counts of False Claims, 11 counts of Forged or Altered Public Records, 1 count of Theft of Public Money, and 1 count of Wire Fraud in the Northern District of Texas. During this reporting period, the former Department subcontractor employee was debarred from doing business with the Federal Government for 3 years.

President of Former Department Subcontractor Sentenced

As previously reported, the president of a former subcontractor pled guilty to two counts of making False Statements. The president falsely represented to the Department that the subcontractor's computers were Government certified and manufactured in the United States. The investigation determined that the Department purchased \$120,000 worth of computers and supplies from the former subcontractor. During this reporting period, the U.S. District Court for

the Central District of California sentenced the president to 2 years probation, and the payment of a \$3,600 fine. This was a joint investigation with DCIS, National Aeronautics and Space Administration OIG, Air Force Office of Special Investigations, Naval Criminal Investigative Service, and GSA OIG.

Recovery in Cost Sharing Investigation

As a result of an OIG investigation, the Department took administrative action to correct an error in which a Department contractor failed to provide the required funds under a cost sharing agreement. The contractor has since placed \$75,000 into a cost sharing account. The Department also changed its policies to ensure future contractor compliance.

Weatherization Assistance Program Contractor Plea and Sentencing

As previously reported, a former Department Weatherization Assistance Program contractor employee was arrested by the U.S. Marshals Service in Mobile, Alabama, pursuant to an arrest warrant issued from an OIG investigation. The contractor had previously been indicted on one count of Theft of Public Money. The investigation determined the contractor employee billed for and received payment in excess of \$37,000 in Weatherization Assistance Program materials and labor he never provided. During this reporting period, the former contractor employee pled guilty to 1 count of Theft of Public Money in Federal District Court for the Southern

Public reports are available in full text on our website at www.ig.energy.gov

District of Alabama and was sentenced to 5 years probation. The former contractor employee was also ordered to pay \$37,000 in restitution to the Department and was fined \$100. Also during this reporting period, an IRM was issued recommending suspension and debarment of the former contractor employee and the former contractor employee's two businesses. The former contractor employee and the two businesses have been suspended from contracting. Debarment for all three is pending.

Former Employee of NNSA Grantee Debarred

As previously reported, a joint OIG investigation with the FBI determined that a former employee of a NNSA grantee stole computer equipment valued at \$24,290 from the university where he was employed. The former employee was convicted of 1 count of theft of Government property and was sentenced to 2 years probation and 100 hours community service. He was also ordered to pay restitution in the amount of \$12,614 to the Department. During this reporting period, in response to an IRM, the Director of NNSA's Office of Acquisition and Supply Management debarred the former employee and his company from doing business with the Government for 3 years.

Former Los Alamos National Laboratory Contractor Employee Suspended & Debarred

As previously reported, this OIG investigation determined that while employed at Los Alamos National Laboratory (Los Alamos), a former contractor employee submitted fraudulent

documents and received \$17,885 in ineligible subsistence allowance from Los Alamos. The former contractor employee subsequently resigned from his position and repaid all of the funds to the Department. The former contractor employee was placed into the State of New Mexico's Pre-Prosecution Diversion Program by the 1st Judicial District Attorney's Office of New Mexico. During this reporting period, and in response to an OIG IRM, the Director of the NNSA's Office of Acquisition and Supply Management debarred the former Los Alamos contractor employee from doing business with the Federal Government for 3 years.

Former Oak Ridge Subcontractor Employee Terminated and Department Reimbursed

An OIG investigation determined that a former subcontractor employee was operating personal commercial businesses while being paid to perform Department work. The former subcontractor employee's employment was terminated and the subcontractor reimbursed the Department \$17,250 for work not performed. The investigation also determined that a potential conflict of interest existed between the owner of the former subcontractor employee's company and a Department employee. The OIG issued an IRM recommending a review of procurement procedures. Management implemented the recommendation and incorporated new language into its confidentiality agreement requiring disclosure of personal relationships.

