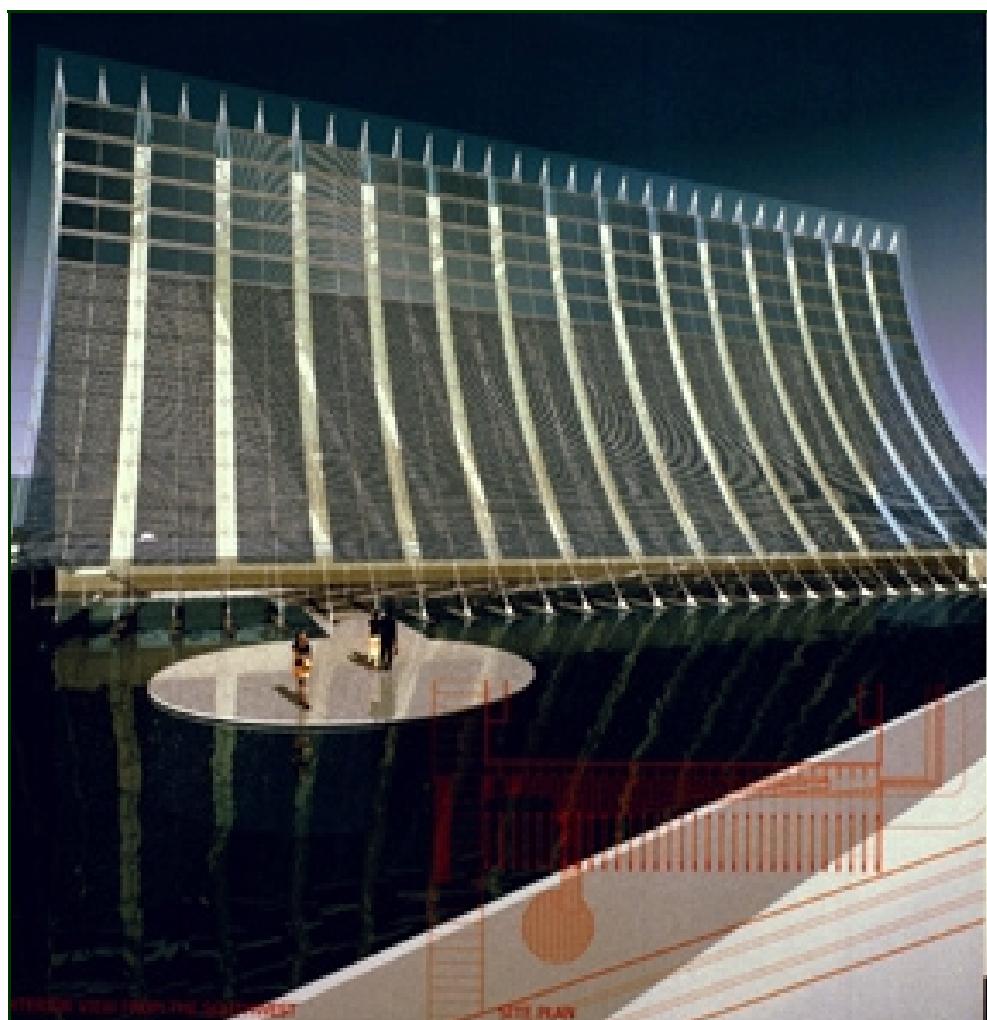


# Semiannual Report to Congress



U.S. DEPARTMENT OF ENERGY  
OFFICE OF INSPECTOR GENERAL  
WASHINGTON, DC 20585

April 1 to September 30, 2000

The picture on the front cover is the solar system design that won the Department of Energy's "Sun Wall" national design competition. The purpose of the design was to come up with a system that is technologically advanced and aesthetically pleasing at the same time. This solar system will be for the 30,000 square foot vertical, south-facing wall of the Department's Forrestal Building in Washington, D.C. The competition challenged entrants to create a major architectural and technology landmark in the Nation's Capital that demonstrates the Department's commitment to developing clean energy technology power in the 21st century. Sponsors of the competition were the Department of Energy, the American Institute of Architects, National Renewable Energy Laboratories, and the Architectural Engineering Institute.



## Department of Energy

Washington, DC 20585

October 31, 2000

The Honorable Bill Richardson  
Secretary  
U.S. Department of Energy  
Washington, DC 20585

Dear Secretary Richardson:

I am pleased to submit the Office of Inspector General's (OIG) Semiannual Report to Congress. The report summarizes significant OIG activities and accomplishments during the 6-month period ending September 30, 2000. The Inspector General Act, as amended, requires you to forward the report to the appropriate congressional oversight committees within 30 days of your receipt of this report.

Our major accomplishments during the reporting period are highlighted in the "Message from the Inspector General" at the beginning of the Report. These accomplishments reflect our continuing commitment to focus OIG efforts on the issues and concerns most critical to the Congress, the Administration, and the Department. Detailed descriptions of these and other OIG reports issued during the period, as well as other notable accomplishments, are included in the remainder of the Report.

We appreciate the opportunity to work with you, other Department and Administration officials, and the Congress in pursuing our mutual goals and objectives.

Sincerely,

A handwritten signature in black ink that reads "Greg Friedman".

Gregory H. Friedman  
Inspector General

Enclosure



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**T**he Office of Inspector General (OIG) plays an important role in helping to ensure the efficiency, effectiveness, and integrity of all of the programs and operations of the Department of Energy, including those of the National Nuclear Security Administration (NNSA). During this reporting period, the OIG continued to provide special attention to the particular management challenges, vulnerabilities, and issues of concern to the NNSA. The challenges to the NNSA in its formative stages are many, and the OIG has sought to be of service to this crucial national security mission. Most notably, we issued a report on the state of the nuclear weapons infrastructure, discussed on pages 4 and 24 of this report. Our reviews addressed other important issues facing the NNSA and the Department, as well, including in the areas of safeguards and security, contract administration, and program management. The OIG will continue to serve as an independent voice to the Department, the NNSA, the Congress, and the taxpayer on important matters of national concern.



During this reporting period, the OIG made recommendations to improve operations, facilitate positive change, and combat unlawful activity within the Department. Additionally, our activities had a positive dollar impact. Our work during the period resulted in over \$372.8 million in recoveries and potential savings. Over \$2.7 million of these funds have been or will be returned to the Federal Government.

## **Major Trends and Issues**

We assisted the Department in its efforts to improve areas of historical concern to Congress and the Administration, most notably efforts in: program management and operations; safeguards and security; environment, safety, and health; infrastructure; contract/grant administration; information technology management; financial management; and administrative safeguards. We continued to devote our resources to areas of critical concern to the Congress and the Administration. Over the last 6 months, the number of requests from the Secretary and the Congress to perform sensitive, complex tasks in short periods of time continued to

increase. In addition, our efforts to assist the Department of Justice (DOJ) in settling Qui Tam cases continued to increase. The following are highlights of these efforts.

### **Program Management and Operations**

The Department continues to face challenges in meeting its goal of improving program management and operations. The OIG has issued numerous reports on long-standing problems in this area. For example, during the reporting period we conducted a review to determine whether the Department had taken action to expeditiously terminate the Advanced Liquid Metal Reactor Program and to close the Experimental Breeder Reactor II (EBR II). The audit concluded that the Department failed to take appropriate action to immediately close EBR II. We recommended a series of actions designed to ensure that EBR II would be closed “as soon as possible.”

In addition, an OIG review determined that Rocky Flats Environmental Technology Site and its contractor failed to properly dispose of and account for weapons parts. This occurred because Rocky Flats failed to require its operating contractor to maintain an accurate inventory or to require screening of parts prior to disposal. We recommended that Rocky Flats initiate a number of actions to improve the control and accountability of weapons parts.

### **Safeguards and Security**

Congress and the Administration continue to demand immediate improvement to the safeguards and security posture of the Department. Consequently, we continued to conduct significant reviews of security issues and problems in support of the Department’s commitment to improve security at its facilities. The following examples summarize significant OIG accomplishments in this area.

An inspection found that the Westinghouse Savannah River Company (WSRC) failed to comply with Department and Savannah River Site requirements for disposal of surplus computers. Specifically, WSRC did not clear stored information, including sensitive unclassified information and

Unclassified Controlled Nuclear Information, from all surplus computers. When WSRC discovered that unclassified surplus computer equipment had been sold, it reacquired and destroyed the equipment. We recommended that the Department review its property management systems and determine whether any security vulnerabilities resulted from the release of information.

Another OIG review determined that management officials of the Albuquerque Operations Office changed annual security survey ratings for Los Alamos National Laboratory (LANL) without documented rationale for such changes. Furthermore, LANL personnel believed that they had been pressured by LANL management to change security self-assessments. As a result of our review, the Department established a team to review whether the Department's self-assessment programs have been fully implemented and adequately represent the actual security conditions at each facility.

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

One of the greatest challenges the Department faces is the task of cleaning up contaminated sites and disposing of radioactive waste. The Department continues to commit resources to address the environmental legacy of over 50 years of nuclear weapons production by the Department and its predecessors. To assist the Department with its efforts to optimize the use of the \$6 billion it spends annually on environmental remediation activities, we continued to devote significant resources to reviews of waste disposal, and low-level and radioactive waste management programs.

During this reporting period, the OIG conducted a review to determine whether a contractor was on track to complete the decontamination and decommission (D&D) of three large uranium enrichment buildings in the Department's East Tennessee Technology Park (ETTP). The contractor was also required to recycle or dispose of materials located in the ETTP buildings and make the buildings available for commercial use by September 2003. The review determined

that the contractor was not on track to complete the D&D within the current contract price or on schedule. The review also determined the existence of an increased risk to the public of release of contaminated metals. The OIG recommended a series of actions designed to improve overall management of the contract.

