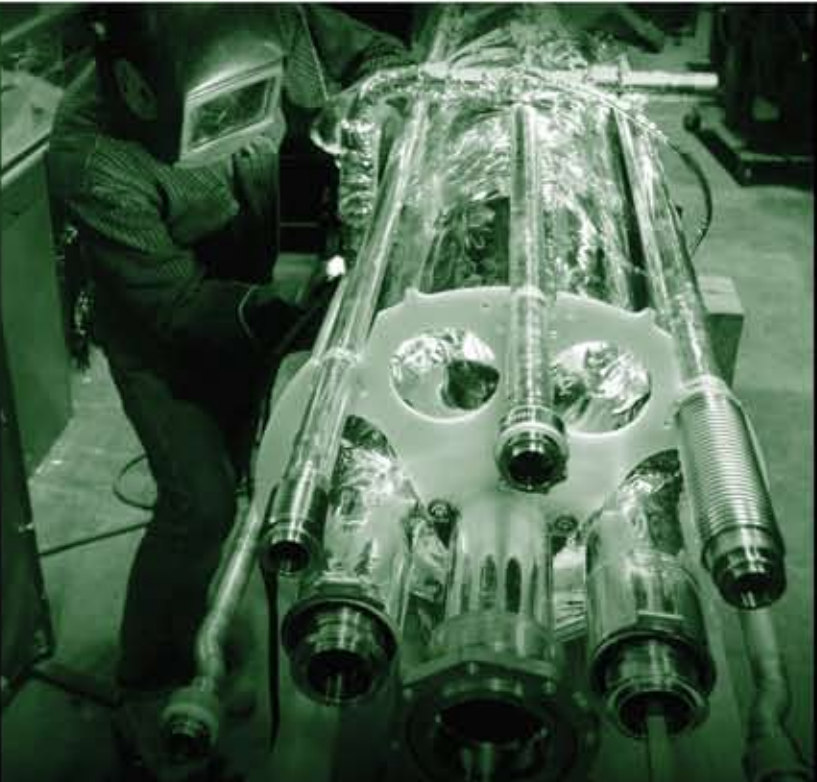




# INSPECTOR GENERAL SEMIANNUAL REPORT TO CONGRESS



APRIL 1, 2006 - SEPTEMBER 30, 2006  
U.S. DEPARTMENT OF ENERGY • OFFICE OF INSPECTOR GENERAL



**Office of Inspector General**  
Gregory H. Friedman  
Inspector General

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

## Cover Pictures

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*(clockwise from top left)*

Wind power turbine located at Altamont Pass near Livermore, California

The Gammasphere, designed to detect and analyze gamma rays, in the final assembly phase at Lawrence Berkeley National Laboratory

Helicopter transporting power line equipment for the development of the Snettisham Project in Alaska

Welding on a low beta quadropole magnet at Fermilab

Dish solar power system at the Arizona Public Service Solar Test and Research Center

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## Department of Energy

Washington, DC 20585

October 31, 2006

The Honorable Samuel W. Bodman  
Secretary  
U.S. Department of Energy  
Washington, D.C. 20585

Dear Secretary Bodman:

I am pleased to submit the Office of Inspector General's (OIG) *Semiannual Report to Congress*. This report summarizes significant OIG activities and accomplishments during the six month period ending September 30, 2006.

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. In particular, the report details OIG accomplishments in identifying the Department's most significant management challenges.

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

Sincerely,

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

Gregory H. Friedman  
Inspector General

Enclosure



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# Inspector General's Message

I am pleased to provide the Office of Inspector General's (OIG) *Semiannual Report to Congress* for the reporting period ending September 30, 2006. This report highlights our most significant accomplishments in identifying areas of Department of Energy operations most vulnerable to waste, fraud, and mismanagement.



During this reporting period, we continued to assist the Department's management in addressing its mission-related priorities. As a direct result of our audits and inspections, significant opportunities for programmatic cost savings, operational efficiencies and enhanced results were identified. We issued 49 audit and inspection reports, which contained recommendations identifying over \$236 million in potential savings. In addition, we referred 15 investigations for prosecution and had 14 criminal convictions. During this reporting period, our work led to the recovery of over \$10 million in fines, settlements and restitutions. This brings our total for Fiscal Year 2006 to 52 indictments, 23 convictions and nearly \$39 million in direct monetary recoveries.

In recent years, as a result of the importance and sensitivity of the Department's numerous projects, along with the vast array of data that it produces, cyber security has become a crucial aspect of the Department's overall security posture. As intrusions and attacks on Government computer systems have increased over the last several years, protecting sensitive data, including personal information, has grown to become a vital aspect of the Department's operating objectives. The OIG conducted a variety of reviews over the past six months designed to assist the Department in identifying cyber security program vulnerabilities. Resulting reports included a series of recommendations to enhance overall cyber security efforts.

As required by the Federal Information Security Management Act, the OIG conducts an annual review to determine whether the Department's unclassified cyber security program adequately protects data and information systems. During the last year, the Department launched a cyber security revitalization program and issued enhanced guidance designed to strengthen protective efforts. While these were positive steps, we continued to observe deficiencies in the Department's critical systems.

These types of deficiencies were highlighted during a June 9, 2006, congressional hearing, when Department officials publicly disclosed that an unclassified computer system was compromised at the National Nuclear Security Administration Service Center in Albuquerque, New Mexico. As a result, a file containing the names and social security numbers of 1,502 employees was compromised. An OIG special inquiry was immediately initiated at the request of the Secretary of Energy. As a result of the review, we concluded that the Department's handling of this matter was largely dysfunctional and that operational and procedural breakdowns were caused by questionable managerial judgments; significant confusion by key decision makers as to lines of authority, responsibility and accountability; poor internal communications; and, insufficient



follow-up on critically important issues and decisions. Based on our review, we issued several recommendations to the Department designed to aid in precluding a recurrence of this event or similar situations.

Additionally, the OIG, in coordination with the President's Council on Integrity and Efficiency, performed a review of the Department's controls over information systems that contain personally identifiable information. We determined that although the Department has made progress in this area and has indicated that it plans to fully implement needed control measures, recently developed policies pertaining to personally identifiable information were missing key components and, thus far, implementation of these policies was incomplete.

Due to the evolving nature of cyber security threats, immediate as well as long-term action is necessary to ensure the protection of the Department's information systems. The OIG maintains dedicated investigative and audit units with responsibility for information technology-targeted



reviews. A team of Special Agents investigates the ever-increasing number of crimes committed against the Department using emerging information technologies, and a team of auditors conducts independent audits and evaluations of the Department's cyber security program, including tests of program, management, technical and operational controls.

The Office of Inspector General remains committed to being an instrument for positive change in the Department. This goal is achieved through the diligent work

and commitment of all OIG employees. In addition to the outstanding results demonstrated through our various audits, inspections, and investigations, this year we were the proud recipients of nine "Award for Excellence" honors from the President's Council on Integrity and Efficiency. I would like to express my appreciation for the accomplishments of all OIG employees and commend them for their continued professionalism and dedication.

The Department of Energy and its broad array of missions and functions are critical to the Nation. As always, we look forward to continuing to serve the American public by identifying ways that the Department can more effectively and efficiently fulfill these responsibilities.