Former Los Alamos Contractor Employee Sentenced and Investigative Report to Management Issued

As previously reported, this OIG investigation determined that while employed as a timekeeper at Los Alamos, the former contractor employee submitted fraudulent time and attendance claims causing Los Alamos to pay the former employee \$15,363 for work not performed. The former Los Alamos contractor employee pled guilty to one count of Theft of Government Property in U.S. District Court for the District of New Mexico. During this reporting period, the former contractor employee was sentenced to 3 years probation, and was ordered to pay \$15,363 restitution to the Department and a \$100 fine to the court.

Restitution Paid by Former Contractor Employee

As previously reported, an OIG investigation determined that a former contractor employee stole approximately \$13,134 in computer equipment by inappropriately using a rewards program account. During this reporting period, as part of an agreement with the Alameda County District Attorney's Office, the former Department contractor employee paid \$13,134 in restitution to Berkeley.

Guilty Plea and Investigative Report to Management Issued in Fuel Card Fraud Investigation at Los Alamos

This joint OIG investigation determined that a former Los Alamos subcontract employee and 2 other individuals with no affiliation to Los

Alamos made over \$6,400 in fraudulent charges on 2 stolen GSA Fleet Fuel Cards issued to Los Alamos. Pursuant to prosecution, 1 individual was accepted into the State of New Mexico's Pre-Prosecution Diversion Program (Diversion Program) for a term of 6 months to 2 years and was ordered to pay \$250 in fines and restitution to the Department. The former Los Alamos subcontractor employee was also accepted into the Diversion Program for a term of 6 months up to 2 years, and ordered to pay \$500 in fines and restitution to the Department. During this reporting period, the third person pled guilty to 1 count of Fraudulent Transfer/Receipt of a Credit Card, and was sentenced to 18 months probation, and was ordered to pay \$800 in fines and restitution to the Department. Also during this period, the OIG issued an IRM to the NNSA's Office of Supply and Acquisition Management (OSAM). As a result, the OSAM suspended and proposed the debarment of all three individuals from government contracting. This is an ongoing joint investigation with the GSA OIG.

Former Department Manager and Spouse Debarred

As previously reported, a former mid-level Department manager and the manager's spouse were convicted of Conflict of Interest violations and False Statements, respectively, and were each sentenced in the U.S. District Court for the District of Maryland to 36 months probation, 50 hours of community service, and a \$5,000 fine. They were also suspended from doing business with the Federal Government for a period of 1 year. During this reporting period, the former manager, the manager's spouse and 2 companies owned by the spouse were debarred from participating in Federal procurement and non-procurement programs for a period of 3 years.

Former Y-12 Security Police Officer (SPO) Sentenced and Fined

A former Y-12 SPO entered into a pre-trial diversion agreement in the 7th Judicial District of Tennessee for a period of 2 years and was ordered to pay a fine of \$3,000 to a State Economic Crime Fund. The investigation determined that the former SPO submitted a fraudulent short-term disability claim in order to gain time off to attend training for future employment with a different company.

Former Pantex Plant (Pantex) Contractor Employees Terminated

Two former contractor employees were terminated from employment at Pantex pursuant to OIG investigative findings. The investigation determined that 2 contractor employees, along with another former Pantex contractor employee, stole various items including industrial power equipment, copper and building materials from Pantex totaling approximately \$2,289. This is an ongoing joint investigation with the FBI.

Pre-Trial Diversion in Travel Fraud Investigation

A former Department employee at Bonneville entered into an 18-month pre-trial diversion agreement with the U.S. Attorney's Office for the District of Oregon and agreed to pay the Department \$2,011 in restitution. The joint investigation with the FBI determined that between July 2007 and August 2008 the former employee received payment for business trips the former employee never took.