### **Infrastructure**

Many of the Department's weapons production facilities were built during the 1940's through the 1960's and are in a deteriorating condition. In fact, these facilities are so deteriorated that the goals of the Stockpile Stewardship Program are at risk. An OIG audit found that a \$422 million maintenance and repair backlog exists. We recommended that the Administrator of the National Nuclear Security Administration (NNSA) develop an overall infrastructure restoration plan based on individual site plans and current and planned stockpile workload requirements.

### **Contract/Grant Administration**

We continued to focus on contract management during the period. Highlights of significant accomplishments in this area are summarized below:

#### **Improving Contractor Performance**

At the request of the Secretary, the OIG participated in a broad, multi-program Department review of contractor performance. The OIG provided recommendations for improvement based on common themes identified in audit, inspection, and investigative reports completed over the last several years.

Many of the OIG's recommendations were incorporated into the Secretary's May 2000 initiative to boost contractor performance. Major provisions of the initiative include: (1) conducting annual performance reviews; (2) paying or withholding fees based on performance; (3) requiring contract performance objectives to be linked to the strategic plan; (4) keeping the Secretary better informed on major projects,



past performance, and proposed fees; and (5) adding clauses to the contracts allowing the Secretary to direct a contractor to remove its top manager for failure to perform.

### **Performance-Based Incentive Process**

An OIG audit concluded that performance-based incentives at the Idaho National Engineering and Environmental Laboratory (Idaho) were not fully successful in improving the performance or successfully reducing costs of its management and operating contractor, Lockheed Martin Idaho Technologies Company. We recommended that the Idaho Operations Office: (1) improve the structure of its incentives and its processes for validating contractor performance; and (2) promptly correct deficiencies identified through validation efforts or independent reviews.

### **Information Technology Management**

The OIG's recently-established technology audit and investigative units are achieving impressive results. For example, during the reporting period the Technology Audit Group (TAG) completed two major audits, each of which had a significant impact. These audits addressed the Department's efforts to protect its critical cyber-related infrastructures and problems with duplicative development of information systems. Management concurred with the audit findings for these audits and agreed to implement recommended changes that should improve operations of the Department.

In addition, TAG provided technical advice and assistance to other OIG elements on a number of occasions during the reporting period. This included negotiating access to contractor computer systems and databases, and performing the actual analysis of transactional data by using computer-assisted audit techniques. TAG members provided assistance in file formatting, consultation with computer technicians, and in actual data extraction and analysis.

The Technology Crimes Section (TCS) is staffed by Special Agents with the specialized investigative skills needed to

address matters involving complex computer crimes committed against the Department and to provide computer forensic support during general fraud investigations. TCS has initiated or joined several task force investigations and promoted significant liaison efforts to foster cooperative relationships with Department management and program officials, Governmentwide organizations and other law enforcement agencies.

### **Financial Management**

We continued to conduct reviews to ensure proper accountability over Department financial resources. During this reporting period, we issued financial management audit reports on Department sites and programs. The results of the FY 1999 consolidated financial statement audit were reported in the OIG's April 2000 Semiannual Report. We are currently working on the planning and execution of the next consolidated financial statement audit which must be completed by March 31, 2001.

### **Administrative Safeguards**

Administrative operations of the Department can be particularly vulnerable to waste and abuse. For example, an OIG investigation, in conjunction with the U.S. Department of Justice and the U.S. Attorney's Office for the District of South Carolina, culminated in a \$2.5 million Civil Settlement Agreement between the Government and an engineering and architectural services subcontractor at the Department's Savannah River Site, in a case involving false per diem claims by subcontractors.

### **Qui Tam Cases**

Qui Tam cases allow a private citizen to file a suit in the name of the U.S. Government for fraud by Government contractors and other entities. The OIG is actively assisting the Department of Justice in 28 Qui Tam cases involving alleged fraud against the Government in the amount of \$333 million.

*efficiency*

## Other OIG Activities

In addition to the major reporting area accomplishments, we initiated or participated in several other noteworthy activities.

### OIG Quarterly Report

We published our first “Quarterly Report” to OIG customers in July 2000. This report presents selected activities and accomplishments of the OIG. Specifically, the report summarizes significant audit, investigation, and inspection activities and accomplishments during the most recent quarter. We hope this document is useful and serves to inform interested parties of our activities between issuances of our Semiannual Reports.

### Congressional Responses

We continued our strong commitment to support Congress and its need for information. During the reporting period, we provided information, briefings, and reports to Congress in a timely manner. Furthermore, the OIG conducted a number of inquiries at the request of Congress. The following are examples of work we conducted pursuant to congressional concerns:

- Review to determine whether a Department site inappropriately disposed of computer hard drives containing classified or sensitive information.
- Review to determine whether funds were inappropriately expended to implement the Kyoto Protocol.
- Review to determine whether campaigning activities by Department employees in politically sensitive positions were in accordance with applicable laws and policies and not interfering with official duties.

#### Did You Know?

During this reporting period, the OIG received 33 requests for information from Congress, briefed Committee staff on 10 occasions, and provided information to Congress in 54 instances.

- Review of Department controls concerning management of patent and licensing activities at Department-owned contractor-operated laboratories.
- Review of an allegation that a Headquarters laptop computer containing classified information was missing.

Completing all congressional inquiries has consumed considerable OIG resources.

### Recognition of Accomplishments

We are extremely proud of the accomplishments and dedication of our employees. A number of our employees received this year's President's Council on Integrity and Efficiency (PCIE) Award for Excellence in audit, investigation and inspection work. The projects which were recognized are as follows:

*Audit—Efforts to Promote the Fair and Accurate Reporting of Environmental Cleanup Costs in the Federal Government*

*Inspection —Surplus Computer Equipment Management at the Savannah River Site*

*Investigation —East Tennessee Environmental Crimes Joint Task Force, and Clearance Status of Los Alamos National Laboratory Espionage Suspect*

The PCIE also accorded “Honorable Mention” status to the following OIG efforts:

*Audit—Critical Infrastructure Protection*

Inspection—*Export License Process for Foreign National Visits and Assignments, and Allegations Relating to the Albuquerque Operations Office Security Survey Process and the Security Operations Self-Assessments at Los Alamos National Laboratory*

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The OIG will continue to support the Department in the accomplishment of its mission. We are, and continue to be, “at your service.”

economy



Inspector General Greg Friedman and Washington, DC area staff, *Annual Community Service Day*

**MAJOR REPORTING AREAS**

**Audit Followup Action**

- **OIG recommended corrective actions agreed to by the Department are tracked by the Department until completed.**
- **The OIG follows up on all Department nonconcurrences with OIG report recommendations.**
  - **When the Department and the OIG disagree, the Department must prepare a Management Decision describing its position and any alternative actions.**
- **The Department's Chief Financial Officer reviews the Management Decisions and may convene a meeting of the Departmental Internal Contract and Audit Review Council (DICARC) to achieve mutually agreeable resolution.**

**D**uring this reporting period, the OIG aligned its work efforts in nine areas. A discussion of notable reviews conducted in each area follows.

**P**ROGRAM MANAGEMENT AND OPERATIONS

The OIG reviews the development, implementation, administration, and operation of Department programs. These efforts directly support the major Secretarial initiative to streamline Department operations.

**Project Management Baseline Weaknesses**

Baseline development is the cornerstone of sound project management. During the OIG audit of the Department's Fiscal Year 1998 financial statements, the OIG identified baseline development weaknesses in the \$185 billion (now \$230 billion) liability for environmental cleanup. In 1999, the Secretary directed the Office of Environmental Management (EM) to implement controls to correct those weaknesses and asked the OIG to assess EM's progress. EM and the Chief Financial Officer took prompt corrective action to improve the liability estimate and EM's baseline development processes. New guidelines were established to strengthen baselines for cleanup projects, including specific controls to ensure the baselines were supportable and updated. These improvements were important first steps. To ensure that the Department continues to improve its project baselines, the OIG recommended that the Department further develop and implement system-wide the "best practices" that resolved its material weakness in environmental liability reporting. The OIG also recommended, and the Department agreed, that the best practices should be included in the Department's Project Management Manual. (IG-0476)

### **The Department Continues to Pay More for Health Benefits**

The Department's actions in response to a prior audit have significantly reduced health benefit costs, while maintaining competitive benefit programs for employees. Despite these improvements, the Department continued to pay substantially more than competitive market benchmarks per capita for employee health benefits in Calendar Year (CY) 1998. This occurred because the Department did not require contractors to bring health benefit plan costs in line with competitive market benchmarks and industry practices. Had the Department required the contractors to do so, the Department could have saved \$33 million in employee health benefit costs in CY 1998.

The OIG recommended that the Acting Director, Office of Procurement and Assistance Management, amend Department Order 350.1 to require contracting officers to: (1) periodically determine the reasonableness of contractors' health benefit costs and overall benefit program costs using the Chamber of Commerce Study or other cost benchmarks published by national consulting firms; and (2) develop corrective action plans to reduce health benefit costs to within five percent of competitive market benchmarks. Management did not concur with the OIG recommendations. (IG-0470)

### **Landlord Cost Estimates Not Validated**

Public Law 105-119 requires the Secretary of Energy to convey tracts of land at Los Alamos National Laboratory (LANL) to the County of Los Alamos and the Secretary of the Interior in trust for the Pueblo of San Ildefonso. Pursuant to the Public Law, the Department must submit a Combined Data Report to Congress concerning the environmental restoration or remediation of the subject tracts, the potential environmental impact associated with the tracts transfer, estimated costs to restore the tracts, and the estimation of landlord costs.