Gregory H. Friedman  
Inspector General



# Accomplishments Addressing Management Challenges

On an annual basis, the Office of Inspector General identifies 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. This year, the OIG determined that the most serious challenges facing the Department are:

- National Security
- Environmental Cleanup
- Stockpile Stewardship
- Contract Administration
- Project Management
- Information Technology
- Financial Management and Reporting

These challenges relate to mission-critical activities as well as weaknesses in the Department's internal control structure. National security, environmental cleanup and stockpile stewardship represent risks that are associated with the Department's historic missions. The remaining challenges relate to management weaknesses affecting the Department's control structure. Highlights of our work in these challenge areas, set forth in the following sections of this report, are organized by management challenge area.

## National Security

*A primary responsibility of the Department is to enhance national security through the application of nuclear technology. In order to accomplish this goal, the Department oversees the maintenance of the Nation's nuclear weapons stockpile, develops infrastructure for and ensures the security of the nuclear complex, strengthens international nuclear nonproliferation controls, provides safe and effective nuclear power for the U.S. Navy, and operates a number of national laboratories. Our reviews over the past six months identified ways that the Department could further strengthen its efforts in the area of national security.*



## Management of Non-Nuclear High Explosives

Due to the inherently dangerous nature of high explosives, Department regulations require that strict control and accountability be maintained over all components. An OIG audit found that the Los Alamos National Laboratory and the Sandia National Laboratory were not always maintaining control, accountability, and safety over a wide array of explosives. Specifically, we observed that:

- Sandia could not properly account for at least 410 items, including detonators, rocket motors, shaped explosives, and bulk explosive powders;
- Both Sandia and Los Alamos accumulated large quantities of anti-personnel rockets, gun rounds and cartridges, and aircraft rocket motors that were not likely to be needed for current or future missions;
- Sandia's explosives inventory system could not be reconciled to inventories maintained by certain Federal facilities at which Sandia stored explosives;
- Approximately 190,000 pounds of explosive propellant contained in 39 rocket motors owned by Sandia were not recorded in the Laboratory's inventory system; and,
- Both Sandia and Los Alamos were not inspecting or reviewing the stability and safety characteristics of most of their high explosive materials.

The lack of control and accountability occurred, in large part, because the Laboratories failed to design and implement effective local high explosive management strategies. **(IG-0730)**

## The Human Reliability Program

The Lawrence Livermore National Laboratory has an extensive Human Reliability Program (HRP) intended to ensure that its many employees working in the nuclear weapons program meet the highest standards of physical and mental stability. An OIG inspection found that the HRP at Livermore was not administered in full accordance with applicable requirements. For example, the methodology used to select individuals for drug and alcohol testing did not ensure that the tests were random, as required. In addition, HRP medical reviews were not always as comprehensive as required by Department regulations. **(IG-0732)**

## Export License Applications for China

An interagency Inspectors General working group reviewed the export of sensitive U.S. technologies and technical information to the People's Republic of China. The overall objective of our segment of this multi-agency effort was to determine if the Department appropriately participated in the export license review process. Our inspection concluded that the Department's participation in the export license review process to control the export of critical technologies to China was appropriate and consistent with existing procedures. **(IG-0723)**

## Badge Retrieval and Security Clearance Termination at Sandia National Laboratory

The Sandia National Laboratory-New Mexico is involved in a variety of research and development programs to enhance national security. An OIG inspection was initiated to determine if Sandia's internal controls were adequate to ensure that, in accordance with applicable policies and procedures, security badges assigned to terminating employees were retrieved at the time of their departure and security clearances of departing employees were terminated in a timely manner. We concluded that Sandia's internal controls were not adequate to ensure that security badges assigned to Laboratory employees were retrieved at the time of departure or that security clearances of departing employees were terminated in a timely manner. Given the similarity of our findings to those of previous reviews at the Los Alamos National Laboratory and the Lawrence Livermore National Laboratory, we concluded that senior Department management should consider taking broader action to ensure that all Department sites are adequately addressing these issues. **(IG-0724)**

## Protective Force Property at the Pantex Plant

The Pantex Plant mission includes, among other things, the assembly and disassembly of nuclear weapons and the interim storage of plutonium pits. An OIG inspection was initiated to ensure that protective force security-related sensitive property was appropriately controlled by the site's contractor. While we did not identify missing security-related sensitive items, weaknesses were found within the internal controls of the contractor's property program. **(INS-L-06-06)**

## Protective Force Work Environment at Sandia National Laboratory



*Protective Force training at an outdoor rifle range*

Upon receiving information regarding the work environment within the protective force at Sandia National Laboratory-New Mexico, such as possible harassment and discrimination, an OIG inspection was initiated to evaluate the facts surrounding this matter and its impact on officer morale. We found that approximately 75 percent of the protective force officers we interviewed characterized the morale of the protective force as low to very low, identifying a hostile work environment, inconsistent application of disciplinary policies, and discrimination as contributing factors. Subsequent to our review, Sandia made changes in its protective force management personnel. We concluded that management needs to be sensitive to the concerns raised during this review and should fully examine these issues in future reviews of Sandia security to ensure that these issues have been appropriately addressed. **(INS-L-06-05)**

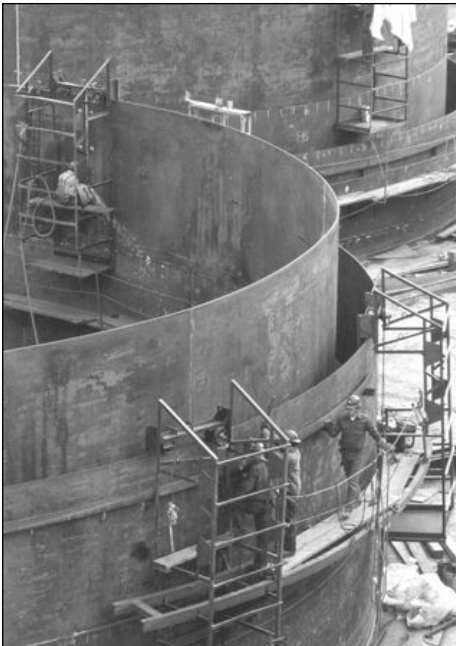
## Destruction of Classified Hard Drives at Sandia National Laboratory

Upon receiving information regarding potential internal control weaknesses associated with the disposal of classified computer hard drives at the Sandia National Laboratory-New Mexico, an OIG inspection was initiated to determine if internal controls for the destruction of the Laboratory's classified hard drives were adequate. We concluded that these internal controls were not adequate to assure the protection and control of classified material. Specifically, our inspection confirmed that classified hard drives were being degaussed, but were not being destroyed in accordance with Department policy. In addition, Sandia did not adhere to a number of other policies applicable to the destruction of classified hard drives. **(IG-0735)**

## Environmental Cleanup

*With the end of the Cold War, this mission became of even greater importance, as efforts to dispose of large volumes of solid and liquid radioactive waste became essential as a result of more than 50 years of nuclear defense work and energy research. The Department is responsible for cleaning contaminated sites and disposing of radioactive waste resulting from nuclear weapons production, nuclear powered naval vessels, and commercial nuclear energy production. Due to the risks and hazards associated with this difficult and costly task, we initiated the following reviews to help ensure that the Department is fulfilling its mission with regard to environmental cleanup.*

### Cesium and Strontium Capsule Disposition at the Hanford Site



*Waste storage tanks at the Hanford Site*

Between 1974 and 1985, the Department's Hanford Site separated cesium and strontium from tank waste and encapsulated the material for a variety of purposes. Through its contractor, the Department spends approximately \$4.1 million per year to maintain the capsules in pool storage. According to the National Academy of Sciences, the capsules have been described as "the most lethal source of radiation in the United States, except for the core of an operating nuclear reactor." An OIG audit was initiated to determine if the Richland Operations Office is pursuing the most viable and economical strategy for disposing of the cesium and strontium capsules. We found that the Department's preferred approach of direct disposal of the capsules in the Yucca Mountain Repository may not be the most viable or cost-effective approach to disposal.