Multiple Debarments Resulting From Mail Fraud Investigation

As previously reported, a joint investigation with the FBI determined that a subcontractor employee, along with other co-conspirators, used the U.S. Postal Service to submit invoices and obtain payments from a Federal Energy Regulatory Commission (Commission) grantee for work not performed. One of the co-conspirators was convicted of one count of Mail Fraud. An IRM was issued to the Director of the Office of Procurement and Assistance Management recommending the suspension and debarment of a Commission subcontractor employee and several companies. During this reporting period, the former Commission subcontractor employee and 4 companies associated with the former employee were debarred from conducting any work for the Government for a period of 3 years. Also during this reporting period, the co-conspirator was sentenced to 18 months probation and 150 hours of community service.

Contractor Employee Terminated as a Result of an OIG Joint Investigation

A contractor employee was terminated from Los Alamos as a result of an OIG joint investigation. The investigation determined the former contractor employee stole various items from Los Alamos, including industrial power equipment. The exact loss to the Department has not been determined. This is an ongoing joint investigation with the U.S. Fish and Wildlife Service.



Positive Outcomes

Highlights Based on Office of Inspector General Work

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

- The Loan Guarantee Program officials acknowledged the need and began to take action to develop and implement a sound records management system to enhance the transparency of the decision-making process and to update loan related policies and procedures.
- To address weaknesses we discussed in its weatherization program, the State of Florida's Department of Community Affairs had: (1) directed all provider agencies that had Weatherization data pre-dating the State system to retain this information back to 1994; (2) directed its support contractor to incorporate a query in the system to allow for checking the dwe address in addition to the client check; and, (3) had recovered questioned costs from Capital Area, a non-profit community action agency.
- In response to several audits on program administration, EERE agreed:
 - with and provided planned and ongoing actions to identify several opportunities to increase the likelihood that Pennsylvania's Weatherization Program will satisfy its objectives and fully comply with Federal Requirements.
 - to improve its administration of Recovery Act funds as part of their ongoing monitoring of the State of Arizona's Weatherization program and to promptly resolve the questioned costs.
 - to address weaknesses in project administration to ensure that the Government's interests are protected, financial assistance recipients fully comply with Federal requirements, and the goals of the Recovery Act are met.
- The OIG issued a management alert regarding a potential weakness in the Department's Rebate Program. This alert served to notify the Department that the Program in the State of Georgia contains weaknesses that prevent officials from identifying ineligible appliance rebates and verifying that recipients replaced older inefficient appliances with ENERGY STAR® qualified appliances. Management responded positively to the alert and reported to the OIG that the Department has taken several actions to mitigate future fraud in the Program, including sending a Program alert to all State and Territory energy offices that summarized the Georgia incident and included specific steps taken to address the problem.
- During an audit of Recovery Act funds utilization, we noted that Berkeley planned to build a switching station that had no

near term use. In response to our concerns, Berkeley cancelled the station and now plans to use available funds to upgrade office and laboratory space.

- The Department and NNSA have begun validating the effectiveness of corrective actions resulting from emergency planning and COOP drills and exercises, formally sharing lessons learned and expeditiously completing Hazards Surveys and Emergency Planning Hazards Assessments.
- Programs and sites have taken corrective action to address previously identified cyber security weaknesses in the areas of access control, configuration management, and segregation of duties.
- The Commission has made significant progress in the enhancement of its unclassified cyber security program. In addition, the Commission enhanced its plan of action and milestones database to include more specificity to help manage the cyber security program.
- The Department took positive steps to improve the overall effectiveness of emergency responders and enhance their ability to resolve problems related to damaged energy systems and components during incidents and disasters.
- NNSA took corrective action to ensure that (1) fire fighters from the Los Alamos Fire Department received adequate training to improve their ability to respond to incidents involving the unique hazard environments at Los Alamos, to include specialized training necessary for the specific types of hazards and hazardous materials at Los Alamos; and, (2) fire fighters are provided with routine tours of Los Alamos facilities in order to gain the familiarity necessary to effectively respond in the event of an emergency.
- To help resolve accountability problems, Livermore immediately revised the institutional procedures for controlled substances inventory management with the objective of clarifying and enhancing the accounting process when notified that the Laboratory was not appropriately managing its controlled substances in accordance with Federal regulations and Department policy intended to prevent misuse or misappropriation.
- The Small Business Innovation Research (SBIR)/Small Business Technology Transfer (STTR) Investigations Working Group was formed in early 2010 representing 10 Inspectors General and all military criminal investigative organizations with relevant oversight authority. The group is a forum for collaboration between OIGs and other law enforcement agencies. The group focuses on coordinating information sharing and conducting investigations of fraud and abuse in the SBIR and STTR programs. The group has successfully facilitated access to relevant SBIR and STTR information between agencies, which has helped combat fraud and costly duplication of grants between agencies.