The OIG conducted an audit to determine whether the Department validated the cost estimates associated with the conveyance and transfer of land at LANL. The Department relied upon LANL personnel to prepare landlord estimates instead of implementing a formal validation process. As a result, the Department has no assurance that the estimated costs for landlord activities reflect the costs to convey and transfer the land at LANL. Subsequent to OIG fieldwork, the Department obtained limited assurances on the estimated landlord costs and time for completion. Cost estimates for cultural resource mitigation activities, however, were not reviewed.

The OIG recommended that the Department: (1) continue to negotiate with Los Alamos County, the Environmental Protection Agency, and the State of New Mexico to minimize costs associated with the conveyance and transfer of land at LANL; and (2) implement a formal process to validate the cost estimates associated with landlord activities for the conveyance and transfer of land at Los Alamos. Department management agreed with the OIG recommendations. (IG-0469)

### **Campaigning Activities Review**

The Chairman, Senate Committee on Governmental Affairs, requested information concerning the political activities conducted by Department employees. The Committee also made similar requests to other Executive Branch Inspectors General.

A review of 90 selected trips did not identify any instances of campaigning activities by Department employees that were not in accordance with applicable laws and regulations. Additionally, interviews with senior Department officials failed to disclose any circumstances where employee campaigning activities interfered with their official duties. The OIG identified an area of concern, however, regarding the internal controls relating to documentation and receivables. Changes in this area, if properly implemented, would further enhance the Department's processing of travel involving a political component.



Based on the review, the Department committed to develop and implement procedures to strengthen and improve the control structure. (IG-0473)

### **Lack of Management Control Results in Inefficient Closure Activities at the Experimental Breeder Reactor II**



Experimental Breeder Reactor II, Idaho Falls, ID

In February 1994, the Department was directed to terminate the Advanced Liquid Metal Reactor Program (Reactor Program) and to close the Experimental Breeder Reactor II (EBR II). The Reactor Program was a scientific effort to test and develop advanced nuclear reactor technology using EBR II. The office responsible for this program was the Department's Office of Nuclear Energy, Science and Technology (Nuclear Energy). The EBR is located at the Argonne National Laboratory – West (Argonne West) in southeastern Idaho. The OIG conducted an audit to determine whether Nuclear Energy had taken action to achieve the expeditious closure of EBR II. The audit concluded that Nuclear Energy failed to take appropriate action to achieve EBR II's closure.

The OIG recommended a series of actions designed to ensure that EBR II would be closed "as soon as possible." One of the primary recommendations was that the EBR II's termination process be managed using the Department's formal project management principles. The Department agreed with the OIG recommendations and has initiated corrective actions to incorporate project management principles. (IG-0474)

### **Rocky Flats and its Operating Contractor Improperly Accounted for and Disposed of Non-nuclear Weapons Parts**

An OIG review determined that Rocky Flats Environmental Technology Site and its contractor failed to properly dispose of and account for weapons parts. Specifically, Rocky Flats did not always identify weapons parts that it had transferred or disposed of and could not accurately account for the remaining inventory. This situation was the result of Rocky Flats' failure to require its operating contractor to maintain an

accurate inventory or to require screening of parts prior to disposal.

The OIG recommended that Rocky Flats: (1) identify and screen weapons parts prior to disposal, forward parts in demand to where they are needed, control accountable parts, and document the contents of shipments offsite; and (2) clearly define the requirements to identify and segregate weapons parts when establishing performance measures involving the disposition of weapons parts. Department management concurred with the OIG recommendations. (IG-0475)

### **Inspection Identifies Weaknesses in Cost Recovery Activities**



OSTI Building, Oak Ridge, TN

The OIG conducted an inquiry into allegations concerning possible misuse of cost recovery funds at the Office of Scientific and Technical Information (OSTI). Specifically, it was alleged that: (1) cost recovery funds from the Department's Office of Defense Programs (DP) were improperly placed in OSTI's "general fund" and used for miscellaneous expenses unrelated to the Work Authorization provided by DP; (2) cost recovery funds were improperly used to cover Federal employee salaries; and (3) DP funds were improperly used to purchase a computer server which was utilized for a non-DP project.

The OIG reviewed approximately \$550,000 allotted for OSTI by DP for FY1998. Of that amount, approximately \$150,000 expended by OSTI could not be tracked because OSTI management failed to maintain a detailed cost accounting system. This failure was contrary to Department Order 534.1, "Accounting," which requires the maintenance of an accounting system that is in accordance with regulatory requirements established by the Office of Management and Budget, the General Accounting Office, and the Department of the Treasury.

It was also determined that cost recovery funds were improperly used to pay OSTI Federal salaries and that OSTI purchased a computer server with DP funds for a non-DP project. Subsequently, OSTI purchased a second computer

server with its own funds to utilize on DP projects. Because the computer server had decreased in cost, OSTI reimbursed DP for the difference.

The OIG recommended that Department management: (1) direct OSTI to ensure that its records contain sufficient details to account for all funds, assets, liabilities, and costs; and (2) take appropriate corrective action for cost recovery. OSTI agreed to develop a costing methodology to be approved by the Office of Chief Financial Officer. (IG-0477)

### **Implementation of Departmentwide “Gain Sharing” Program Would Provide Opportunity for Realization of Substantial Travel Savings**

In 1995, the General Services Administration issued guidance to the executive branch concerning a cost savings program entitled “GAIN SHARING.” The program allows agencies to give cash awards to employees who use frequent traveler programs or incur less than the maximum allowable lodging rate.

The OIG conducted a review to determine whether the Department had developed initiatives to implement the “GAIN SHARING” program. Although four Department offices had implemented a form of “GAIN SHARING,” saving \$58,000 in FY 1999, the review determined that a Departmentwide policy on “GAIN SHARING” has not been issued. If a Departmentwide policy is implemented, the Department has an opportunity to realize significant cost savings.

The OIG recommended that the Department: (1) evaluate the existing “GAIN SHARING” programs within the Department; (2) develop and implement Departmentwide “GAIN SHARING” policies and procedures; and (3) evaluate the feasibility of including the Department’s management and operating contractors in the program. The Department concurred with the recommendations and has initiated corrective actions. (IG-0480)

### **Clarification Necessary in Department Administration of Patent and Licensing Activities at Department-owned Contractor-operated Laboratories**

The OIG conducted an audit of the Department’s administration of patent and licensing activities at Department-owned contractor-operated laboratories. The objective of this review was to determine whether Department controls for patents and licensing were working and providing protection of stakeholder interests as intended.

The review determined that Department controls for patent and licensing activities were working as intended. Despite these controls, however, there had been an increase in the number of allegations and complaints against the laboratories concerning patent and licensing activities.

To further strengthen the Department’s administration of patent and licensing activities, the OIG recommended that the Department’s Technology Transfer Working Group propose administrative and/or legislative actions to clarify Government laboratories’ role in interacting with the private sector. The Chair of the Department’s Technology Transfer Working Group did not agree with the OIG’s observation concerning the number of complaints and asserted that compared to the increasing amount of technology transfer activity, complaints were “relatively rare.” The Chair also stated that the Department was currently implementing corrective actions that would satisfy OIG recommendations. (IG-0479)

## **S**AFEGUARDS AND SECURITY

Recent events have focused the attention of the Congress and the Department on national security issues.

### Surplus Computer Equipment Found to Contain Unclassified Controlled Nuclear Information and Other Sensitive Unclassified Information



Computer equipment sold to a vendor and stored at its facility

The Westinghouse Savannah River Company (WSRC) failed to comply with Department and Savannah River Site (SRS) requirements for disposal of surplus computers. Specifically, WSRC did not clear stored information, including sensitive unclassified information and Unclassified Controlled Nuclear Information, from all surplus computers. In addition, WSRC did not certify that the computers were sanitized prior to disposal.

When WSRC discovered that uncleared surplus computer equipment had been sold, it reacquired and destroyed the equipment. However, the OIG review disclosed that WSRC could not account for 30 disk drives formerly used in the site's security system. The OIG review also disclosed that in the July 1999 timeframe, other SRS computer equipment had been shipped to the People's Republic of China. The shipper stated that no records were kept, but believed the shipment did not contain hard drives. The OIG had no way to determine the exact content of this shipment, but noted that over 16,000 computers and related items were sold publicly by the SRS during FYs 1998 and 1999.



Indoor storage area

The OIG recommended that the Department review its property management systems to ensure high-risk personal property is properly processed. The OIG also recommended that the Department determine whether any security vulnerabilities resulted from the release of the information at the SRS. Management concurred with the recommendations and agreed to take corrective action. In addition, the contractor's award fee for the six months ending March 31, 2000, was reduced by \$1 million based on weaknesses found in the protection of sensitive unclassified information. (IG-0472)

### **Inspection of Safeguards and Security Survey Process and Security Operations' Self-Assessments Result in Departmentwide Review**

An OIG inspection found that management officials of the Albuquerque Operations Office (Albuquerque) changed annual security survey ratings for Los Alamos National Laboratory (LANL) Security Operations. Ratings for the 1998 and 1999 LANL Security Survey Reports were changed without any documented rationale for such changes. In addition, approximately 30 percent of the LANL Security Operations Division personnel interviewed believed that they had been pressured by LANL management to change or “mitigate” security self-assessments. The review also determined that the Los Alamos Area Office security staff was not performing all of the oversight responsibilities associated with the LANL Security Operations Division programs.