**(OAS-M-06-06)**

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## Spent Nuclear Fuel at the Savannah River Site

An OIG audit was initiated to determine the status of the spent nuclear fuel program at the Savannah River Site and to determine whether the Department will have to maintain H-Canyon capabilities beyond the time required to carry out defined work requirements. We found that there have been delays in developing and implementing the spent nuclear fuel program at the Savannah River Site. As a result, H-Canyon will have to be maintained in an idle, but operational mode for at least two years. Given the commitment the Department made in a Record of Decision and the absence of a fully developed disposition

strategy, the two-year gap is projected to cost taxpayers approximately \$300 million. To address this situation, we made several recommendations designed to ensure that the Department establishes a complex-wide strategy and expedites the implementation of a technology to prepare spent nuclear fuel at the Savannah River Site for disposition. (IG-0727)

### Did you know?

**The Savannah River Site occupies 310 square miles, which is approximately the size of the area inside the Washington, DC beltway.**

## Stockpile Stewardship

*The Department is responsible for the maintenance, certification and reliability of the Nation's nuclear weapons stockpile. In order to ensure that the United States' nuclear weapons continue to serve their essential deterrence role, the Department maintains stockpile surveillance and engineering capability, refurbishes selected nuclear systems, and sustains the ability to restore the manufacturing infrastructure for the production of replacement weapons. Given the importance and complexity of the Department's role in ensuring the vitality of the U.S. nuclear stockpile, we conducted the following reviews to examine the Department's activities and management strategies in this crucial area.*

### W76 Life Extension Project

An OIG audit concluded that the National Nuclear Security Administration (NNSA) is at risk of not achieving the first production unit for the W76 weapon system refurbishment within the established scope, schedule, and cost parameters as detailed in the project plan. Specifically, we found:

- Delays in completing tests and production related milestones;
- Reductions in the scope of activities required to support final design and production decisions;
- Unexplained variances in project cost data; and,
- Incomplete documentation of changes to the project cost baseline.

A failure to complete the W76 refurbishment first production unit within the established schedule and scope could have a direct effect on full-scale production decisions, impact NNSA's ability to manage project costs, and affect overall national security goals of the refurbishment effort. As a result, we recommended that NNSA strengthen project management planning and ensure future Life Extension Programs implement the project management principles of timely comprehensive project planning. **(IG-0729)**

## **B61 Spin Rocket Motor Project**

The Sandia National Laboratory is in the process of refurbishing the Spin Rocket Motor, which is a prime component of the B61 nuclear weapon system. Upon receiving allegations raising serious questions concerning the Department's decision to proceed with the B61 Spin Rocket Motor project, an OIG audit was initiated to evaluate concerns regarding the performance of the motor. While we recognized that the age of the Spin Rocket Motor in and of itself may have provided a reasonable basis to be concerned about the performance of the existing motor, the project was approved before problems were fully investigated for cause and effect and before the cost impact of various options was fully evaluated. We found that the NNSA had not adequately validated key Spin Rocket Motor data provided by Sandia prior to the approval of the new project. We made several recommendations to ensure that future refurbishment projects are managed in accordance with Department procedures, specifically to ensure that such projects are justified and supported based on analyses of refurbishment options and validated cost data. **(IG-0740)**

## **Contract Administration**

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*To accomplish its mission, the Department places significant reliance on contractors. In fact, approximately three-fourths of the Department's budget is expended on these contracts. As a result, effective contract administration is an essential component of the Department's management of its many programs. The OIG initiated the following reviews in order to assess the Department's contract administration.*

## **Management Controls over Small Business Opportunities**

The National Nuclear Security Administration established a policy requiring its field offices to work with management and operating contractors to provide small businesses the maximum practicable opportunity to provide the goods and services needed to support programs and activities. An OIG audit was initiated to determine whether the Lawrence Livermore National Laboratory had identified functions that could be subcontracted to small businesses. Although the Laboratory contracted many existing large subcontracts to

small businesses, it had not identified internally performed functions that could be subcontracted to small businesses even though it was practicable and cost effective to do so. **(OAS-M-06-08)**

## Performance-Based Contract Incentives at the Hanford Site

As a result of the extraordinary health and safety risks that exist at the Hanford Site and the sizable commitment of funds for site environmental remediation, an OIG audit was

### Did you know?

**The Office of River Protection was established by Congress in 1998 with the exclusive focus of solving cleanup challenges at the Hanford Site, which contains 60 percent by volume of the Nation's high-level radioactive waste.**

initiated to determine whether the Department had effectively implemented the performance-based incentives program at the site. We found that although the Office of River Protection and the Richland Operations Office intended for their performance-based contract incentives to be result-oriented, in certain cases, fees were paid for work on projects where the work assigned was not realistic or achievable. **(IG-0739)**

## Utilization of Fleet Vehicles

The Department and its contractors maintain a fleet of about 14,000 vehicles at an annual cost of nearly \$100 million. An OIG audit was initiated to determine whether the Department was effectively managing its fleet vehicles. Our review found a number of opportunities to improve the efficiency of fleet vehicle management. We found that approximately 28 percent of vehicles were underutilized and numerous vehicles were virtually unused, traveling less than 1000 miles each during FY 2004. We determined that the Department was expending funds on the acquisition, maintenance, and management of fleet vehicles that may not be essential for mission accomplishment. **(IG-0728)**

## Prime Contractor Reimburses Department for Unallowable Costs

An OIG investigation determined that Department contractor and subcontractor officials at the Savannah River Operations site appointed 18 interns who did not meet the minimum academic standards. The OIG issued an Investigative Report to Management recommending that the Department determine the allowability of costs charged to this program. Subsequently, the contractor reimbursed the Department \$237,724 for unallowable costs associated with interns who did not meet academic standards. **(I03SR010)**



## Management Controls over Performance Fees

An OIG audit was initiated to determine whether the Department effectively used performance measures and fees to appropriately reward contractor performance at the Idaho National Laboratory. We found that the Department did not always effectively use these performance measures and fees. Furthermore, in establishing fees, management did not balance achieving programmatic priorities against the level of difficulty associated with performing the work. We identified \$2.5 million in performance fees either paid or available to the contractor during FYs 2005 and 2006 that were questionable.