Congressional Responses

During this reporting period, the OIG provided information at the request of Congress in 34 instances and briefed congressional staff on 9 occasions. In addition, the OIG testified at one congressional hearing before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce on March, 17, 2011. The hearing was entitled, "Oversight of Department of Energy Recovery Act Spending."

Legislative and Regulatory Reviews

The Inspector General Act of 1978, as amended, requires the OIG to review and comment upon legislation and regulations relating to Department programs and to make recommendations concerning the impact of such legislation or regulations on departmental economy and efficiency. The OIG coordinated and reviewed 45 items during this reporting period.

Hotline System

The OIG operates a Hotline System to facilitate the reporting of allegations involving the programs and activities under the auspices of the Department. During this reporting period, the Hotline received 2,749 contacts (calls, letters, e-mails, walk-ins, and *Qui Tams*), of which 284 were processed as complaints. The OIG Hotline System can be reached by calling **1-800-541-1625** or **1-202-586-4073**.

Qui Tams

Since 1996, the OIG has been instrumental in working with the Department of Justice in *Qui Tam* cases. The OIG is currently working on 15 *Qui Tam* lawsuits involving alleged fraud against the Government with potential liability in the amount of approximately \$226,800,000. While these cases are highly resource intensive, requiring extensive OIG investigative and audit effort, they have proven to result in a high return on our investment.

Management Referral System

The OIG referred 200 complaints to Department management and other government agencies during the reporting period and specifically requested Department management to respond concerning the actions taken on 56 of these complaints. Otherwise, Department management was asked to respond only if it developed information or took action that it believed should be reported. The following referrals for which responses were received during this reporting period demonstrate management's use of OIG-provided information to stimulate positive change or to take decisive action:

- In response to an OIG referral, two Western Area Power Administration officials were orally admonished for "tolerance of innuendos and off color remarks" in the workplace.
- Department management initiated a review after being notified by the OIG of a complaint received that Savannah River contractor radiation control technicians were not performing daily source checks on radiological instruments. The Savannah River Operations Office determined that

the allegations were unfounded. However, management developed and disseminated a formal reminder addressing the need for attention to detail when completing electronic radiological survey records applicable to the site-wide Radiological Protection organization.

- In response to an OIG referral, an assessment was conducted of the Pacific Northwest National Laboratory's Contractor Employee Concerns Program. The review identified opportunities for Program improvement including taking steps to ensure greater independence and Program effectiveness and revising the program manager's position description and performance evaluation to reflect appropriate expectations.
- The Financial Evaluation and Accountability Division for the CFO at Oak Ridge initiated a review based on an OIG referral concerning potential unallowable travel costs. Management's review identified \$690 in unallowable travel costs which was subsequently reimbursed to the Department.
- In response to an OIG referral, Department management initiated a review to ascertain if a re-compete of a contract at the Department's Oak Ridge facility unduly favored the incumbent. The review determined that the North American Industry Classification System code used during the pre-solicitation phase did not correctly describe the scope of work and warranted modification.