The OIG recommended that: (1) supporting rationale for changes to the Albuquerque Security Survey ratings be included in the Survey Report; (2) survey personnel possess the requisite expertise and skills necessary to perform the surveys; (3) Albuquerque ensure that LANL’s self-assessment program is fully implemented; and (4) the Los Alamos Area Office has adequate staffing to carry out its oversight responsibilities.

Albuquerque management agreed with the OIG recommendations. As a result of OIG concerns, the Director, Office of Security and Emergency Operations, agreed to evaluate self-assessment programs Departmentwide to determine if such programs have been fully implemented and whether they adequately represent current security conditions. (IG-0471)

### **Site Safeguards and Security Planning Process Needs Strengthening**

In January 2000, the OIG received an allegation concerning serious improprieties in the Department’s Site Safeguards and



Security Planning (SSSP) process. Specifically, the allegation accused a number of people within the Department of “lying in the reporting of the actual status of security” at the Department’s most important nuclear sites, and that a contractor’s findings under the SSSP Quality Assurance process were either ignored or not acted upon in a timely manner. In addition, it was alleged that “illegal” retaliation was taken against those trying to correct the Department’s security problems or assisting a special assistant to the Secretary on Department security issues.

While the OIG inspection disclosed significant problems in the SSSP process, the inspection did not substantiate the allegations that Department officials: (1) lied in the reporting of the actual status of security at the Department’s most important nuclear sites; or (2) suffered retaliation for reviewing SSSPs or for assisting a special assistant to the Secretary.

The OIG made several recommendations for the Director, Office of Security and Emergency Operations, most notably, to establish a policy on what actions are required once high and moderate risks are identified through the SSSP process, and to ensure that a dispute resolution process resolves disagreements that occur. Management generally concurred with the OIG recommendations. (IG-0482)

## ENVIRONMENT, SAFETY, AND HEALTH

During this reporting period, the OIG conducted significant reviews of environmental issues. The following are highlights of those reviews.

### Ineffective Contract Management Increases Cost and Delays Site Contamination Cleanup Schedule

In August 1997, Oak Ridge Operations Office awarded a \$238 million fixed-price contract to British Nuclear Fuels Inc. (BNFL) to decontaminate and decommission (D&D) three

#### Did you know?

**A major strategic goal of the Department is the cleanup of the 53 remaining contaminated sites by 2006.**

Source: DOE Accountability Report- FY 1999

large uranium enrichment buildings in the Department's East Tennessee Technology Park (ETTP). BNFL was also required to recycle or dispose of the materials located in ETTP buildings and make the buildings available for commercial use by September 2003. The OIG conducted an audit to determine whether completion of the D&D was proceeding within the current contract price and on schedule.

The OIG concluded that BNFL was not on track to complete the D&D within the current contract price or on schedule. As of March 2000, BNFL had incurred 61 percent of the costs associated with the current value of its contract, but had completed only 14 percent of the project. As a result of ineffective management and insufficient oversight, the project will cost an estimated \$94 million more than the current contract amount and will be completed at least 2 years behind schedule.

The review also determined the existence of an increased risk to the public of release of contaminated metals. BNFL failed to perform accurate surveys of contaminated metals before release for recycling on the open market and did not adequately supervise employees who performed these surveys.

The OIG recommended a series of actions designed to improve the overall management of the BNFL contract. Department management concurred with the OIG recommendations. (IG-0481)

### **Inaccuracies in Waste Characterization Data**

In December 1997, the Department awarded a management and integration contract to Bechtel Jacobs, LLC (Bechtel) to manage the Department's radioactive waste at Oak Ridge. An OIG audit was conducted to determine whether Bechtel and its predecessors accurately characterized the Department's waste.

The audit found that Bechtel and its predecessors did not accurately characterize low-level and low-level mixed radioactive waste at Oak Ridge. In some cases, the





Oak Ridge—Outside drums used to store sludge containing both hazardous and radioactive waste. Over a period of time the drums rusted and have since been packed in special plastic containers and stored indoors (see picture below).



contractors overstated the weight, understated the volume, and inaccurately recorded the physical descriptions of the waste in inventory. The errors occurred because the Department and its contractors had not developed procedures for ensuring that the weights, volumes, and physical descriptions of waste were accurate. As a result, the Department did not have a reliable database to make informed decisions regarding the amount of waste to be treated or disposed. It also was determined that the Department will spend about \$480,000 in FY 2000 to visually inspect 6,500 containers of waste that had been previously mischaracterized at Oak Ridge.

The OIG recommended that the Manager, Oak Ridge Operations Office, direct Bechtel to develop procedures for determining accurate weights, volumes, and physical descriptions of mixed and low-level waste. Department management agreed with the OIG recommendations and initiated corrective actions. (ER-B-00-03)

### **Subcontractor Illegally Disposes of Hazardous Waste**

The OIG issued an Administrative Report to Management advising that an investigation substantiated allegations that a Department subcontractor illegally transported and disposed of hazardous waste from the Department's Superconducting Super Collider (SSC) site. The activities occurred in 1993 and 1994 during the shutdown process at SSC. In response to the report, the subcontractor, its President, and Vice-President were debarred from doing business with the Government for 3 years.

As previously reported, the OIG investigation determined that the subcontractor illegally transported 18 drums containing hazardous waste generated at the SSC. The drums were not properly labeled because they did not identify the contents as hazardous and they were not accompanied by an accurate hazardous waste manifest as required by Federal law. Subsequently, the drums were illegally buried at a waste facility in southern Texas. The waste facility did not have the required permits to store such hazardous waste.

The subcontractor previously pled guilty to a felony violation of the Resource Conservation and Recovery Act. The subcontractor was required to pay a fine of \$8,000 and a special assessment fee of \$200. (I94AL011)

### **Subcontractor Sentenced for Resource Conservation and Recovery Act Violations**

An investigation by the East Tennessee Environmental Crimes Task Force, of which the OIG is a member, determined that a Department subcontractor violated the Resource Conservation and Recovery Act (RCRA). The task force investigated allegations that a subcontractor was mixing hazardous waste from the Department's Vehicle Maintenance Facility, Oak Ridge, Tennessee, with non-hazardous waste and transporting the waste without the proper hazardous waste manifest.

The U.S. Attorney's Office for the Eastern District of Tennessee accepted the case for criminal prosecution. The subcontractor-corporation and its president each pleaded guilty to violations of Title 42, U.S.C., Sections 6928(d)(2) (A) and 6928(d)(5) (RCRA), and Title 18, U.S.C., Section 3 (Accessory after the Fact), respectively.

The subcontractor-corporation was sentenced to 3 years probation, a \$3,600 fine and a \$400 special assessment fee. The president was sentenced to 1-year probation, a \$2,400 fine, 150 hours of community service in the environmental field, and a \$25 special assessment fee. Additionally, the Department debarred the president and the corporation from doing business with the Government for 3 years. (I97OR007)

### **Guidance Needed for Global Climate Change Activities**

The United Nations Framework Convention on Climate Change (FCCC), a plan intended to identify methods of reducing greenhouse gas emissions, was ratified by the Senate in 1992 and became effective in July 1994. The Kyoto Protocol, a proposed amendment to the FCCC, is an initiative

*efficiency*

to reduce net emissions of certain gases by setting limitations on emissions of developed countries throughout the world. The Kyoto Protocol has not been forwarded to the Senate for ratification. Fiscal Year 2000 Appropriation Act language prohibited the expenditure of funds "to propose or issue rules, regulations, decrees, or orders for the purpose of implementation, or in preparation for implementation, of the Kyoto Protocol." At the request of Congress, the OIG conducted an audit to determine whether Department funds were expended to implement or prepare for implementation of the Kyoto Protocol. The audit revealed no evidence indicating that funds were expended to issue policies to implement the Kyoto Protocol.

The OIG recommended, however, that the Department provide to its employees a formal interpretation on the appropriateness of activities in relation to the statutory restriction. The Director, Office of Policy, agreed to develop appropriate guidance. (IG-0467)

## I NFRASTRUCTURE

Modernization of the Department's aging infrastructure is a major challenge facing the Department. The Department has embarked on a long-range program to consolidate and build a smaller, modern and more efficient weapons production complex. The following are highlights from several reviews the OIG conducted in this area.

### **Critical Infrastructure Protection Efforts Not Complete**

In 1997, a Presidential Commission on Critical Infrastructure Protection concluded that the national critical infrastructures were vulnerable to attack through the malicious use of commonly available tools. As a result, the President issued Presidential Decision Directive 63 (PDD 63) that required Federal agencies to develop and implement protective measures to eliminate significant vulnerabilities and assure

the continuity and viability of the nation's critical infrastructure.

The OIG conducted a review to determine whether the Department's implementation of PDD 63 was achieving its intended purpose. The review determined that the Department did not implement its critical infrastructure protection plan. Specifically, the Department's plan had not been amended to correct deficiencies in threat analysis and emergency planning. Also, the Department had not completed internal infrastructure planning and assessment activities. The Department's lack of progress in fully implementing and executing PDD 63 increases the risk of malicious damage to its cyber-related critical infrastructure that could adversely impact the Department's ability to protect assets and deliver essential services. National goals for achieving an initial protection capability by the end of CY 2000 and a fully functional infrastructure protection by CY 2003 may also be adversely impacted.