(OAS-M-06-07)

## Project Management

*The Department undertakes numerous unique and complex high-cost projects in order to support its mission. Utilizing stronger policies and controls to ensure that ongoing projects are reevaluated frequently, the Department has made project management a primary area of focus. Recent OIG reviews identified additional necessary improvements to ensure that the Department's project management principles are effective and accomplishing their goals.*

## Office of Civilian Radioactive Waste Management's Corrective Action Program

The Department's Office of Civilian Radioactive Waste Management is preparing to seek a Nuclear Regulatory Commission (NRC) license to construct a permanent repository at Yucca Mountain, Nevada, for the disposal of high-level radioactive waste and spent nuclear fuel. To meet NRC requirements, the Department implemented a Corrective Action Program to identify and resolve all potential conditions adverse to quality that may be reported by



*Test alcove within the Yucca Mountain repository*

Department employees and external stakeholders. At the request of the Acting Director of the Office of Civilian Radioactive Waste Management, an OIG audit was initiated to determine whether the Corrective Action Program was achieving its goal of identifying, tracking, and resolving all identified conditions adverse to quality that could affect the license application process. We found that the Corrective Action Program was not effectively managing and resolving conditions adverse to quality at the Yucca Mountain Project. As a

result, potential conditions that could affect the ongoing design and analysis work may go unresolved, delaying issuance by the NRC of the license to begin construction and operation of the repository. We made several recommendations to further assist management in ensuring that the Corrective Action Program meets its goals. (IG-0736)

## Yucca Mountain Quality Assurance Investigation

As discussed in the preceding OIG Semiannual Report to Congress, in March 2005, Department officials were alerted to the discovery of a series of electronic mail messages that discussed the potential falsification of work and compromise of quality assurance requirements related to the Yucca Mountain Project. As a result of the discovery, a joint OIG investigation with the Department of Interior was initiated into the potential falsification of research data at Yucca Mountain as well as false representation of compliance with existing quality assurance standards. The extensive factual record developed during the investigation was provided to the U.S. Attorney's Office (USAO) for the District of Nevada at the conclusion of the field work. The USAO declined to pursue criminal prosecution in this matter. However, during the course of the investigation, certain internal control deficiencies were identified which were pertinent to the core allegations. Subsequently, a memorandum was issued to the Secretary of Energy that outlined the results of the criminal investigation, including the internal control deficiencies noted during the investigation. (I05LV002)

## State Energy Program's Formula Grants

The Department's State Energy Program provides grants to States to promote energy conservation and efficiency. An OIG audit was initiated to determine whether the Department had implemented controls to ensure grant funds were used for their intended purpose. We found that the Department did not regularly perform on-site monitoring of State Energy Offices to ensure that grant funds were being used for their intended purpose and had not established meaningful performance metrics to determine the cost benefit of the program. (OAS-M-06-05)

## Information Technology

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*Information technology is vital in assuring that the Department fulfills its mission and provides efficient and effective services to the public. While the Department has taken a number of positive actions designed to improve the overall management of information technology resources, additional improvements in this critical area are still needed. During this reporting period, OIG reports have highlighted internal control weaknesses that have impacted information technology systems and security.*

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## Compromise of Personnel Data

During a June 9, 2006, congressional hearing, Department officials publicly disclosed that an unclassified computer system was compromised at the NNSA Service Center in Albuquerque, New Mexico. As a result, a file containing the names and social security numbers of 1,502 NNSA employees was compromised. An OIG special inquiry was initiated to examine the facts and circumstances pertaining to this matter. Our inquiry did not identify anyone in the Department who recalled briefing the Secretary of Energy or the Deputy Secretary on the specific details of the computer attack until June 2006, even though the attack was detected in mid-2005. Additionally, we confirmed that Federal and contractor employees had not been notified that their personnel data was at risk until about 10 months after the data compromise was detected. Further, we determined that there was a lengthy delay in the Department's completion of an impact assessment of the intrusion. We also found that the Department lacked clear guidance on procedures for notifying employees when personnel data is compromised. We concluded that the Department's handling of this matter was dysfunctional and that the operational and procedural breakdowns were caused by questionable managerial judgments; significant confusion by key decision makers as to lines of authority, responsibility, and accountability; poor internal communications; and, insufficient follow-up on critically important issues and decisions. Based on our review, we made several recommendations designed to aid in precluding a recurrence of this event or similar situations. **(I06IG001)**

## The Department's Unclassified Cyber Security Program—2006

As required by the Federal Information Security Management Act (FISMA), an OIG audit was initiated to determine whether the Department's unclassified cyber security program adequately protects data and information systems. During the last year, the Department launched a cyber security revitalization program and issued enhanced guidance designed to strengthen protective efforts. While these were positive steps, we continued to observe deficiencies that exposed the Department's critical systems to an increased risk of compromise. Specifically, we found that:

- In spite of recent improvements in reporting methodologies and standards, the Department had not yet completed a complex-wide inventory of its information systems;
- Many system certifications and accreditations had not been performed or were inadequate;
- Contingency planning, vital to ensuring that systems could continue or resume operations in the event of an emergency or disaster, had not been completed for certain critical systems; and,
- Weaknesses existed in physical, logical access, and change controls designed to protect computer resources.

We found that continuing cyber security weaknesses occurred, at least in part, because program and field elements did not always implement or properly execute existing Department and Federal cyber security requirements. **(IG-0738)**

## **The Federal Energy Regulatory Commission's Unclassified Cyber Security Program**

As required by FISMA, an OIG audit was initiated to evaluate the Federal Energy Regulatory Commission's cyber security program. We found that the Commission has continued to strengthen its cyber security program and has completed corrective action on several issues identified during a previous OIG review. Although these actions are noteworthy, our evaluation disclosed several opportunities to improve the effectiveness and decrease the risk associated with the Commission's cyber security program. As a result, we made several recommendations designed to aid management. **(OAS-M-06-10)**

## **Excessing Unclassified Computers at Los Alamos National Laboratory**

In August 2005, a computer excessed by the Los Alamos National Laboratory was sold at auction. Subsequently, it was revealed that the computer still had its hard drive intact and contained unclassified Laboratory documents. An OIG inspection was initiated to examine the Laboratory's excessing processes and to determine if Los Alamos had complied with applicable internal controls. Our review concluded that Los Alamos had not complied with applicable internal controls when excessing the computer. Specifically, Los Alamos had not sanitized the hard drive prior to processing the computer as excess or removed the hard drive prior to transferring the computer for sale at auction. The internal control failures relating to the excessing and surplusing of this computer raised concerns as to whether the hard drives for seven other computers sold at the same time were sanitized and removed prior to being sold at auction. As a result, we recommended several corrective actions intended to enhance data security at Los Alamos. **(IG-0734)**

## **Recovery of Computers**

Two separate OIG investigations resulted in the recovery of a computer and a hard drive, both containing personally identifiable information. In the first case, an investigation was initiated in response to allegations that a private citizen involved in drug trafficking was in possession of classified data on a computer hard drive from the Department's Idaho National Laboratory. OIG Special Agents recovered the hard drive. Forensic examination revealed that while the hard drive contained no classified information, it contained personal identifying information on 34 Department contractor employees. The investigation revealed that the hard drive had not been properly sanitized before being disposed of several

years ago. Local authorities accepted the case for prosecution on the drug-related violation. The 34 employees were notified of the compromise of personal data. In the second case, an OIG investigation was opened after a subcontractor computer containing identifying information of subcontractor employees was stolen from the Department's Oak Ridge National Laboratory. The OIG investigation identified a former subcontractor employee as a suspect. The employee and an accomplice were indicted. In addition, the subcontractor employees were notified of the compromise of personal data. **(I06IF003 and I06OR012)**

## Information Technology Support Services

In an August 2001 report, *Information Technology Support Services Contracts*, we concluded that the Department did not have a comprehensive framework for acquiring information technology (IT) support services. We initiated this most recent audit to determine whether the Department now had designed and implemented an effective process for managing and controlling contractor IT support services costs. Our audit revealed that while the Department had initiated action to consolidate requirements for services provided to Federal employees, it continued to face a number of challenges. Specifically:

- Contractors frequently failed to take advantage of opportunities to aggregate demand to reduce IT support service costs;
- Per user support costs varied substantially between Department sites;
- Costs for co-located contractors varied by as much as 50 percent per user for the same or similar services; and,
- A number of contractors did not actively track functional IT support costs, preventing contractor management and Federal officials from maintaining visibility over the component costs of furnished services.