Appendix 1 - Reports



Recovery Act and Recovery Act Related Reports Issued

October 1, 2010 – March 31, 2011

Report Number	Title	Date Issued	Savings	Questioned Costs
OAS-RA-11-01	<i>The State of Illinois Weatherization Assistance Program</i>	10-14-10		
OAS-RA-11-02	<i>Selected Aspects of the Commonwealth of Pennsylvania's Efforts to Implement the American Recovery and Reinvestment Act Weatherization Assistance Program</i>	11-01-10	\$15,800,000	
OAS-RA-11-03	<i>The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the City of Phoenix – Agreed-Upon Procedures</i>	11-30-10		\$348,000
OAS-RA-11-04	<i>The Department of Energy's Weatherization Assistance Program under the American Recovery and Reinvestment Act for the Capital Area Community Action Agency – Agreed-Upon Procedures</i>	02-01-11		\$3,502
OAS-RA-11-05	<i>The Department of Energy's Geothermal Technologies Program under the American Recovery and Reinvestment Act</i>	03-22-11		\$109,619
OAS-RA-11-06	<i>The Department of Energy's American Recovery and Reinvestment Act – Massachusetts State Energy Program</i>	03-22-11		
OAS-RA-L-11-01	<i>Management of the Plutonium Finishing Plant Closure Project</i>	11-10-10		



Recovery Act and Recovery Act Related Reports Issued

October 1, 2010 – March 31, 2011

Report Number	Title	Date Issued	Savings	Questioned Costs
OAS-RA-L-11-02	<i>Environmental Cleanup Projects Funded by the Recovery Act at the Y-12 National Security Complex</i>	12-20-10		
OAS-RA-L-11-03	<i>Management of the Tank Farm Recovery Act Infrastructure Upgrades Project</i>	02-09-11		
OAS-RA-L-11-04	<i>The Department's Infrastructure Modernization Projects under the American Recovery and Reinvestment Act of 2009</i>	03-02-11		
OAS-RA-L-11-05	<i>Recovery Act Funded Projects at the SLAC National Accelerator Laboratory</i>	03-08-11		
IG-0849	<i>The Department of Energy's Loan Guarantee Program for Clean Energy Technologies</i>	03-03-11		
INV-RA-11-01	<i>Management Alert on the State Energy Efficient Appliance Rebate Program</i>	12-03-10		

Other Audit Reports Issued

October 1, 2010 – March 31, 2011

Report Number	Title	Date Issued	Savings	Questioned Costs
IG-0842	<i>Critical Asset Vulnerability and Risk Assessments at the Power Marketing Administrations – Follow-up Audit</i>	10-07-10		
IG-0843	<i>The Department's Unclassified Cyber Security Program – 2010</i>	10-22-10		
IG-0844	<i>Management Challenges at the Department of Energy</i>	11-16-10		
IG-0845	<i>Improvements Needed in the Department's Emergency Preparedness and Continuity of Operations Planning</i>	01-03-11		
IG-0846	<i>Federal Energy Regulatory Commission's Monitoring of Power Grid Cyber Security</i>	01-26-11		
IG-0848	<i>The Department of Energy's K Basins Sludge Treatment Project at the Hanford Site</i>	02-17-11		\$1,000,000
OAS-M-11-01	<i>The Federal Energy Regulatory Commission's Unclassified Cyber Security Program – 2010</i>	10-25-10		
OAS-M-11-02	<i>Solar Technology Pathway Partnerships Cooperative Agreements</i>	03-22-11		
OAS-L-11-01	<i>Questioned, Unresolved and Potentially Unallowable Costs Incurred by Sandia Corporation during Fiscal Years 2007 and 2008</i>	11-05-10		
OAS-L-11-02	<i>The Department of Energy's Energy Conservation Efforts</i>	02-09-11		
OAS-L-11-03	<i>Audit of National Security Technologies, LLC Internal Audit Function</i>	03-08-11		
OAS-FS-11-01	<i>The Department of Energy's Fiscal Year 2010 Consolidated Financial Statements</i>	11-12-10		