The OIG recommended a series of actions designed to help ensure that future efforts to protect the Department's critical infrastructures are successful. Management concurred with the OIG recommendations. (IG-0483)

### **The Department Needs to Develop an Overall Infrastructure Restoration Plan**

The Department, through its Stockpile Stewardship Program, is responsible for ensuring the safety, security, and reliability of the nuclear weapons stockpile. In 1998, the Department concluded that aging and deteriorating weapons production facilities had created a \$422 million maintenance and repair backlog. Although the data suggests that current military requirements were being met, the deterioration of the infrastructure resulted in delays in weapons modification, remanufacture, and dismantlement and in surveillance testing of nuclear weapons components. Current and future goals of the Stockpile Stewardship Program are at risk. Department officials within the National Nuclear Security Administration (NNSA) estimated that the Department must invest \$5 billion to \$8 billion more than current budgeted amounts over the

#### **Did you know?**

**It has been almost 8 years since the last U.S. underground nuclear test. The Stockpile Stewardship Program has moved the nation from test-based to science-based methods of stockpile certification.**

**Source: DOE April 14, 2000  
News Release**

next 10 years to offset the effects of delayed or neglected infrastructure.

The OIG recommended that the Administrator of NNSA develop an overall infrastructure restoration plan based on individual site plans and current and planned stockpile workload requirements. The Administrator, NNSA, concurred with the OIG recommendations and advised that Phase II of the Facilities and Infrastructure Initiative study, now underway, would address each of the OIG's recommendations. (IG-0484)

## C CONTRACT/GRANT ADMINISTRATION

### Did you know?

**The Department contracts 92 percent of its budget. In FY 2000, Department contracting totaled over \$17 billion.**

Source: Department of Energy Procurement and Assistance Data System (PADS) as of October 23, 2000

The OIG continued to dedicate its efforts to management reviews geared towards assisting the Department in improving its management of contracts and grants. This is a major Department initiative.

### **New Security Contract Does Not Provide Incentives to Reduce Overtime or Minimize Security Costs**

Until recently, Lockheed Martin Energy Systems, Inc. (LMES) operated and provided security services at the Department's major sites in Oak Ridge, Tennessee. In 1999, the Department awarded Wackenhut Services, Inc. (Wackenhut) a new contract to provide security services for these locations. An OIG audit of the new contract determined that the contract was not structured to include incentives to reduce overtime or minimize costs. In negotiating the terms of its contract with Wackenhut, the Department failed to do a comprehensive analysis to evaluate staffing and overtime requirements. In fact, the contract permits Wackenhut to utilize up to 26 percent more overtime than LMES, and hire an additional 100 guards despite comparable levels of effort.



Using the CY 1999 LMES actual security overtime as a baseline, the Department will incur additional overtime costs of at least \$8.1 million during the 3-year base term of the contract. Because the security contract calculates available award fee as a percentage of proposed labor costs, the Department could incur an additional \$3.2 million in award fees if Wackenhut works the maximum amount of overtime allowed by the contract and fully staffs its security force.

The OIG recommended that the Manager, Oak Ridge Operations Office: (1) perform a comprehensive cost analysis to determine the appropriate trade-off between increased staffing levels and the use of overtime for Wackenhut's contract; (2) use the cost analysis as a basis to establish measurable performance objectives with incentives for Wackenhut in the Annual Performance Evaluation Plan; and (3) ensure that future security services contracts include performance incentives to keep overtime at a minimum. Department management agreed with the OIG recommendations and agreed to initiate corrective actions. (ER-B-00-02)

### **Improvements Needed in Performance-based Incentives Process**



Idaho National Engineering and Environmental Laboratory

In 1994, the Department replaced its standard management and operating contract with a new performance-based contract. The new contract included incentives to improve performance and/or reduce costs. An OIG audit concluded that performance-based incentives at the Idaho National Engineering and Environmental Laboratory (Idaho) were not fully successful in improving the performance or in successfully reducing costs of its management and operating contractor, Lockheed Martin Idaho Technologies Company (Lockheed).

Out of 13 programs reviewed, the OIG questioned 8 of the incentives awarded, some for more than one reason. For some incentives, performance declined or was unchanged. For others, performance improved but the improvement was overstated, was compensated twice, could not be directly linked to actions taken by Lockheed during the incentive

period, or carried a disproportionately high fee. For still others, Lockheed could not demonstrate any reduction in costs.

The OIG recommended that Idaho: (1) improve the structure of its incentives and its processes for validating contractor performance; and (2) promptly correct deficiencies identified through validation efforts or independent reviews.

Department management concurred with the finding and recommendations and agreed to improve its performance incentives program. (WR-B-00-05)

### **Nonperformance of Make-or-Buy Analysis Results in Missed Opportunities to Reduce Costs**

In 1994, the Department implemented a requirement that its management and operating contractors (M&O) evaluate whether their services could be obtained at a lower cost by outsourcing to commercial entities. The OIG conducted an audit to determine whether Brookhaven National Laboratory (Brookhaven), operated by an M&O contractor, prepared a make-or-buy analysis for its Central Shop operations. The OIG review established that Brookhaven did not conduct a make-or-buy analysis for its Central Shops despite the fact that this was one of its largest service functions. It was revealed that Brookhaven failed to make the performance of a make-or-buy analysis a high priority due to outsourcing restrictions in its collective bargaining agreement and limitations in its financial system. Thus, the audit concluded that Brookhaven and the Department may have missed opportunities to reduce fabrication costs.

The OIG recommended that the Chicago Operations Office Manager direct Brookhaven, before negotiation of its next collective bargaining agreement, to: (1) review its methodology for measuring and charging the costs of Central Shops services and make appropriate changes; and (2) perform a make-or-buy analysis for Central Shops that evaluates opportunities to reduce costs such as outsourcing and privatization. Department management agreed with the OIG recommendations. (ER-B-00-01)

economy

### **False Claims by a Department Subcontractor Result in a Civil Settlement of Over \$1.2 Million**

As previously reported, the OIG initiated an investigation upon receipt of an internal audit report from the Department's facility management contractor at the Pantex Facility (Pantex) in Amarillo, Texas. The audit found that a waste disposal services subcontractor had conspired to defraud the Government through fraudulent billings. The audit disclosed potential billing irregularities that resulted in the suspension of payment by the contractor to the subcontractor.

The OIG investigation revealed that the subcontractor overcharged for services and equipment, double billed, and in some instances, billed the Department's contractor for services it never performed. Under the terms of the Civil Settlement Agreement, the subcontractor was ordered to pay the Government over \$1.2 million, which included double damages and penalties.

During this reporting period, the OIG issued an Administrative Report to Management concerning the above-mentioned false claims. In response to the report, the Department: (1) admonished the subcontractor; (2) required the subcontractor to instruct its employees in business ethics and standards of conduct; and (3) required the subcontractor to provide assurances that it had taken initiatives to prevent reoccurrence of this and other conduct that might call into question the subcontractor's responsibility as a Government contractor. (I94AL006)

### **Contractor Improperly Withholds Travel Rebates**

An OIG investigation determined that a Department travel service contractor was paying travel rebates that were considerably less than what the Department received from a previous contractor. Under a General Service Administration (GSA) award, the subject contractor provided travel services to a Department National Laboratory and to several other agencies. The contract required the contractor to pay travel rebates to all participating Government client agencies based on a formula specifically identified in the contract. The OIG



investigation revealed that the contractor failed to calculate the rebates using the proper formula. Based on the investigative findings, GSA initiated administrative action against the contractor and recovered \$53,590 in back rebates on behalf of the Department and other Federal agencies. (I00HQ005)

**Audit Questions Using Contract Funds for Polling**

A limited OIG review questioned the University of California's (UC) expending \$24,000 in contract funds to retain a contractor to poll 600 people in five cities in the Bay Area. The poll apparently sought to gauge public awareness and impressions of Lawrence Livermore National Laboratory with respect to certain issues, including: (1) cost overruns associated with the National Ignition Facility; (2) allegations of discrimination against Asian Americans; and (3) security and espionage concerns. The OIG questioned the utility and appropriateness of the use of taxpayer dollars for this kind of exercise. The OIG also took issue with the manner in which the poll was used by UC to downplay the concerns expressed by the Secretary and the Congress about these issues.

The OIG recommended that the Department and the National Nuclear Security Administration should: (1) determine if the costs involved are, in fact, allowable; (2) review all facilities management contracts to identify the extent to which this type of activity is being repeated elsewhere; and (3) evaluate whether this kind of expenditure is in the best interest of the Government. (HQ-L-00-02)

### Did You Know?

The Department had 4,621 computer security "incidents," during the third quarter of FY 2000 compared to 3,080 in all of FY 1999. These included 87 successful computer network intrusions, 146 attempted intrusions and 7 successful denial-of-service attacks.

Source: DOE Computer Incident Advisory Capability, FY 2000 third quarter report, Office of Chief Information Officer

### Did you know?

In 1999, 54% of all reported Department computer network scans, a technique used by hackers to look for computer network vulnerabilities, came from domestic sources.

Source: DOE Computer Incident Advisory Capability, FY 2000 third quarter report

## INFORMATION TECHNOLOGY MANAGEMENT

Accomplishments in the Information Technology Management area include the following.

The OIG's Technology Crimes Section (TCS) is staffed by Special Agents with specialized investigative skills. These skills are necessary to review computer systems and respond to the complex computer crimes committed against the Department and to provide computer forensic support to the OIG investigative staff.

An example of one of TCS's most recent successes involves a joint investigation between the TCS and the Federal Bureau of Investigation, High Technology Crimes Squad. This effort culminated in the arrest of an individual who hacked into the Department's Lawrence Livermore National Laboratory. This was in violation of Title 18, U.S.C., Section 1030 (a)(5) (B) (Unauthorized Access of a Protected Computer Recklessly Causing Damage).

### Facilities Information Management System Did Not Contain Accurate and Complete Data

In July 1995, the Department implemented a \$2 million Facilities Information Management System (FIMS) as its corporate real property database. With a multi-billion dollar inventory of real property throughout the nation, maintaining complete and accurate information on these holdings is critical.