Although the Department had initiated action to consolidate Federal IT support services by implementing the Extended Common Integrated Technology Environment Program, it had not established a comprehensive framework that would provide a corporate-wide approach to providing IT support services. We concluded that there is a potential for significant cost savings at the Department's numerous contractor-managed sites through improved management and control of IT support services. **(IG-0725)**

## Financial Management and Reporting

*For FY 2006, the OIG identified financial management and reporting as a new management challenge. The Department's implementation of a new financial management system combined with standing up a new financial services organization resulted in a new organizational structure for performing financial services and accounting operations.*

*During the previous reporting period, we reported that the Department faced numerous challenges related to data conversion which, in turn, adversely impacted the financial management and reporting capabilities of the Department as well as the FY 2005 financial statement audit. As a result, a disclaimer of opinion was issued on the Department's FY 2005 consolidated financial statements.*

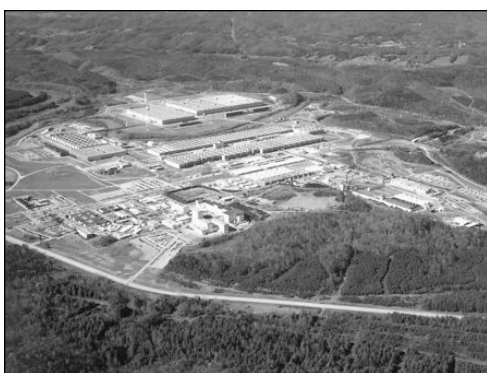
*During the past year, the Department has worked to correct identified weaknesses in the area of financial management and reporting. Pursuant to the requirements of the Government Management Reform Act of 1994, an annual audit of the Department's consolidated financial statements is currently ongoing. The results of this review will be available by November 15, 2006.*



# Other Significant Accomplishments

## Worker and Community Safety

### Beryllium Controls at the Oak Ridge National Laboratory



*Aerial view of the Oak Ridge National Laboratory*

Since the 1950s, the Department's Oak Ridge National Laboratory has managed Building 9201-2, located at the Y-12 National Security Complex. In December 2001, an inventory of the building detected the presence of beryllium. In response to an allegation regarding the mishandling of beryllium contaminated equipment located in Building 9201-2, an OIG audit was initiated to determine the validity of the allegation as well as to analyze internal controls related to beryllium. Our review disclosed that the

Laboratory did not properly manage activities relating to beryllium contamination. Specifically, we found that beryllium contaminated equipment was transferred from Building 9201-2 to non-beryllium areas at the Laboratory. In addition, we found that employees associated with moving and working with the equipment were not always adequately protected from possible beryllium exposure. **(IG-0737)**

### Beryllium-Associated Worker Registry

In January 2000, the Department established a Chronic Beryllium Disease Prevention Program, in large part to reduce worker exposure to beryllium at Department facilities. A key component of this program is the Beryllium-Associated Worker Registry, designed to aggregate beryllium-associated worker information, such as exposure and medical data from all Department sites. An OIG audit was initiated to determine whether the Department had established, maintained, and effectively used the Registry to evaluate worker health effects associated with beryllium exposure. We found that the Registry was established as planned, but the Department had not maintained data completeness or accuracy, used the Registry to evaluate health effects of beryllium exposure, or used the Registry to examine the prevalence of beryllium disease, as initially envisioned. The results of our audit showed that implementation of the Registry program did not meet its own expectations nor was it as helpful as it could have been in achieving the worker safety objectives that were established



by the Department. We offered several recommendations to assist efforts in restructuring the Registry and, as a consequence, to advance the state of worker health and safety within the Department as a whole. **(IG-0726)**

## Lead Contamination and Radiological Controls at the Nevada Test Site

Responding to an allegation that lead bricks at the Nevada Test Site's Occupational Medicine Facility created a lead dust hazard and that there were numerous specified radiological control violations at the Site, an OIG inspection found that surface lead dust contamination at four locations in the

### Did you know?

**Larger than the state of Rhode Island, the Nevada Test Site has diversified into many other programs since the nuclear weapons testing moratorium in 1992, including hazardous chemical spill testing, emergency response training, conventional weapons testing, and waste management and environmental technology studies.**

Occupational Medicine Facility exceeded the site contractor's established threshold levels. Further, the contractor had not taken action to make surfaces in these contaminated areas "as free as practicable" of lead dust, as required by the Occupational Safety and Health Administration. Regarding the specified radiological control violations, we found that a number did exist, but they were self-reported by the Site contractor and corrective actions were in the process of being verified

for completion. Our inspection also identified areas for improvement in the Site's sealed radioactive source program. Based on our findings, we recommended several corrective actions intended to enhance safety and health at the Nevada Test Site. **(INS-O-06-02)**

## Stanford Linear Accelerator Center Employee Safety Training



*Babar Detector System at the Stanford Linear Accelerator Center*

Upon receiving an allegation regarding employee safety training at the Department's Stanford Linear Accelerator Center (SLAC), an OIG inspection was initiated to determine if Department training requirements were being followed. Our review found that many employees' Safety Training Assessments (STAs), which SLAC uses to establish employees' basic environment, safety, and health training requirements, were not updated in a timely manner or were inadequate. Given the importance of employee safety training, ensuring the completion of STAs is vital. In response to our recommendations, Department management indicated that measures were being taken to ensure that safety training requirements are being met and also stated that an external peer review process has been initiated to review SLAC's safety training program. **(INS-L-06-07)**

## Administrative Safeguards

### The Department's Interaction with the National Coal Council

In response to a request by Senator Joseph Lieberman, an OIG audit was initiated to determine whether the membership and conduct of the National Coal Council, a Department of Energy advisory committee, complied with the requirements set forth in the Federal Advisory Committee Act. Specifically, Senator Lieberman was concerned that the National Coal Council and, in particular, a recent Council report, did not fairly reflect the views of all relevant positions, particularly those of environmental groups. During the course of our review, the Department initiated an effort to address issues of fairness by taking steps to broaden Council representation as well as initiating an additional study to address environmental concerns. **(OAS-L-06-16)**

### Department Supplier Sentenced for Trafficking in Counterfeit Goods

As previously reported, a joint OIG investigation with the Federal Bureau of Investigation and the Postal Inspection Service determined that the owner of a wholesale computer parts reseller supplied \$380,000 in counterfeit computer memory kits to the Department's Bettis and Knolls Atomic Power Laboratories. The parts were determined to be counterfeit before they were installed. The subject pled guilty to a one count violation of Trafficking in Counterfeit Goods under Title 18, U.S.C., Section 2320. During this reporting period, the subject was sentenced to 10 months home confinement and 3 years probation. **(I02PT005)**

### Response to Hurricanes Katrina and Rita

An OIG follow-up review to identify the actions taken by the Department in response to Hurricanes Katrina and Rita determined that since November 2005 the Department has made significant progress toward implementing our recommendations to enhance its Emergency Support Function-12 (ESF-12) mission capabilities. Specifically, the Department clarified communications processes during ESF-12 deployments, addressed responder equipment needs, and augmented staffing levels to meet mission requirements. However, opportunities remain to improve the Department's efforts to identify emergency response assets in advance of events such as natural disasters. Departmental action to improve its inventory of emergency response assets will further strengthen the progress already made in implementing our earlier recommendations. **(IG-0733)**

## Subject Pleads Guilty in Mail Fraud Scheme

A joint OIG investigation with the Federal Bureau of Investigation determined that the subject, along with other unindicted co-conspirators, devised a scheme to use the U.S. Postal Service to submit invoices and obtain payments from a Department grantee for work not performed. The scheme resulted in approximately \$325,000 in fraudulent payments. The subject pled guilty to a one count violation of Mail Fraud under Title 18, U.S.C. Section 1341-1346. **(I04HQ002)**