Other Audit Reports Issued

October 1, 2010 – March 31, 2011

Report Number	Title	Date Issued	Savings	Questioned Costs
OAS-FS-11-02	<i>Federal Energy Regulatory Commission's Fiscal Year 2010 Financial Statement Audit</i>	11-09-10		
OAS-FS-11-03	<i>Office of Civilian Radioactive Waste Management's Fiscal Year 2010 Financial Statement Audit</i>	11-15-10		
OAS-FS-11-04	<i>Information Technology Management Letter on the Audit of the Department of Energy's Consolidated Balance Sheet for Fiscal Year 2010</i>	12-21-10		
OAS-FS-11-05	<i>Management Letter on the Audit of the Department of Energy's Consolidated Financial Statements for Fiscal Year 2010</i>	12-20-10		
OAS-V-11-01	<i>Audit Coverage of Cost Allowability for Sandia Corporation during Fiscal Years 2007 and 2008 under Department of Energy Contract Number DE-AC04-94AL85000</i>	10-05-10		\$10,324,001
OAS-V-11-02	<i>Audit Coverage of Cost Allowability for B&W Technical Services Y-12, LLC under Department of Energy Contract Number DE-AC05-00OR22800 for Fiscal Year 2009</i>	11-23-10		\$829,000
OAS-V-11-03	<i>Audit Coverage of Cost Allowability for Babcock & Wilcox Technical Services Pantex, LLC during Fiscal Years 2006 through 2009 under Department of Energy Contract Number DE-AC04-00AL66620</i>	01-11-11		\$8,408,155
OAS-V-11-04	<i>Audit Coverage of Cost Allowability for Battelle Energy Alliance, LLC under Department of Energy Contract Number DE-AC07-05ID14517 during Fiscal Year 2009</i>	03-01-11		

Other Audit Reports Issued

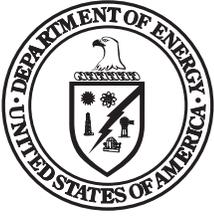
October 1, 2010 – March 31, 2011

Report Number	Title	Date Issued	Savings	Questioned Costs
OAS-V-11-05	<i>Audit Coverage of Cost Allowability for Battelle Memorial Institute under Department of Energy Contract Number DE-AC05-76RL01830 during Fiscal Year 2009</i>	03-02-11		\$144,930
OAS-V-11-06	<i>Audit Coverage of Cost Allowability for Washington Savannah River Company, LLC Department of Energy Contract Number DE-AC09-96SR18500 during Fiscal Years 2007 through 2009</i>	03-04-11		\$574,912
OAS-V-11-07	<i>Audit Coverage of Cost Allowability for University of Chicago Argonne, LLC under Department of Energy Contract Number DE-AC02-06-CH11357 for Fiscal Year 2009</i>	03-25-11		\$65,905
OAS-V-11-08	<i>Audit Coverage of Cost Allowability for UT-Battelle, LLC under Department of Energy Contract Number DE-AC05-00OR22725 for Fiscal Years 2008 and 2009</i>	03-31-11		\$103,144

Inspection Reports Issued

October 1, 2010 – March 31, 2011

Report Number	Title	Date Issued	Savings	Questioned Costs
INS-L-11-01	<i>Inspection of Allegations Relating to Irregularities in the Human Reliability Program and Alcohol Abuse within the Office of Secure Transportation</i>	11-17-10		
IG-0847	<i>The Department's Implementation of the "Energy Annex, Emergency Support Function 12" to the National Response Framework</i>	01-31-11		
INS-O-11-01	<i>Management of Controlled Substances at Lawrence Livermore National Laboratory</i>	02-10-11		



Appendix 2 - Tables

Audit Reports with Recommendations for Better Use of Funds

October 1, 2010 – March 31, 2011
(Dollars in Thousands)