An OIG review of the system revealed that the FIMS did not contain accurate and complete information. Real property existed at some sites that had not been entered in FIMS, while in other instances recorded property could not be located. In addition, some supplemental data necessary for managing and

reporting on Department real property had not been entered in the system. Many field sites maintained their own site-specific real property systems and did not use FIMS to manage property. Further, the Office of Field Integration, responsible for oversight of FIMS, did not have the authority to require field sites to maintain and use the database. As a result, the Department's ability to rely on FIMS for decisions concerning real property was questionable.

The OIG recommended that the Field Management Council take a series of actions to strengthen the collection and management of real property information. Management agreed with the audit conclusion and recommendations. (IG-0468)

### **Development of Information Technology Investment Strategy Necessary to Reduce or Eliminate Duplicative Computer Systems**

The Department spends about \$1.6 billion annually for the acquisition and maintenance of information technology (IT) related resources. Over \$500 million, or 32 percent, of the Department's IT-related budget was for development, modernization, and enhancement of systems at the Department and its on-site contractors. In recent years, the Department has attempted to leverage its IT resources by: (1) implementing cross-cutting, corporate level information systems; (2) establishing an aggressive strategic plan; and (3) setting performance goals. The OIG conducted an audit to determine whether the Department's corporate information management systems were being duplicated by site specific stand-alone systems.

The review determined that despite the Department's initiatives, it had spent at least \$38 million developing duplicative systems. Furthermore, the Department had not fully developed and implemented an application software investment strategy designed to reduce or eliminate duplicative systems.

The OIG recommended a series of actions designed to reduce expenditures and to prevent or reduce duplicative system development. Management generally agreed and proposed a number of corrective actions. (IG-0485)

### **Benefits Not Derived From Investments in Two Integrated Business Information Systems**

A number of the Department's facility management contractors are developing and implementing integrated business information systems. The objective of this effort is to increase the efficiency of Department operations. The OIG conducted an audit of eight of the Department's largest contractors to evaluate the contractors' progress in this effort. The review determined that six of the eight contractors had already implemented such systems. Two contractors, Westinghouse Savannah River Company (WSRC) at the Savannah River Site and the University of California (UC) at the Los Alamos National Laboratory, have not implemented the systems. WSRC terminated its project to implement an integrated information system after investing 9 months and \$11.5 million, and UC terminated its project after spending over 2 years in development and \$3.6 million in related costs.

Furthermore, WSRC and UC did not follow Federal or Department guidelines for software projects. As a result, the Department received no appreciable benefit from the \$15.1 million invested in the new systems at these sites. At the Savannah River Site, the Department estimated it could have saved \$86 million over a 4-year period if the integrated business information system had been successfully implemented.

The OIG recommended a series of actions to ensure that future efforts to develop integrated business information systems are successful. The Savannah River and Albuquerque Operations Offices concurred with the finding and recommendations. (IG-0466)

## **F**INANCIAL MANAGEMENT

The OIG reviews the management controls, accounting systems, and other processes that ensure that the Department and its contractors exercise proper accountability over Government financial resources. The major review performed by the OIG is the annual audit of the Department's consolidated financial statements as required by the Government Management Reform Act of 1994. The results of the FY 1999 consolidated financial statement audit were reported in the OIG's April 2000 Semiannual Report. The OIG is currently reviewing the Department's FY 2000 financial statements and will report the results in its April 2001 Semiannual Report. During this reporting period, substantial effort went into the planning and execution of this audit, which must be completed by March 31, 2001. As each yearly audit is completed, a new cycle begins again.

## **A**DMINISTRATIVE SAFEGUARDS

Administrative operations are particularly vulnerable to waste and abuse. During the reporting period, OIG work resulted in the following results.

### **False Per Diem Claims by Subcontractors Result in a \$2.5 Million Civil Settlement**

An OIG investigation, in conjunction with the U.S. Department of Justice (DOJ) and the U.S. Attorney's Office (USAO) for the District of South Carolina, culminated in a \$2.5 million Civil Settlement Agreement between the Government and an engineering and architectural services subcontractor at the Department's Savannah River Site (SRS), Aiken, South Carolina. The Department directly received \$1.24 million of the \$2.5 million stipulated in the agreement.

The investigation involved allegations that from November 1993 through July 1995, while performing a subcontract at the SRS, subcontractor employees improperly received hundreds of thousands of dollars in Long-Term Temporary Assignment per diem payments. Per diem is money paid by the Government to reimburse employees for travel and temporary living expenses. The investigation revealed that in order to receive per diem payments the initial and successor subcontractors' employees falsely certified that the residences of family members, friends and rental/vacation properties were their permanent residences. (I96SR028)

### **Subcontractors Pled Guilty to Criminal False Statements for Supplying the Government Substandard Coal**

As members of a multiagency task force, the OIG conducted an investigation into the alleged shipment of substandard coal and falsification of coal testing results. The substandard coal was provided to the Department's Savannah River Site, the Fernald Environmental Management Project, and numerous Department of Defense facilities.

The task force investigation revealed that: (1) a coal-testing laboratory subcontractor falsified quality assurance test reports on substandard coal; and (2) a coal supplier subcontractor falsified certifications to the Government concerning the source and seams from which coal was mined, as well as the quality of the coal produced. The U.S. Attorney's Office for the Southern District of Kentucky accepted the case for criminal prosecution. A Federal Grand Jury returned a 43-count indictment for false statements, false claims, conspiracy, and major fraud against the Government. Following the indictment, both subcontractors and their owners were suspended from Government contracting.

Under the terms of a Plea Agreement, the owners separately pled guilty to violations of Title 18, U.S.C., Section 1001 (False Statements), and were each sentenced to 2 years probation. (I94SR018)

### **Contractor Employee Sentenced for Theft of Computers**

In a previous Semiannual Report, the OIG reported that a contractor employee had stolen approximately \$3,600 in computer equipment from the Idaho National Engineering and Environmental Laboratory. After an Assistant U. S. Attorney for the District of Idaho accepted this case for criminal prosecution, the employee pled guilty to one count of Title 18, U.S.C., Section 641 (Theft of Government Property).

During this reporting period, the contractor employee was sentenced to 1-year probation, a \$1,000 fine and a \$25 special assessment fee. (I98IF005)

### **Subcontractor Employees Convicted of Theft**

An OIG investigation determined that two former Department subcontractor employees stole over 36,000 pounds of salvageable metal from the Oak Ridge Y-12 facility. The U.S. Attorney's Office for the Eastern District of Tennessee accepted the case for criminal prosecution. Both employees pled guilty to one count of Title 18, U.S.C. Section 641 (Theft of Government Property) and had their site access withdrawn. One employee was sentenced to 2 years supervised probation and was ordered to pay \$704 in restitution. The other employee was sentenced to 12 months incarceration to be followed by 3 years of supervised release and was also ordered to pay \$22,540 in restitution — \$17,887 to the Department and \$4,653 to the scrap metal dealer.

During the investigation the OIG recovered 7,726 pounds of the salvageable metal from a local scrap metal dealer where one of the employees sold the metal for \$22,540. (I98OR005)



### Subcontractors Pled Guilty to Bid Rigging

The OIG received information that a Department subcontractor and a co-conspirator unlawfully colluded in the submission of bids to the Bonneville Power Administration (BPA) for brush clearing services along transmission line right-of-ways. The subcontractor and co-conspirator devised a scheme to deceive BPA into believing that the subcontractor and co-conspirator company were independent of one another. During the period under investigation, it was found that the subcontractor and co-conspirator companies were, in fact, affiliated and were allocating and submitting non-competitive bids to the Government.

Based on the investigative findings, the U.S. Attorney for the District of Oregon and the Department of Justice Antitrust Division filed an Information charging the subcontractor with violation of Title 18, U.S.C., Section 371 (Conspiracy to Defraud). The president of the subcontractor company, and his son, the co-conspirator, entered a Plea Agreement ordering them to pay a total of \$100,000 in fines and \$200,000 in restitution to BPA. (I99RL002)

### Policy Needed for Addressing Incidents of Scientific Misconduct



Aerial view, Lawrence Berkeley National Laboratory

At the request of the Secretary of Energy, the OIG initiated an inspection into issues relating to allegations that a research scientist at the Lawrence Berkeley National Laboratory (Berkeley) engaged in scientific misconduct. The OIG review determined that Berkeley conducted an internal investigation concluding that the scientist had intentionally falsified and misrepresented research data. The scientist had received about \$5.9 million from the Department, other Government agencies, and private institutions for research projects. A Berkeley official said that about \$499,000 of the Department funds were most likely used by the scientist to develop the research data that was falsely reported. The OIG review found that the Department did not have a policy addressing allegations of scientific misconduct. Department officials who became aware of Berkeley's investigation of the research scientist for possible misconduct determined that no



actions were necessary. As such, senior Department officials were not made aware of this issue, and the Department did not consider whether: (1) the research scientist's current work should continue to be funded; (2) the Department should initiate efforts to recover funds used in the alleged falsified scientific papers; or (3) the Department should not provide future funding for the scientist's work.

Largely because it had no policy regarding scientific misconduct, responsible Department personnel apparently believed that they had no obligation to take corrective action in response to Berkeley's findings. More troubling, as a result of this management failure, the research scientist subsequently received over \$900,000 in additional Department funds for research unrelated to the study investigated by Berkeley.