## Settlement Reached in Civil False Claims Investigation

A joint OIG investigation with the FBI, the Department of Health and Human Services, and the Department of Education of a *qui tam* complaint filed under the False Claims Act determined that a recipient of Department Cooperative Agreement funds submitted financial status reports that contained false claims from September 30, 1990, to September 29, 2002. Those claims included inflated matching funds, which the recipient was supposed to contribute as part of the Cooperative Agreement. The recipient entered into a \$5,266,645 civil settlement with the U.S. Government. Of those funds, \$4,166,645 were returned to the Department. **(I04OR002)**

## Former Contractor Employee Debarred After Forgery Conviction

An OIG investigation determined that a former Department contractor employee embezzled approximately \$40,000 from his company while working on a Department contract at the Department's East Tennessee Technology Park. The investigation revealed the subject kept former employees on the payroll without their knowledge, collected their paychecks, forged their signatures on the checks, and then cashed the checks. The subject was indicted by the State of Tennessee for 49 violations of forgery and 49 violations of theft of property. The subject pled guilty to 25 counts of forgery and agreed to pay restitution. The subject was also debarred from Government contracting for a three-year period. **(I04OR012)**

## Department Employee Pleads Guilty to Sexual Battery to a Minor Child

A joint investigation between the OIG and the Federal Bureau of Investigation, Idaho Falls Police Department, and Madison County Sheriff's Office determined that, while on travel to Idaho, a Department Headquarters Manager engaged in sexual activity with a minor. The subject was arrested and charged with first degree kidnapping and three counts of Sexual Battery to a Minor. He subsequently pled guilty to one felony count of Sexual Battery to a Minor in an Idaho District Court. The subject was sentenced to 5 to 15 years

incarceration and ordered to pay \$5,297 in fines; court ordered restitution to the victim is still pending. The Department suspended the subject's employment and the subject subsequently resigned. **(I05IF002)**

## Subject Prosecuted for Stealing Government Property

A joint OIG investigation with the Miamisburg Police Department determined that a subcontractor employee stole Government property from the Mound Facility in Miamisburg, Ohio, during a five-year period. The subject admitted that he had stolen numerous items, including riding lawn mowers, blow torches and other equipment. The original value of the stolen equipment was estimated at \$85,782. The subject pled guilty to a felony violation of Ohio Code 2913.51 (A) (Receiving Stolen Property) and was sentenced to five years probation. **(I06OR001)**

## Results

### Highlights of Positive Results 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 Department took several actions to reduce costs and better manage its Fleet Vehicle Program. Specifically, 2 program offices reduced their fleets by 25 vehicles while 2 additional program offices identified nearly 200 vehicles that would be removed from their fleets.
- The Department restructured its corrective action plan to correct material financial management and reporting weaknesses. The restructured plan identified management officials responsible for taking specific corrective actions and improving accountability. In addition, the Department established completion goals for all tasks and reinstated a method of tracking progress toward meeting goals.
- The Department revised a project management directive to resolve inconsistencies with related policy and provide better guidance on monitoring and control of information technology projects or investments.
- The Department continued to take action in strengthening its cyber security posture by launching a revitalization program and implementing several measures to reduce cyber security weaknesses. As part of the revitalization effort, enhanced guidance designed to strengthen protective efforts was issued. This new and updated guidance addressed areas such as risk management and protection of personally identifiable

information. In addition, the Department improved its process for reporting cyber security incidents to law enforcement.

- The Department's Fermi Site Office recovered nearly \$110,000 in unallowable costs for procurement card purchases, travel costs, and allocated Corporate Office expenses claimed in FY 2004 at the Fermi National Accelerator Laboratory. Additionally, similar action is being taken to recover similar costs identified as unallowable for FYs 2005 and 2006. Further, the Fermi Site Office prompted the contractor to take action to reduce the likelihood of similar future unallowable costs.
- The management and operating contractor at the Pantex Plant revised its written property tracking and inventory procedures to ensure that security equipment is being appropriately controlled.
- The management and operating contractor at the Nevada Test Site developed and implemented an interim control plan for safe entry into lead contaminated spaces.
- The management and operating contractor at the Nevada Test Site increased the number of sealed radioactive source program assessments performed in a year and revised its Source Control Program site requirements to ensure consistent implementation of its policies and procedures.
- The Department issued supplemental guidance to the Office of Counterintelligence that clearly defines how and when that office can collect and retain information on United States citizens.
- The management and operating contractor at Sandia National Laboratory-New Mexico revised its Buy American Act procurement guideline and provided training to the Sandia Contracting Representatives to ensure compliance with these requirements.
- The Lawrence Livermore National Laboratory implemented a new policy designed to recover the badges of terminating employees in a timely manner.
- The Department and Lawrence Livermore National Laboratory finalized performance measures for FY 2007 to ensure that significant aspects of its personal security activities comply with Department policy.
- The Office of Environment, Safety and Health took action to correct existing data errors and omissions in the Department's Beryllium-Associated Worker Registry. It also initiated efforts to revise the Department's Technical Standard for implementing the Registry.
- The Department took action to improve its Emergency Support Function-12 response capabilities. In particular, the Department clarified communications processes during deployments, addressed responder equipment needs, and augmented staffing levels to meet mission requirements.
- The Federal Energy Regulatory Commission corrected blank and weak passwords on computer systems, disabled unused network accounts, and completed self-assessments for all of its major applications and general support systems in order to strengthen its cyber security program.

- The Department issued DOE Notice 350.2, *Supplemental Requirements for the Use of Management and Operating or Other Facility Management Contractor Employees for Services to DOE in the Washington D.C. Area*, which requires evaluations of new management and operating contractor employee assignments be completed during the preparation of program office annual staffing plans.

## Congressional Responses

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During this reporting period, the OIG provided information at the request of Congress in eight instances and briefed Committee staff on seven occasions. In addition, the OIG testified at two Congressional hearings: (1) on April 25, 2006, before the Subcommittee on the Federal Workforce and Agency Organizations, House Committee on Government reform, entitled “Yucca Mountain Project: Broken Management, Broken Quality Assurance, Broken Project;” and (2) on June 9, 2006, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, entitled “Cyber Security Challenges of the Department of Energy.”

## Management Referral System

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The OIG operates an extensive Management Referral System. Under this system, selected matters received through the OIG Hotline or other sources are referred to the appropriate Department manager or other Government agency for review and appropriate actions.

The OIG referred 80 complaints to Department management and other Government agencies during this reporting period and specifically requested Department management to respond concerning the actions taken on 41 of these complaints. Otherwise, Department management is asked to respond if it develops information or takes action that it believes should be reported. The following demonstrates management’s use of OIG-provided information to stimulate positive change or to take decisive action:

- In response to an allegation that a subcontractor auditor appeared to have been taking actions that constituted an inappropriate conflict of interest, the responsible program office reported that the prime contractor removed the auditor from all audits in which there appeared to be a conflict. In addition, the prime contractor reimbursed the Department of Energy for travel that the auditor had incurred. The Department of Energy Project Manager personally advised all auditors connected with the project that a conflict of interest is grounds for removal and that no auditor should use an audit to promote personal interests.