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

	Total Number	One Time Savings	Recurring Savings	Total Savings
A. Those issued before the reporting period for which no management decision has been made:*	5	\$596,679,522	\$0	\$596,679,522
B. Those issued during the reporting period:	25	\$15,800,000	\$0	\$15,800,000
Subtotals (A + B)	30	\$612,479,522	\$0	\$612,479,522
C. Those for which a management decision was made during the reporting period:*	16	\$17,181,439	\$0	\$17,181,439
(i) Agreed to by management:		\$1,252,657	\$0	\$1,252,657
(ii) Not agreed by management:		\$128,782	\$0	\$128,782
D. Those for which a management decision is not required:	10	\$0	\$0	\$0
E. Those for which no management decision has been made at the end of the reporting period:*	4	\$611,098,083	\$0	\$611,098,083

Definition of Terms Used in the Table

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

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

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

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

Audit and Inspection Reports with Questioned Costs

October 1, 2010 – March 31, 2011

(Dollars in Thousands)

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

	Total Number	Questioned Costs	Unsupported Costs
A. Those issued before the reporting period for which no management decision has been made:*	1	\$225,714,027	\$123,000
B. Those issued during the reporting period:	11	\$21,838,168	\$73,000
Subtotals (A + B)	11	\$246,452,195	\$196,000
C. Those for which a management decision was made during the reporting period:*	11	\$23,607,071	\$73,000
(i) Value of disallowed costs:		\$661,265 ¹	\$0
(ii) Value of costs not disallowed:		\$3,134,868 ²	\$0
D. Those for which a management decision is not required:	0	\$0	\$0
E. Those for which no management decision has been made at the end of the reporting period:*	0	\$243,967,062	\$196,000

Definition of Terms Used in the Table

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

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

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

¹ Audits - \$130,265; Inspections - \$531,000 (The OIG projected \$300,000 in disallowed costs in Inspection Report # INS-O-10-02, July 2010. A subsequent analysis conducted by the Department resulted in an additional \$231,000 of disallowed costs.)

² Audits - \$2,354,868; Inspections - \$780,000 (Identifies the costs not disallowed in Inspection Report # INS-O-10-02, July 2010.)

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

Reports Lacking Management Decision

The Department has a system in place to track audit and inspection reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by audit agencies and agreed to by management are addressed as efficiently and expeditiously as possible. Listed below are the audit reports over 6 months old that were issued before the beginning of the reporting period and for which no management decision had been made by the end of the reporting period. The reason a management decision had not been made and the estimated date for achieving management decision is described below.

Management Audit

IG-0753: *Recovery Costs for the Proprietary Use of the Advanced Photon Source, January 11, 2007* – The management decision has been signed by Office of Science and is currently in the review and concurrence process. We anticipate final approval by May 2011.

IG-0831: *The Office of Science's Management of Information Technology Resources, November 20, 2009* – The finalization of the management decision is pending the resolution of complex cost allocation issues and coordination with senior Departmental leadership. This should occur by September 30, 2011.

IG-0835: *The Department of Energy's Opportunity for Energy Savings Through Improved Management of Facility Lighting, July 1, 2010* – The Department of Energy, in support of the Department's implementation of E.O. 13514, "Federal Leadership in Environmental, Energy, and Economic Performance", established a Strategic

Sustainability Office. The finalization of the management decision is pending coordination with the newly established office; a final management decision is expected by September 30, 2011.

OAS-SR-10-04: *Review of Allegations Regarding Hiring and Contracting in EERE, September 22, 2010* – The Office of the Chief Human Capital Officer (OCHCO) is working in collaboration with the Offices of Management and General Counsel to evaluate and examine the findings in this report. OCHCO will complete the investigation and report by June 30, 2011.