The OIG recommended that the Deputy Secretary select an office that will be responsible for developing and implementing the Department's policies and procedures on scientific misconduct, and ensure that the policy is consistent with the new Governmentwide policies. The OIG also recommended that the Department modify its current management and operating contracts to incorporate provisions that address alleged scientific misconduct, and require the Department to recover funds used to support misconduct occurred. The Department concurred with the OIG's recommendations and designated the Office of Science as the lead office. (IG-0478)

### **Department Program Manager Misused Government Sponsored Credit Card**

An OIG investigation substantiated an allegation that a Department Program Manager repeatedly misused a Government-sponsored credit card. The investigation disclosed that the credit card was used to: (1) obtain cash advances not associated with Government travel; (2) charge personal travel; and (3) purchase personal items. The value of the credit card expenditures was approximately \$7,500. Additionally, the Program Manager utilized his son's name

and social security number to obtain another Government-sponsored credit card after his card had been revoked for nonpayment.

This matter was referred to and declined by the U. S. Attorney's Office for the District of Colorado in favor of administrative action. An Administrative Report to Management was submitted to Department management recommending that appropriate administrative action be taken against the Program Manager. In response to the OIG recommendations, the Program Manager was suspended for 2 days, counseled by his supervisor, and referred to the Employee Assistance Program. (I99DN009)

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**Other Accomplishments**

**Did you know?**

**The OIG is currently assisting the Department of Justice in 28 Qui Tam lawsuits involving alleged fraud against the Government in the amount of \$333 million.**

**Source: Energy Inspector General Project Tracking System**

**Qui Tams**

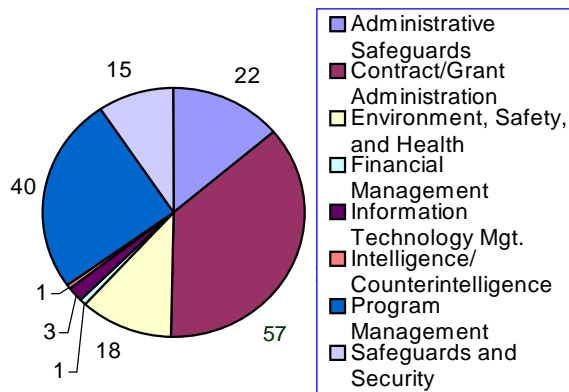
The False Claims Act (Act) prohibits any person from “knowingly” presenting “a false or fraudulent claim for payment or approval” to the Federal Government. The Act authorizes individual citizens to bring private suits, referred to as Qui Tam actions, to enforce the Act on behalf of the Government. Since 1996, the OIG has been instrumental in assisting the Department of Justice in Qui Tam cases in which it is alleged that a Department of Energy contractor has submitted false claims.

**Management Referral System**

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 action. Complaints referred may include such matters as time and attendance abuse, misuse of Government vehicles and equipment, violations of established policy, and standards of conduct violations.

The OIG referred 157 complaints to Department management and other Government agencies during the reporting period. The OIG asked Department management to respond concerning the actions taken on 90 of these complaints.

Management Referral System  
(complaints referred by major issue area)



## **Intelligence Activities**

The OIG issued two quarterly intelligence 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 that the Inspectors General have reason to believe may be unlawful or contrary to Executive Order or Presidential Directive.

## **Legislative and Regulatory Review**

The OIG coordinated and reviewed 22 legislative and regulatory items, as required by the Inspector General Act of 1978. The Act requires the OIG to review existing and proposed legislation and regulations relating to Department programs and operations and to comment on the impact which they may have on economical and efficient operations of the Department.

## **Desktop Software Guidance Established**

Following a highly critical OIG report of the Department’s lack of desktop standardization which prevented the Department from taking advantage of enterprise-level software acquisition vehicles, the Department developed a DOE Desktop Software Guidance Profile. The Guidance Profile focuses on desktop software products for administrative business computing and establishes a target for the Department for the 2001-02 timeframe as well as standards. The Guidance Profile will support Departmentwide planning, acquisition, and business information interchange. In addition, the Department identified future areas for standardization: application development; web tools; document management; utilities; project management; desktop database; and remote access.

## **OIG Discovers Patches Being Made Available on Internet**

It came to the attention of the OIG that certain Department security patches had been put up for sale on the Internet. While the availability of this item would most likely interest collectors, the distribution of any item that might facilitate access to a restricted facility should be avoided. The Office of Security and Emergency Operations was notified of the sale and procedures for disposing of surplus uniforms were changed.

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**Reports Issued**

**AUDIT REPORTS ISSUED IN THE SECOND HALF OF FISCAL YEAR 2000**

Report Number	Title	Date	Savings	Questioned Costs
ER-B-00-01	Central Shops at Brookhaven National Laboratory	05-11-00		
ER-B-00-02	Security Overtime at the Oak Ridge Operations Office	06-13-00	\$11,300,000	
ER-B-00-03	Waste Characterization at Oak Ridge	06-19-00	\$480,000	
ER-C-00-03	Interim Audit of Princeton University's Costs for Environmental Remediation of A and B Sites on Forrestal Campus Through March 31, 1999	05-22-00		\$1,257,530
ER-FC-00-02	United States Department of Energy Office of Environmental Management Uranium Enrichment Decontamination and Decommissioning Fund Financial Statements	05-24-00		
ER-FC-00-03	Office of Isotope Programs Annual Report and Financial Statements	05-24-00		
ER-L-00-04	Management of the Spallation Neutron Source Program	05-18-00		
ER-L-00-05	High Level Waste System at the Savannah River Site	06-17-00		
ER-L-00-06	Facilities Usage at the Fernald Environmental Management Project	08-23-00		
ER-V-00-05	Assessment of the Internal Control Structure and Impact on the Allowability of Costs Claimed by and Reimbursed to Oak Ridge Associated Universities Under Department of Energy Contract No. DE-AC05-76OR00033	09-08-00		\$2,420,000*

**AUDIT REPORTS ISSUED IN THE SECOND HALF  
OF FISCAL YEAR 2000**

<b>Report Number</b>	<b>Title</b>	<b>Date</b>	<b>Savings</b>	<b>Questioned Costs</b>
ER-V-00-06	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Brookhaven National Laboratory Under Department of Energy Contract No. DE-AC02-98CH10886	06-30-00		
ER-V-00-07	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Westinghouse Savannah River Company Under Department of Energy Contract No. DE-AC09-96SR18500	08-23-00		
ER-V-00-08	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Ames Laboratory Under Department of Energy Contract No. W-7405-ENG-82	08-31-00		
ER-V-00-09	Assessment of the Internal Control Structure and its Impact on the Allowability of Costs Claimed by and Reimbursed to Bechtel Jacobs Company LLC Under Department of Energy Contract No. DE-AC05-98OR22700	09-08-00		\$62,290
WR-B-00-05	Performance Incentives at the Idaho National Engineering and Environmental Laboratory	04-04-00		\$11,300,000
WR-B-00-06	Hanford Site Radiation and Hazardous Waste Training	09-29-00	\$6,000,000	
WR-B-00-07	Vehicle Use at Lawrence Livermore National Laboratory	09-20-00	\$3,450,000	
WR-FC-00-01	Agreed-upon Procedures on Operations at the Naval Oil Shale Reserve No. 3 for the Naval Petroleum and Oil Shale Reserves, Colorado, Utah, and Wyoming	09-13-00		\$50,706



**AUDIT REPORTS ISSUED IN THE SECOND HALF  
OF FISCAL YEAR 2000**

<b>Report Number</b>	<b>Title</b>	<b>Date</b>	<b>Savings</b>	<b>Questioned Costs</b>
WR-FS-00-03	Matters Identified at the Albuquerque Operations Office During the Audit of the Department of Energy's Consolidated Fiscal Year 1999 Financial Statements	05-16-00		
WR-L-00-05	The Million Solar Roofs Initiative	09-13-00		
WR-L-00-06	Contractor Training	09-26-00		
WR-V-00-03	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Sandia Corporation Under Department of Energy Contract No. DE-AC04-94AL85000	06-20-00		\$1,509,236
WR-V-00-04	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	06-28-00		
WR-V-00-05	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to the Regents of California, Lawrence Livermore National Laboratory Under Department of Energy Contract No. W-7405-ENG-48	07-11-00		

**AUDIT REPORTS ISSUED IN THE SECOND HALF  
OF FISCAL YEAR 2000**

<b>Report Number</b>	<b>Title</b>	<b>Date</b>	<b>Savings</b>	<b>Questioned Costs</b>
WR-V-00-06	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Lockheed Idaho Technologies Company Under Department of Energy Contracts No. DE-AC07-94ID13223 and No. DE-AC07-94ID13299	07-20-00		\$803,431
WR-V-00-07	Assessment of Changes to the Internal Control Structure and Their Impact on the Allowability of Costs Claimed by and Reimbursed to Battelle-Pacific Northwest National Laboratory Under Department of Energy Contract No. DE-AC06-76RL01830	08-10-00		
IG-0466	Implementation of Integrated Business Information Systems Within the Department of Energy	04-03-00	\$127,500,000	
IG-0467	U. S. Department of Energy's Global Climate Change Activities	04-06-00		
IG-0468	Facilities Information Management System	04-26-00		
IG-0469	Land Conveyance and Transfer at Los Alamos National Laboratory	04-28-00		
IG-0470	Follow-up Audit of Health Benefit Costs at the Department's Management and Operating Contractors	05-11-00	\$165,000,000	
IG-0473	Campaigning Activities by Political Appointees	05-31-00		
IG-0474	Experimental Breeder Reactor II Termination Activities	06-29-00	\$1,500,000	