- In response to an allegation that possible sensitive floor plans were contained in a scientific document posted to a web page, the responsible program office immediately withdrew the document from the web site and submitted it for classification review. The review determined that the document, while not classified, should not have been posted to the web page. The appropriate Department site office is reviewing all public web pages and randomly searching web links to ensure that inappropriate material is not being posted.
- In response to a referral regarding possible violations of Department of Energy Order 471.4, “Incidents of Security Concern,” which pertains to the timely reporting of security incidents, the program office conducted a review and determined that violations had occurred. As a result, the program office initiated actions to prevent future violations of the Order.

## Qui Tams

The OIG continues to be instrumental in working with the Department of Justice in *Qui Tam* cases. The OIG is currently working on 23 *Qui Tam* lawsuits involving alleged fraud against the Government in the amount of approximately \$157 million. These cases are highly resource intensive, requiring the active participation of OIG investigative and audit assets. However, they have often proven to result in a high return on our investments.

### Did you know?

**The False Claims Act (Act) prohibits any person from “knowingly” presenting a “false or fraudulent claim for payment or approval” to the Federal Government. The Act authorizes individual citizens to bring private suits, referred to as *qui tam* actions, to enforce the Act on behalf of the Government.**

## Intelligence Activities

The OIG issued two quarterly reports pursuant to Executive Order 12863, “President’s Foreign Intelligence Advisory Board.” The Order requires the Inspectors General of the Intelligence Community to report to the Intelligence Oversight Board concerning intelligence activities the Inspectors General have reason to believe may be unlawful or contrary to Executive order or Presidential directive. No intelligence activities were reported during this period that were contrary to Executive order or Presidential directive.



## Legislative and Regulatory Review

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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 Department economy and efficiency. The OIG coordinated and reviewed 24 legislative and regulatory items during the reporting period.

## Hotline System

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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, 949 complaints were processed. The OIG Hotline System can be reached by calling 1-800-541-1625 or 1-202-586-4073.

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# Reports Issued

Audit Reports Issued – April 1, 2006, through September 30, 2006

Report Number	Title	Date of Issue	Savings	Questioned Costs
IG-0725	<i>Information Technology Support Services at the Department's Operating Contractors</i>	04-19-06	\$14,000,000	
IG-0726	<i>Implementation of the Department of Energy's Beryllium-Associated Worker Registry</i>	04-20-06		
IG-0727	<i>Management of Spent Nuclear Fuel at the Savannah River Site</i>	05-12-06	\$150,000,000	
IG-0728	<i>The Department's Utilization of Fleet Vehicles</i>	05-17-06	\$9,100,000	
IG-0729	<i>W76 Life Extension Project</i>	05-25-06		
IG-0730	<i>The Department's Management of Non-Nuclear High Explosives</i>	06-26-06		
IG-0733	<i>Follow-Up Review of the Department of Energy's Response to Hurricanes Katrina and Rita</i>	07-12-06		
IG-0736	<i>The Office of Civilian Radioactive Waste Management's Corrective Action Program</i>	08-16-06		
IG-0737	<i>Beryllium Controls at the Oak Ridge National Laboratory</i>	09-06-06		\$27,400
IG-0738	<i>The Department's Unclassified Cyber Security Program – 2006</i>	09-18-06		
IG-0739	<i>Performance-Based Contract Incentives at the Hanford Site</i>	09-20-06		
IG-0740	<i>The National Nuclear Security Administration's B61 Spin Rocket Motor Project</i>	09-26-06	\$60,000,000	

<b>Report Number</b>	<b>Title</b>	<b>Date of Issue</b>	<b>Savings</b>	<b>Questioned Costs</b>
OAS-M-06-05	<i>Management Controls over the State Energy Program's Formula Grants</i>	04-26-06		
OAS-M-06-06	<i>Management Controls over Cesium and Strontium Capsule Disposition at the Hanford Site</i>	08-04-06		
OAS-M-06-07	<i>Management Controls over Performance Fees in the Idaho National Laboratory Contract</i>	08-24-06	\$2,500,000	
OAS-M-06-08	<i>Management Controls over Small Business Opportunities at Lawrence Livermore National Laboratory</i>	08-24-06	\$1,200,000	
OAS-M-06-09	<i>Follow-up on the Management of Plutonium-239 Sealed Sources Recovery Activities</i>	09-12-06		
OAS-M-06-10	<i>Management Controls over the Federal Energy Regulatory Commission's Unclassified Cyber Security Program – 2006</i>	09-25-06		
OAS-L-06-11	<i>Contract Transition Activities at the Idaho Operations Office</i>	04-10-06		
OAS-L-06-12	<i>Sandia National Laboratories' Safeguards and Security Path Forward Management Plan</i>	04-10-06		
OAS-L-06-13	<i>Workforce Planning at the Power Marketing Administrations</i>	04-25-06		
OAS-L-06-14	<i>The Department's Development and Implementation of the Corporate Human Resource Information System</i>	05-15-06		
OAS-L-06-15	<i>Storage Capacity of the High Level Waste Tanks at the Savannah River Site</i>	06-15-06		

<b>Report Number</b>	<b>Title</b>	<b>Date of Issue</b>	<b>Savings</b>	<b>Questioned Costs</b>
OAS-L-06-16	<i>The Department of Energy's Interaction with the National Coal Council</i>	08-04-06		
OAS-L-06-17	<i>Molten Salt Reactor Experiment Cleanup Project</i>	08-16-06		
OAS-L-06-18	<i>Performance Based Incentives for BWXT Y-12, LLC</i>	08-21-06		
OAS-L-06-19	<i>The Department's Hydrogen Projects</i>	09-07-06		
OAS-L-06-20	<i>Special Report on "The Department's Security over Personally Identifiable Information"</i>	09-20-06		
OAS-V-06-11	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Los Alamos National Laboratory under Department of Energy Contract No. W-7405-ENG-36</i>	07-21-06		\$1,337,913
OAS-V-06-12	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Bechtel Nevada Corporation under Department of Energy Contract No. DE-AC08-96NV11718</i>	09-14-06		
OAS-V-06-13	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Bechtel Jacobs Company, LLC under Department of Energy Contract Nos. DE-AC05-98OR22700 and DE-AC05-03OR22980</i>	09-26-06		

<b>Report Number</b>	<b>Title</b>	<b>Date of Issue</b>	<b>Savings</b>	<b>Questioned Costs</b>
OAS-V-06-14	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to UT-Battelle, LLC under Department of Energy Contract No. DE-AC05-00OR22725</i>	09-26-06		
OAS-V-06-15	<i>Assessment of Changes to Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to DynMcDermott Petroleum Operations Company Under Department of Energy Contract Nos. DE-AC96-093P018000 and DE-AC96-03P092207</i>	09-26-06		
OAS-V-06-16	<i>Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Princeton University's Princeton Plasma Physics Laboratory under Department of Energy Contract No. DC-AC02-76CH03073</i>	09-27-06		
OAS-FC-06-01	<i>Audit of Fermi National Accelerator Laboratory Costs Claimed under Contract No. DE-AC02-76CH03000 for Fiscal Year 2004</i>	04-10-06		\$196,835
OAS-FS/ CA-06-03	<i>Review of Actions to Correct Financial Control and Reporting Weaknesses</i>	05-09-06		
OAS-FS/ CA-06-04	<i>Review of Actions to Correct Financial Control and Reporting Weaknesses</i>	06-26-06		