Prior Significant Recommendations Not Implemented

As of March 31, 2011, closure actions on recommendations in 37 OIG reports had not been fully implemented within 12 months from the date of report issuance. The OIG is committed to working with management to expeditiously address the management decision and corrective action process, recognizing that certain initiatives will require long-term, sustained, and concerted efforts. The Department has closed 127 recommendations in the past 6 months. Management updates the Departmental Audit Report Tracking System on a quarterly basis, most recently in March 31, 2011. Information on the status of any report recommendation can be obtained through the OIG's Office of Audits and Inspections.

Summary of Investigative Activities

October 1, 2010 – March 31, 2011

Cases open as of October 1, 2010	239
Cases opened during period	76
Cases closed during period	71
Multi-Agency Task Force Cases Opened	30
Qui Tam investigations opened	1
<i>Total Open Qui Tam investigations as of March 31, 2011</i>	15
Cases currently open as of March 31, 2011	244
IMPACT OF INVESTIGATIONS:	
Administrative discipline and other management actions	60
Recommendations to management for positive change and other actions	44
Suspensions/Debarments	45
Accepted for prosecution*	14
Indictments	11
Criminal convictions	14
Pre-trial diversions	5
Civil actions	3
TOTAL DOLLAR IMPACT** (Fines, settlements, recoveries)	\$54,800,591

**Some of the investigations accepted during the 6-month period were referred for prosecution during a previous reporting period.*

***Some of the money collected was the result of task force investigations.*

Summary of Investigative Activities

HOTLINE ACTIVITY

October 1, 2010 – March 31, 2011

Total Hotline calls, emails, letters, and other complaints (contacts)	2,749
Hotline contacts resolved immediately or redirected	2,465
Hotline contacts predicated for evaluation	284
Hotline predications open at the end of previous reporting period	20
Total Hotline predications processed this reporting period:	304
Hotline predications open at the end of the reporting period	17

Summary of Recovery Act Section 1553 Retaliation Complaints

October 1, 2010 – March 31, 2011

Recovery Act Whistleblower Retaliation Complaints received	9
Accepted Complaints carried over from prior period(s)	8
Disposition of Whistleblower Retaliation Complaints:	
Reports issued	1
Complaints Dismissed:	
• Elected another forum	1
• Complaints withdrawn	1
• Upon receipt of Complaint, determined not related to covered funds at the outset	4
• After investigation, determined not related to covered funds after investigation	1
Open Complaints at the end of the reporting period	9
Recovery Act Complaints that received extensions	6

Peer Reviews

October 1, 2010 – March 31, 2011

Results of Reviews Conducted by DOE/OIG:

Office of Audits and Inspections

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

Results of Reviews Conducted by DOE/OIG:

Office of Audits and Inspections

Date of Recent Peer Reviews (s)	Reviewed OIG	Outstanding Recommendations
12/2010	General Services Administration	None

There are no outstanding recommendations from any previous peer reviews.

Results of Reviews Conducted by Other OIGs:

Office of Audits and Inspections

Date of Recent Peer Reviews (s)	Reviewing OIG	Requirements For Review Frequency	Outstanding Recommendations/Link
03/2010	Social Security Administration	At least once every 3 years	No outstanding recommendations http://www.ig.energy.gov/documents/DOE_Peer_Review_Ltr-Audit.pdf

Results of Reviews Conducted by Other OIGs:

Office of Investigations

Date of Recent Peer Reviews (s)	Reviewing OIG	Requirements For Review Frequency	Outstanding Recommendations/Link
09/2008	Small Business Administration	At least once every 3 years	No outstanding recommendations http://www.ig.energy.gov/documents/DOE_Peer_Review-2008_INV.pdf

Feedback Sheet

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

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

ATTN: Douglas Gillam

Name: _____

Daytime Telephone Number: _____

Comments/Suggestions/Feedback:

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

This page intentionally left blank.



U.S. Department of Energy

Office of Inspector General

Call the HOTLINE if you suspect:

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

Call

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

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

U.S. Department of Energy
1000 Independence Avenue, S. W.
Washington, DC 20585