**AUDIT REPORTS ISSUED IN THE SECOND HALF  
OF FISCAL YEAR 2000**

<b>Report Number</b>	<b>Title</b>	<b>Date</b>	<b>Savings</b>	<b>Questioned Costs</b>
IG-0475	Non-Nuclear Weapons Parts at the Rocky Flats Environmental Technology Site	06-29-00		
IG-0476	Best Practices for Environmental Management Baseline Development	07-07-00		
IG-0479	Management of Patent and Licensing Activities at Department-Owned Contractor-Operated Laboratories	08-11-00		
IG-0481	The Decontamination and Decommissioning Contract at the East Tennessee Technology Park	09-12-00		
IG-0483	Implementation of Presidential Decision Directive 63, Critical Infrastructure Protection	09-22-00		
IG-0484	Management of the Nuclear Weapons Production Infrastructure	09-22-00		
IG-0485	Corporate and Stand-Alone Information System Development	09-28-00	\$38,346,875	

**INSPECTION REPORTS ISSUED IN THE SECOND HALF  
OF FISCAL YEAR 2000 \***

<b>Report Number</b>	<b>Title</b>	<b>Date</b>	<b>Savings</b>	<b>Questioned Costs</b>
IG-0471	Inspection of Allegations Relating to the Albuquerque Operations Office Security Survey Process and the Security Operations' Self-Assessments at Los Alamos National Laboratory	05-30-00		
IG-0472	Inspection of Surplus Computer Equipment Management at the Savannah River Site	06-01-00		
IG-0477	Inspection of Cost Recovery Concerns at the Office of Scientific and Technical Information	07-26-00		
IG-0478	Inspection on the Review of Scientific Integrity Issues at Lawrence Berkeley National Laboratory	07-28-00		
IG-0480	Inspection of Gain Sharing Opportunities for the Department of Energy	09-01-00		
IG-0482	Allegations Concerning the Department of Energy's Site Safeguards and Security Planning Process	09-28-00		

\*Does not include non-public reports.

**AUDIT REPORT STATISTICS**

*April 1 to September 30, 2000*

The following table shows the total number of operational and financial audit reports, and the total dollar value of the recommendations.

	<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:*	12	\$221,258,218	\$148,330,516	\$369,588,734
Those issued during the reporting period:	39	\$128,162,538	\$241,560,000	\$369,722,538
Those for which a management decision was made during the reporting period:*	24	\$244,766,252	\$124,960,000	\$369,726,252
<i>Agreed to by management:</i>		\$101,793,714	\$118,160,000	\$219,953,714
<i>Not agreed to by management:</i>		\$80,800,000	\$2,000,000	\$82,800,000
Those for which a management decision is not required:	14	\$0	\$0	\$0
Those for which no management decision had been made at the end of the reporting period:*	13	\$166,827,042	\$269,730,516	\$436,557,558

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

**AUDIT REPORT STATISTICS**  
*April 1 to September 30, 2000*

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

	<b>Total Number</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>
Those issued before the reporting period for which no management decision has been made:	3	\$6,394,217	\$84,241
Those issued during the reporting period:	1	\$1,257,530	\$0
Those for which a management decision was made during the reporting period:	0	\$0	\$0
<i>Value of disallowed costs:</i>		\$0	\$0
<i>Value of costs not disallowed:</i>		\$0	\$0
Those for which a management decision is not required:	0	\$0	\$0
Those for which no management decision had been made at the end of the reporting period:	4	\$7,651,747	\$84,241

The following are audit reports issued before the beginning of the reporting period 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. These audit reports are over 6 months old without a management decision. The Department has a system in place which tracks audit reports and management decisions. Its purpose is to ensure that recommendations and corrective actions indicated by audit agencies and agreed to by management are addressed and effected as efficiently and expeditiously as possible.

*The Contracting Officers have not yet made decisions on the following contract reports for the following reasons. They include delaying settlement of final costs questioned in audits pending completion of review of work papers and voluminous additional records.*

- |             |  |
|-------------|--|
| ER-CC-93-05 | Report Based on the Application of Agreed-Upon Procedures With Respect To Temporary Living Allowance Costs Claimed Under Contract No. DE-AC09-88SR18035, October 1, 1987, to September 20, 1990, Bechtel National Inc., San Francisco, California, and Bechtel Savannah River, Inc., North Augusta, South Carolina, May 3, 1993<br><i>(Estimated date of closure: October 31, 2000).</i> |
| WR-C-95-01  | Independent Final Audit of Contract No. DE-AC34-RIRF00025, July 26, 1990, to March 31, 1993, Wackenhut Services, Inc., Golden, Colorado, March 14, 1999<br><i>(Estimated date of closure: December 30, 2000).</i>  |
| ER-C-97-01  | Report on Interim Audit of Costs Incurred Under Contract No. DE-AC24-92OR219721 From October 1, 1994, to September 30, 1995, Fernald Environmental Restoration Management Corporation, Fernald, Ohio, December 20, 1996<br><i>(Estimated date of closure: September 30, 2001)</i>  |

*Additional time was necessary to develop management decisions for the following reports. Further explanations for the delays follow each audit report.*

- |            |   |
|------------|---|
| CR-B-97-02 | Audit of Department of Energy's Contractor Salary Increase Fund, April 4, 1997. <i>The finalization of the management</i> |
|------------|---|



*decision on this report is awaiting resolution of one outstanding issue. It is estimated that this will occur by March 31, 2001.*

- IG-0411 Contractor Incentive Programs at the Rocky Flats Environmental Technology Site, August 13, 1997. *The finalization of the management decision on this report is pending the resolution of one outstanding legal issue. This should occur by March 31, 2001.*
- CR-B-99-02 Management of Unneeded Materials and Chemicals, September 30, 1999. *The finalization of the management decision is pending resolution of accountability issues. It is estimated that this will occur by March 31, 2001.*
- IG-0454 Waste Incineration at the Idaho National Engineering and Environmental Laboratory, December 15, 1999. *Final drafting of the management decision is underway. It is expected that it will be approved by November 30, 2000.*
- IG-0457 Follow-up Audit of Program Administration by the Office of Science, January 24, 2000. *The management decision is awaiting the resolution of a nonconcurrency. It should be made by December 30, 2000.*
- IG-0461 Groundwater Monitoring Activities at Department of Energy Facilities, February 22, 2000. *The management decision is under the Secretary's approval, which should occur by November 3, 2000.*
- IG-0462 National Low-Level Waste Management Programs, February 24, 2000. *The finalization of the management decision on this report is awaiting resolution of one outstanding issue. It is estimated that this will occur by December 30, 2000.*

**INVESTIGATIVE STATISTICS**  
*April 1 to September 30, 2000*

Investigations open at the start of this reporting period	206
Investigations opened during this reporting period	61
Investigations closed during this reporting period	68
Investigations open at the end of this reporting period	199
Qui Tam investigations opened	8
<i>Total open Qui Tam investigations as of 9/29/00</i>	28
Multi-agency task force investigations opened	13
<i>Total open multi-agency task force investigations as of 9/29/00</i>	64
Investigative reports to prosecutors and Department management	12
Recommendations to management for positive change and other actions	16
Administrative discipline and other management actions	14
Suspensions/debarments	7
Investigations referred for prosecution	12
<i>Accepted*</i>	9
<i>Indictments</i>	5
<i>Criminal convictions</i>	2
<i>Civil actions</i>	6
Fines, settlements, recoveries **	\$3,099,169

\* *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.*

***INSPECTION STATISTICS***

*April 1 to September 30, 2000*

Inspections open at the start of this reporting period	54
Inspections opened during this reporting period	20
Inspections closed during this reporting period	31
Inspections open at the end of this reporting period	43
Reports issued (includes non-public reports)	12
Inspection recommendations	
<i>Accepted this reporting period</i>	34
<i>Implemented this reporting period</i>	6
Qui Tams processed	8
Legislative and policy actions processed	22
Complaints referred to Department management/others	157
Referrals to Department management requesting a response for OIG evaluations	90

***HOTLINE STATISTICS***

Hotline calls, letters, and other complaints	530
Hotline calls, letters, and other complaints predicated	248
Hotline referrals received via the General Accounting Office	8
Unresolved Hotline predications from previous reporting periods	64
<i>Total Hotline predications</i>	320
Investigations opened on Hotline complaints	19
Hotline actions transferred to the Management Referral System	147
Hotline actions closed based upon preliminary OIG activity	133
Hotline predications pending final disposition	21
<i>Total Hotline actions</i>	320

# Feedback Sheet

The contents of the October 2000 Semiannual Report to Congress comply with the requirements of the Inspector General Act of 1978, as amended. However, there may be additional data which could be included or changes in format which would be useful to recipients of the Report. If you have suggestions for making the Report more responsive to your needs, please complete this feedback sheet and return it to:

Department of Energy  
Office of Inspector General (IG-121)  
Washington, D.C. 20585

ATTN: Wilma Slaughter

**Your name:**

**Your daytime telephone number:**

**Your suggestion for improvement:** (please attach additional sheets if needed)

If you would like to discuss your suggestion with a staff member of the Office of Inspector General or would like more information, please call Wilma Slaughter at (202) 586-1924 or contact her on the Internet at *wilmatine.slaughter@hq.doe.gov*.

**At Your Service**

**U.S. Department of  
Energy  
Office of  
Inspector General**

## **HOTLINE**

**Protect Your Investments  
Be a Good Corporate Citizen**

**Report Fraud, Waste, or  
Abuse**

**By a DOE Employee,  
Contractor**

**or**

**Grant Recipient**

**Call 1-800 541-1625**

**Or 202 586-4073**

Additional information on the OIG  
can be found by visiting the OIG  
website – [www.ig.doe.gov](http://www.ig.doe.gov)

**Did You know?**

**26% of investigations  
open as of  
September 30, 2000,  
were a result of an  
OIG Hotline call or  
letter.**

Source: Energy Inspector General  
Project Tracking System

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