Inspection Reports Issued –  
April 1, 2006, through September 30, 2006\*

<b>Report Number</b>	<b>Title</b>	<b>Date of Issue</b>
IG-0723	<i>The Department of Energy's Review of Export License Applications for China</i>	04-05-06
INS-L-06-04	<i>Rocky Mountain Oilfield Testing Center Environmental Remediation Associated with Research and Development Activities</i>	04-17-06
IG-0724	<i>Badge Retrieval and Security Clearance Termination at Sandia National Laboratory-New Mexico</i>	04-18-06
INS-L-06-05	<i>Protective Force Work Environment at Sandia National Laboratory-New Mexico</i>	04-24-06
INS-O-06-02	<i>Concerns Regarding Lead Contamination and Radiological Controls at the Nevada Test Site</i>	05-17-06
INS-L-06-06	<i>Internal Controls for Protective Force Property at the Pantex Plant</i>	05-17-06
INS-L-06-07	<i>Stanford Linear Accelerator Center Employee Safety Training</i>	06-08-06
IG-0731	<i>Review of the Protective Force Radio Communication System at Sandia National Laboratory-New Mexico (Classified)</i>	06-27-06
IG-0732	<i>The Human Reliability Program at Lawrence Livermore National Laboratory</i>	06-30-06
IG-0734	<i>Internal Controls for Excessing and Surplusing Unclassified Computers at Los Alamos National Laboratory</i>	07-26-06
IG-0735	<i>Destruction of Classified Hard Drives at Sandia National Laboratory-New Mexico</i>	08-03-06
INS-L-06-08	<i>Access Controls for Foreign Nationals at the Lawrence Berkeley National Laboratory</i>	08-28-06

\*Does not include non-public reports

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# Statistical Information

## Audit Report Statistics – April 1, 2006, through September 30, 2006

*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:*

	<b>Total Number</b>	<b>One Time Savings</b>	<b>Recurring Savings</b>	<b>Total Savings</b>
Those issued before the reporting period for which no management decision has been made:*	7	\$1,487,212,839	\$6,000,000	\$1,493,212,839
Those issued during the reporting period:	34	\$236,800,000	\$0	\$236,800,000
Those for which a management decision was made during the reporting period:*	19	\$547,281,766	\$0	\$547,281,766
Agreed to by management:		\$11,197,296	\$0	\$11,197,296
Not agreed by management:		\$514,684,470	\$0	\$514,684,470
Those for which a management decision is not required:	15	\$0	\$0	\$0
Those for which no management decision has been made at the end of the reporting period:*	7	\$1,198,131,073	\$6,000,000	\$1,204,131,073

*\*The figures for dollar items include sums for which management decisions on the savings were deferred.*

## Audit Report Statistics – April 1, 2006, through September 30, 2006

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

	Total Number	Questioned Costs	Unsupported Costs
Those issued before the reporting period for which no management decision has been made:*	0	\$4,107,018	\$0
Those issued during the reporting period:	3	\$1,562,148	\$0
Those for which a management decision was made during the reporting period:*	3	\$1,724,408	\$0
Value of disallowed costs:		\$200,972	\$0
Value of costs not disallowed:		\$158,123	\$0
Those for which a management decision is not required:	0	\$0	\$0
Those for which no management decision has been made at the end of the reporting period:*	0	\$5,310,071	\$0

*\*The figures for dollar items include sums for which management decisions on the savings were deferred.*

## Reports Lacking Management Decision

The Department has a system in place to track audit reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by audit agencies and agreed to by management are addressed as efficiently and expeditiously as possible. Listed below are audit reports over six months old that were issued before the beginning of the reporting period and for which no management decisions had been made by the end of the reporting period. The reasons management decisions had not been made and the estimated dates (where available) for achieving management decisions are also included.

### ■ Management Audits

**CR-B-99-02:** Management of Unneeded Materials and Chemicals, September 30, 1999 – *The management decision was signed on June 23, 2005, assigning programs with the responsibility to develop unneeded materials and chemical disposal plans.*

*Program elements have submitted their plans for review. The Department is currently reviewing these plans to ensure each adequately addresses audit report recommendations. The Department expects to submit completion reports to the OIG by December 31, 2006.*

**IG-0669:** Use and Management of Mobile Communications Services, December 14, 2004 – *The finalization of the management decision for this report is awaiting review of the proposed costs for contracted support to perform the activities cited in the Inspector General audit. Beyond that, review and concurrence by the necessary Departmental Elements will be obtained. This should occur by March 31, 2007.*

**IG-0688:** The National Nuclear Security Administration's Pit Disassembly and Conversion Facility, May 3, 2005 – *The finalization of the management decision is pending the resolution of complex issues. This should occur by December 31, 2006.*

**IG-0718:** Management of the Department's Desktop Computer Software Enterprise License Agreements, January 30, 2006 – *The finalization of the management decision is pending the resolution of complex issues. This should occur by December 31, 2006.*

## Prior Significant Recommendations Not Implemented

As of September 2006, closure actions on recommendations in 38 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 undertaken a series of initiatives to strengthen its process for addressing recommendations in OIG reports and closed 150 recommendations in the last 6 months. Management updates the Departmental Audit Report Tracking System on a quarterly basis, most recently in September 2006. Information on the status of any report recommendation can be obtained through the OIG's Office of Audit Services and Office of Inspections and Special Inquiries.

## Inspection Statistics – April 1, 2006, through September 30, 2006

Inspections/Special Inquiries open at the start of this reporting period	88
Inspections/Special Inquiries opened during this reporting period	23
Inspections/Special Inquiries closed during this reporting period	4
Inspections open at the end of this reporting period	107
Reports issued (includes non-public reports)	15
Report Recommendations*	
<i>Issued this reporting period</i>	41
<i>Accepted by management this reporting period</i>	39
<i>Implemented by management this reporting period</i>	31
Complaints referred to Department management/others	80
<i>Referrals to Department management requesting a response for OIG evaluation</i>	41

\*Includes non-public report recommendations

## Hotline Statistics – April 1, 2006, through September 30, 2006

Hotline calls, emails, letters, and other complaints	949*
Hotline calls, emails, letters, and other complaints predicated	202
Unresolved Hotline predications from previous reporting period	9
<i>Total Hotline predications</i>	211
Hotline predications transferred to the Management Referral System	95
Hotline predications closed based upon preliminary OIG activity	106
Hotline predications pending disposition	10
<i>Total predications processed</i>	211

\*The figure includes complaints outside the purview of the Office of Inspector General. The complainants were referred to the appropriate Federal, State, local, or private organization for assistance, if applicable.

## Investigative Statistics – April 1, 2006, through September 30, 2006

Investigations open at the start of this reporting period	271
Investigations opened during this reporting period	75
Investigations closed during this reporting period	73
Investigations open at the end of this reporting period	273
<i>Qui Tam</i> investigations opened	5
<i>Total open Qui Tam investigations as of 9/30/05</i>	23
Multi-agency task force investigations opened	20
<i>Total open multi-agency task force investigations as of 9/30/05</i>	136
Investigative reports to prosecutors and Department management	23
Recommendations to management for positive change and other actions	94
Administrative discipline and other management actions	55
Suspensions/Debarments	33
Investigations referred for prosecution	15
<i>Accepted*</i>	16
<i>Indictments</i>	32
<i>Criminal convictions</i>	14
<i>Pretrial diversions</i>	2
<i>Civil actions</i>	1
Fines, settlements, recoveries**	\$10,307,608.18

\*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.

# Feedback Sheet

The contents of the October 2006 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-1)  
Washington, D.C. 20585**

**ATTN: Juston Fontaine**

Name: \_\_\_\_\_

Daytime Telephone Number: \_\_\_\_\_

Comments/Suggestions/Feedback:  
*(Please attach additional sheets if needed.)*



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